

**Kumba Resources business / government dinner**

**held at Richards Bay on 23 May 2005**

**Keynote address by Dr Con Fauconnier**

**Chief Executive, Kumba Resources Limited**

Thank you Programme Director, Honourable Mayor Dr Mthetwa, Mr Myeza, Honourable Mayors, Deputy Mayors, Amakhosi, Government Officials, distinguished guests, ladies and gentlemen.

As my colleague Wim de Klerk noted earlier, heavy minerals is an important element in Kumba's strategy and future growth. Ticor South Africa is a joint venture between Kumba and Australian-listed group Ticor Limited. The heavy minerals division generated revenue of well over R2,4 billion in our last financial year and contributed 19% of Kumba's group revenue last year. This included the contribution made by both our Australian and South African operations.

Our rationale for investing in Ticor SA was simple – in South Africa, the heavy minerals reserves around Richards Bay are among the

largest and best in the world and the minerals mined here – such as ilmenite, zircon and rutile – are in great demand. They are used in the production of everyday products you can easily associate with – examples are paint, paper, ceramics, high-tech metals, welding rods and television screens.

While the mining of these minerals is usually done mainly on recent sand dunes, our Hillendale mine is situated on agricultural land, not virgin dunes. Once the heavy minerals have been recovered from the soil, we rehabilitate the dunes to their former state and agricultural activities, mainly sugar cultivation, can be continued.

Our investment in Ticor SA of some R3,5 billion, is one of the largest in the region in the past decade. The joint venture arrangement, coupled to Kumba's majority shareholding in Ticor Limited, means that the Group now holds an effective 80% of Ticor SA. The operation has a 30-year business plan, which means at least a 30-year positive impact on the province, its people and the local economy.

One of the significant benefits of being a young company is that we at Kumba have from the outset been able to create contemporary structures and practices that rank among the best in the world. Our approach has been based on sustainability or the triple bottom line – economic, social and environmental – embracing the good corporate citizenship ideal. For our people, this means an investment of 5,7% of total payroll or R73 million last year in training and development – a percentage of payroll that we believe is the highest in the industry and the country. Our focus is on ensuring that the legacy we establish and eventually leave behind for future generations is positive. We adopted the same approach at Ticor SA.

Since its launch, Ticor SA has been an active participant in the economic development of KwaZulu-Natal. Apart from the investment in its own infrastructure which employed over 2 000 people during the construction phase, we currently employ over 450 permanent staff. This figure rises to about 1 000 when temporary staff and contractors are included. In co-operation with the Amakhosi, we started a forum for small, medium and micro enterprises (SMMEs) to identify disadvantaged individuals or enterprises and people with potential to

assist Ticor SA with some of its outsourced service needs. SMMEs established or employed range from weed control at Hillendale mine, to laundry and garment mending at the central processing complex.

During 2004, the Kumba group spent over R600 million on procurement with historically disadvantaged suppliers. Ticor SA alone spent more than R64-million on black empowered and black-owned companies. Another R84 million went to black-influenced companies or suppliers that have committed themselves to the empowerment of previously disadvantaged individuals. Of this, more than 60% was paid to suppliers and vendors with a presence in the uThungulu municipal area.

Aligned with the integrated development plan of uMhlathuze, we have established a partnership with the Esikhawini Tourism office to develop and promote rural tourism in the area. We have also assisted in establishing a tourism office, assisting with training in communication and marketing, business planning and capacity building.

Our success in improving education – a focus area in the Group – in the region has also been extremely encouraging. Maths and science programmes at eight KwaZulu-Natal rural high schools have, in some cases, improved grade 12 marks by more than 100% in other words more than double. These same schools benefit from micro science kits that enable them to conduct practical science experiments. We're working with the private school, Grantleigh, where the top 26 pupils from our rural schools are tutored with outstanding results. Mobile science displays have reached over 16 000 learners in the past three years. We've worked with the Department of Minerals and Energy here in KwaZulu-Natal to promote and nurture careers in mining. We also worked with the department and SAWIMA (the South African Women in Mining Association) to build the capacity of Ndwedwe Ceramics, an informal mining group, to obtain its mining licence and develop its business. We intend launching, together with the DME and SAWIMA, the flagship project in August 2005.

