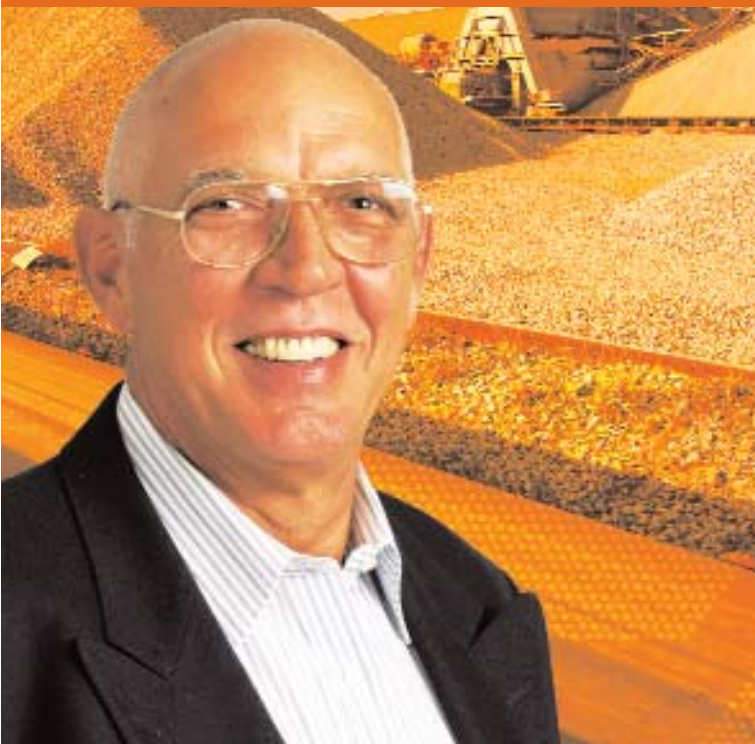


# CHAIRMAN'S STATEMENT

## KUMBA HAS DISTINGUISHED ITSELF AS ONE OF THE MOST PROFITABLE DIVERSIFIED MINING COMPANIES IN SOUTH AFRICA



In the short space of a year, Kumba Resources Limited ("Kumba") has distinguished itself as one of the most profitable diversified mining companies in South Africa.

This past year has also marked the culmination of a strategic process started in 1996 to unbundle and unlock the full value of Iscor Limited's mining and steel assets for shareholders by establishing two independent companies with solid foundations geared for profitable growth and development.

Coming onto the market in an industry characterised for the past ten years by mergers and acquisitions, Kumba's listing on November 26, 2001 generated considerable interest and speculation.

The company's management team and employees have handled this challenging situation in an exemplary

manner. They have remained focused on the job in hand, maintained the momentum generated during the re-engineering and transformation process and seized the opportunities that the company's new independent status has presented. The result has been an outstanding performance, deserving praise and congratulations.

### SHAREHOLDER WEALTH

Significant shareholder wealth has been created in the past year. The share price grew by 58% from its listing price of R29,80 to a year-end closing price of R47,20. At the same time a sterling operational performance resulted in headline earnings per share more than doubling to 385,3 cents for the past year. The net debt of the company was also reduced to R1 143 million. As a consequence, and although not envisaged at the time of listing, I am delighted that the Board was able to declare a maiden dividend of 85 cents per share.

### GROWTH AND DIVERSITY

A noteworthy aspect of this solid performance has been the growing evidence and importance of the diversity in Kumba's asset portfolio.

Although iron ore remains the major contributor to revenue and operating profit, coal more than doubled its contribution to the bottom line this year.

The heavy minerals project in KwaZulu-Natal, now managed by Ticor South Africa, was officially opened in September 2001, and in nine months has made a first contribution to operating profit. As the project ramps up to full production by 2005, this contribution is expected to increase substantially.

Base metals generated a positive cash flow in very difficult trading conditions, as did the company's ancillary investments in industrial minerals.

THE COMPANY'S MANAGEMENT TEAM AND EMPLOYEES  
HAVE HANDLED THE CHALLENGING SITUATION IN  
AN EXEMPLARY MANNER



# CHAIRMAN'S STATEMENT

## (CONTINUED)

## SIGNIFICANT SHAREHOLDER WEALTH HAS BEEN CREATED IN THE PAST YEAR

Those who followed the unbundling and corporate restructuring programme will appreciate that Kumba's present structure is the outcome of a vigorous re-engineering programme and carefully crafted strategy built around world-class assets and low cost profitable operations. Beyond the organic growth potential of these assets, the business units have enhanced their growth potential with a substantial pipeline of new investment opportunities.

### CORPORATE GOVERNANCE

The Board held its inaugural meeting in June 2001.

During this and a subsequent meeting the Board's collective responsibility to provide the company with global best practices in business management and corporate governance was thoroughly reviewed. The underlying principles and practices governing the way in which Kumba will conduct its business, and its responsibilities to its stakeholders, were agreed. They are fully consistent with those published in the King Report on Corporate Governance in 1994, and are closely aligned with those of the King II Report on Corporate Governance, published in 2002.

Board committees responsible for audit and risk management; human resources and remuneration; and safety, health and environment were established and mandated.

I am pleased to report that the Board and the Board committees – chaired by non-executive directors – are all functioning effectively, and met regularly during the year.

The Kumba Board is currently made up of 11 non-executive directors – of whom seven are independent as defined by King II – and five executive directors.

Collectively it represents a considerable diversity of skills and experience and by its very nature has created an environment in which the non-executive directors are freely exercising their independent views.

