

REPORT OF THE DIRECTORS

The directors have pleasure in presenting the annual financial statements of Kumba Resources Limited ("Kumba") and the group for the year ended 31 December 2005.

CHANGE OF YEAR END

The group changed its year end from 30 June to 31 December in the prior year to be in line with the year-end of its majority shareholder, Anglo American plc and is consequently reporting an 18-month comparative period. Refer to p116 and p117 where unaudited supplementary information is provided for comparative purposes.

NATURE OF BUSINESS

Kumba, incorporated in South Africa, is a mining group of companies focusing on extracting and processing a range of minerals and metals including iron ore, coal, heavy minerals, base metals and selected industrial minerals.

CORPORATE GOVERNANCE

The board endorses the Code of Corporate Practice and Conduct as set out in the King II Report on Corporate Governance and has satisfied itself that Kumba has complied throughout the period in all material aspects with the King II code and the listings requirements of the JSE. A detailed report appears on p60.

REGISTRATION DETAILS

Kumba is a listed company on the JSE Limited. The company registration number is 2000/011076/06. The registered office is Roger Dyason Road, Pretoria West, Republic of South Africa, 0183.

ACTIVITIES AND FINANCIAL RESULTS

Detailed reports on the activities and performance of the group and the various divisions of the group are contained in the reports on p23 to p31 and in the business operations review on p32 to p42. These reports are unaudited.

PROPERTY, PLANT AND EQUIPMENT

Capital expenditure for the period amounted to R1 044 million (2004: R1 396 million).

SHAREHOLDERS' RESOLUTIONS

At the fourth annual general meeting of shareholders, held on 15 April 2005, the following resolutions were passed:

- renewal of the authority that the unissued shares be placed under the control of the directors;
- general authority to issue shares for cash;
- approval of Kumba Resources Long-Term Incentive Plan 2005 (LTIP) and Kumba Resources Deferred Bonus Plan 2005 (DBP); and
- special resolution to authorise directors to repurchase company shares.

Kumba and its subsidiaries have passed no other special or ordinary shareholders' resolutions of material interest or of a substantive nature.

SHARE CAPITAL

The total number of shares in issue increased during the year to 306 162 251. The increase can be summarised as follows:

	Date of issue	Number of shares
Opening balance		301 854 211
Issued in terms of the Management Share Option Scheme due to options exercised at prices ranging from R39,25 to R100,10	21 February 2005 to 29 December 2005	4 308 040
		306 162 251

SHAREHOLDERS

An analysis of shareholders and shareholdings appears on p70 of the annual report.

DIVIDEND PAYMENTS

Dividend number 2

Kumba paid a final dividend of R177 million on 29 September 2003 for the year ended June 2003. The STC amounted to R22 million.

Dividend numbers 3 and 4

On 29 March 2004 and 13 September 2004 the company paid interim dividends of R60 million and R105 million respectively, the STC amounted to R8 million and R13 million.

Dividend number 5

Final dividend number 5 of 90 cents per share was declared in South African currency in respect of the period ended 31 December 2004. The dividend was paid on Monday, 14 March 2005 to shareholders recorded in the books of the company at the close of business on 11 March 2005. To comply with the requirements of STRATE the last day to trade cum dividend was Friday, 4 March 2005. The shares commenced trading ex dividend on Monday, 7 March 2005 and the record date was Friday, 11 March 2005.

Dividend number 6

Interim dividend number 6 of 160 cents per share was declared in South African currency in respect of the period ended 30 June 2005. The dividend was paid on Monday, 12 September 2005 to shareholders recorded in the books of the company at the close of business on Friday, 9 September 2005. To comply with the requirements of STRATE the last day to trade cum dividend was Friday, 2 September 2005. The shares commenced trading ex dividend on Monday, 5 September 2005 and the record date was Friday, 9 September 2005.

Dividend number 7

Final dividend number 7 of 160 cents per share was declared in South African currency in respect of the period ended 31 December 2005. The dividend was paid on Monday, 13 March 2006 to shareholders recorded in the books of the company at the close of business on Friday, 10 March 2006. To comply with the requirements of STRATE the last day to trade cum dividend was Friday, 3 March 2006. The shares commenced trading ex dividend on Monday, 6 March 2006 and the record date was Friday, 10 March 2006.