For me, one of the sweetest success stories lies with the children of this region. Thirteen gardening projects at primary schools are focused on soil conservation, correct planting methods and

gardening, finishing up with entrepreneurship training. Two schools are already making profits from their gardens and, more importantly, three new community gardens have been started because of the knowledge the children are able to take home to their parents and communities. That's sustainability in action.

On the business development side, Dube Village, a business run by women in the Esikhawini area, is now fully sustainable and has been expanded into a skills training centre. The Siyavuka pig farming project for the youth focuses on skills training, capacity building and business development. The Esingeni project for the disabled concentrates on skills training, business development and leadership skills. The uMhlatuze Rural Trust, for the Amakhosi of the uThungulu region, is going from strength to strength and is now starting to raise funds on its own for rural development.

Our commitment to the development of rural communities is borne out by our sponsorship since last year of the Chair of Integrated Rural Development at the University of Zululand. The initiative aims to uplift the lives of communities in all provinces and follows a mandate to the

university by the former Minister of Education, Dr Kadar Asmal, to initiate and implement rural development programmes.

On the health side, our primary focus has been on the Bayethe Aids Awareness programme that started in 2002 in partnership with His Majesty King Goodwill Zwelithini. Initially focused on the maidens of the province, Bayethe has reached 40 000 young women and more than 20 000 Aids awareness manuals have been distributed in the Empangeni and Esikhawini regions. Tomorrow, His Majesty will launch phase 2 of the programme, focused on education and awareness of the pandemic among young men of the province. This initiative is once again sponsored by Kumba. This programme is an excellent example of the effectiveness of partnerships in tackling one of our most urgent challenges.

The way we at Kumba conduct business in KwaZulu-Natal is the way we conduct business in South Africa, Africa and around the world. We strongly support the underlying principles of Nepad, the New Partnership for Africa's Development. Practical credence of this is on our doorstep, at the Ticor SA smelter nearby in Empangeni. I believe

the resources sector has a crucial role to play in Nepad – in initiating development nodes that grow to support other industries. Richards Bay is a good example, with coal exports growing from 12 to 69 Mpta and now planned for 80 Mtpa and new industries being attracted – from woodchips to aluminium. Kumba’s heavy minerals business is also playing an ever-increasing role in contributing to business development geared to support Nepad’s goals. Besides the increasing production output at the Ticor SA operations as the furnaces have ramped up, further afield pre-feasibility studies are well advanced in Madagascar for feedstock supplies that would feed the furnaces here at Empangeni well into the future or even underwrite a smelter expansion.

As a big business, we are certainly doing what we can to help Nepad to promote sustainable development and growth and involve communities in working towards these goals.

Another Kumba development beyond South Africa’s borders involves an agreement to explore the potential to create an export-oriented iron ore mine at Faleme in Senegal, West Africa. This will result in the construction of a 300km railway line and a new terminal at an existing port – the potential to attract other investors when infrastructure is in place rises exponentially.

We are fully committed to developing our heavy minerals business in KwaZulu-Natal which currently includes the beneficiation of ilmenite to titanium slag and low-manganese pig iron. Construction of our Fairbreeze mine, south of Hillendale in Esikhawini, is expected to start in 2006, with production in 2007. Fairbreeze is designed to supplement output from Hillendale as the mining moves into lower grades in future.

At Port Durnford, through a 51% Ticor SA and 49% BEE grouping, we are investigating options to explore the mineral sands reserves.

Our growth plans for our heavy minerals division are ambitious, but we believe that they are achievable.

We are committed to be the benchmark in the heavy minerals industry with our focus on sustainability, international competitiveness, optimising current operations and proactively seeking value-adding initiatives to improve business.

In doing so, we will never lose sight of the expectations of all our stakeholders, from national to provincial to local government, from communities to the environment. At all times, and in all operations, we will strive to maintain the quality of life for future generations by integrating economic development with best practice environmental and social activities.

Thank you