### SAFETY

Regrettably, Kumba's safety performance this past year has to be singled out for special attention. While the company's injury frequency rate is one of the best in the industry, the eight fatalities recorded this year are clearly unacceptable. On behalf of the Board, I would like to convey to the families of the bereaved our sincere condolences.

Safety and the well-being of our employees is a Board priority. The improvement initiatives now under way will be carefully monitored. We can only begin to be satisfied with our performance when nobody is injured in the course of our business activities.

### GLOBAL AND DOMESTIC ECONOMIC OUTLOOK

Turning to the international environment, the extraordinary and unexpected events of the past year make it difficult to talk about the future with even a modicum of certainty. Threats to global stability persist, and in the corporate world, the high level of business failures has been compounded by accounting malpractices and serious shortcomings in corporate governance.

On a more positive note, the constructive interactions on both the political and economic fronts among the world's leading nations point to an era of greater global economic co-operation and political stability. Although the signals are mixed, there are signs that the US economy will start to recover during the second half of the financial year. Stability will also have to return to the world's financial markets before new investment – critical for the recovery of commodity prices – begins to show a sustainable upturn.



## THE MINERAL AND PETROLEUM RESOURCES DEVELOPMENT BILL WILL PRESENT CHALLENGES AND OPPORTUNITIES FOR THE MINING INDUSTRY

Within this scenario, the South African economy has shown remarkable stability and resilience. While the Rand has recovered, it remains volatile in the face of perceptions of emerging market conditions and a higher than anticipated rate of inflation. Full credit must be given to the government and the Reserve Bank for the levelheaded and proficient manner in which the economy is being managed.

The restrictive foreign exchange regulations, however, continue to impair the free flow of funds required to ensure South Africa's participation in the global economy.

The New Partnership for Africa's Development ("NEPAD") promises to open the door to a new era of co-operation between Africa and the rest of the world and, in particular, those nations at the forefront of economic growth and development. Built on a commitment to achieve higher standards of political and economic governance throughout the continent, the initiative aims at attracting new investment, creating sustainable development and eradicating poverty on the continent. In this regard it calls for the support and co-operation of the developed economies of the world to remove the many trade barriers still inhibiting Africa's development and growth and to curtail domestic subsidies for the production of commodities. Kumba is committed to supporting NEPAD and to participate actively in the transformation and rebuilding of the mining industry as one of the major springboards for Africa's growth and sustainable development.

In this context, the Mineral and Petroleum Resources Development Bill ("Mineral Bill") will present both challenges and opportunities for the mining industry in South Africa. Kumba subscribes to the underlying principles of the Mineral Bill aimed at optimising the development of the country's mineral resources while

redressing some of the imbalances of the past, and will play a constructive role in its fair and transparent application.

The Mining Charter providing the guidelines for the Mineral Bill is expected to be released before the end of 2002.

While Kumba fully subscribes to the underlying principles of the Mineral Bill, it is our view that the Mining Charter must achieve a shared vision among all the key stakeholders based on realistic goals and time frames to boost broad-based black economic participation in the mining industry. The confidence of existing and new investors in the security and future of the South African mining industry must be retained if the growth and development required for facilitating a wider and more equitable distribution of wealth by way of employment, social investment and ownership is to be achieved.

### DIRECTORATE

My formal resignation at the annual general meeting scheduled for November 18, 2002, will mark the final milestone in the interesting and challenging journey that started with my appointment as managing director of Iscor Limited in 1993 and executive chairman of the Iscor Limited Board in 1995. The mandate from the Board at the time was clear. It was to break the parastatal mould and protectionist culture which continued to persist following the privatisation of the company in 1989 and secondly, to unlock the value inherent in the company's world-class assets and to position it competitively in the global arena.

Kumba has shown in a very short space of time, that it has the people, the resources and the will to operate successfully in the international mining arena.

# CHAIRMAN'S STATEMENT

(CONTINUED)

## KUMBA IS COMMITTED TO SUPPORTING NEPAD AND THE TRANSFORMATION OF THE SOUTH AFRICAN MINING INDUSTRY

To my fellow directors who joined the Kumba Board this year, I would like to say a very sincere thank you for the support you have given me, and for the invaluable advice and direction you have given Kumba in its first and critically important year as an independent entity.

Colin Fenton, the longest serving member of the Iscor Limited/Kumba boards, announced his retirement from the Kumba Board at the end of February 2002. His friendship and wise counsel will be greatly missed and we wish him a long and happy retirement.

It also gives me great pleasure to announce that Fani Titi, chief executive of Tiso Capital (Proprietary) Limited, and chairman of Armscor, and Cedric Savage, chairman of the Tongaat-Hulett Group Limited, joined the Board as non-executive directors during the year. Both are widely experienced and respected business executives who are sure to make an invaluable contribution to the company and its future.

I would also like to confirm that consultants have been appointed to assist a sub-committee of the Kumba Board in selecting and appointing a new chairman.

Before closing, it is a pleasure to be able to pay a very special tribute to Dr Con Fauconnier, Kumba's chief

executive. His leadership has been an inspiration to all of us and the manner in which he has steered the company through the often choppy waters of this past year has earned our lasting respect.

In his review that follows, Dr Fauconnier will take on the task of outlining Kumba's prospects for the coming year, but what I believe I can say with absolute certainty is that a better team of people to look after your interests would be difficult to find in the entire mining industry.

To my successor I would like to extend my congratulations and best wishes and to my friends and colleagues in Kumba, my best wishes for a long and prosperous future.



**Hans Smith**  
Chairman