Special dividend number 1

Special dividend number 1 of 220 cents per share was declared in South African currency from the after-tax settlement proceeds received for the company's interest in the Hope Downs project, Australia. The special dividend was paid on Monday, 12 September 2005 to shareholders recorded in the books of the company at the close of business on Friday, 9 September 2005. To comply with the requirements of STRATE the last day to trade cum dividend was Friday, 2 September 2005. The shares commenced trading ex dividend on Monday, 5 September 2005 and the record date was Friday, 9 September 2005.

REPORT OF THE DIRECTORS continued

INVESTMENTS AND SUBSIDIARIES

The financial information in respect of investments and interests in subsidiaries of the company is disclosed in annexures 2 and 3 to the financial statements.

Kumba acquired the minority shareholding in Ticor Limited resulting in Ticor Limited becoming a wholly owned subsidiary from 15 November 2005. Ticor Limited was subsequently delisted from the Australian Stock Exchange (ASX) on 22 November 2005. Kumba's remaining indirect holding in Ticor SA (Pty) Limited and Ticor SA KZN (Pty) Limited is now held directly by Kumba.

Hancock Prospecting (Pty) Limited, Kumba's partner in the Hope Downs project, exercised its option to acquire Kumba's interest in the project by paying A\$231,4 million on 1 July 2005 in addition to the earlier option payment of A\$5,1 million. The post-tax proceeds were declared and paid as a special dividend on 12 September 2005. Kumba consequently has no further interest in the project.

The investment in AST was equity accounted up to 3 May 2005 being the date of the rights issue and subsequent business combination of AST with Gijima Info Technologies Afrika (Pty) Limited which diluted Kumba's equity interest of 22,34% at 31 December 2004, to 4,6% on 3 May 2005 in the newly formed GijimaAST Limited.

In December 2005 Guma Investment Holdings (Pty) Limited exercised its option to acquire the remaining 4,6% held by Kumba in GijimaAST group. Kumba consequently has no further equity interest in GijimaAst Limited.

TRANSPORT AGREEMENT WITH TRANSNET

Subsequent to the heads of agreement signed in December 2004, Kumba and Transnet concluded a definitive agreement on the expansion of the Sishen-Saldanha export channel providing for an additional 11,5Mtpa of iron ore to be exported from Saldanha by 2009. Kumba's iron ore rail allocation will be 35Mtpa by 2009 of which 33,2Mtpa will be exported.

The definitive agreement also provides for a rand-based rail tariff for the transport and handling of iron ore from the Northern Cape through the Sishen-Saldanha export channel and to provide for growth in Kumba's iron ore exports. The previous agreement between the parties provided for the transport and handling of iron ore at a tariff determined by reference to the US dollar-denominated iron ore price and the prevailing rand/US dollar exchange rates.

TRANSFORMATION TRANSACTION

On 13 October 2005 Kumba, its holding company Anglo American and Eyesizwe Mining, together with the Industrial Development Corporation, the Tiso Consortium, the Eyabantu Consortium, a Northern Cape Community Group and the South African Women in Mining Association, jointly announced the largest empowerment transaction to be implemented to date in South Africa. The parties have completed their due

diligence investigations and are in the process of finalising the valuations and the requisite legal agreements. It is envisaged that the transaction will be implemented in the second quarter of 2006 (refer to p16 for detail).

SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial period, not otherwise dealt with in this report or in the group financial statements that would significantly affect the operations or the results of the group.

DIRECTORATE

The names of the directors in office at the date of this report are set out on p58.

During the current financial year, the following resignations and appointment took place:

MLD Marole	resigned as chairman and director	15 April 2005
AJ Morgan	appointed as chairman	15 April 2005
RG Wadley	resigned as director	30 June 2005

The following directors are required to retire by rotation in terms of clause 16.1 of the articles of association:

BE Davison
SA Nkosi
CML Savage
F Titi

At the forthcoming annual general meeting the directors mentioned above will retire and, being eligible, offer themselves for re-election.

It is recorded that Mr TL de Beer will retire at the forthcoming annual general meeting. The retirement age for a non-executive director is 70 years of age, becoming effective at the annual general meeting after the date on which he/she turned 70.

COMPANY SECRETARY

The company secretary is MS Viljoen. The company secretary's registered address is:

Roger Dyason Road	PO Box 9229
Pretoria West	Pretoria
0183	0001
Republic of South Africa	Republic of South Africa

INDEPENDENT AUDITORS

The auditors of the company, Deloitte & Touche, will continue in office in accordance with section 270(2) of the Companies Act, 1973, of South Africa.

CHANGE IN ACCOUNTING POLICIES

The accounting policies are consistent with those applied in the annual financial statements for the period ended 31 December 2004 except for the changes disclosed in note 2 to the financial statements.