

EMPOWERMENT TRANSACTION

Kumba's transformation into two empowered and focused companies has far-reaching benefits for stakeholders and the national economy.

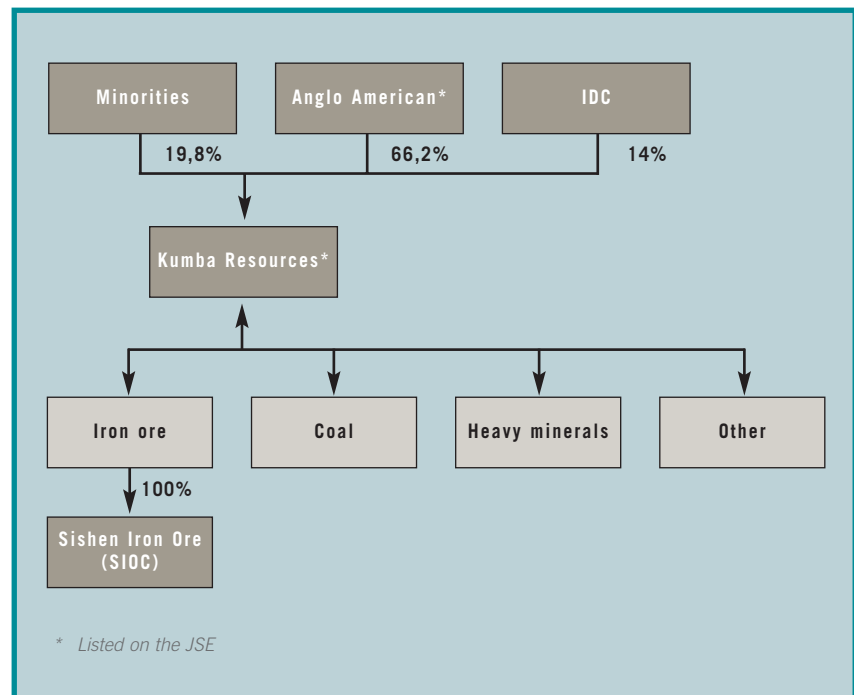
On 13 October 2005, stakeholders were advised that Kumba would be split into two companies – Kumba Iron Ore and Newco – in a transaction with far-reaching consequences and benefits for the empowerment process in South Africa, our industry, stakeholders and the national economy.

To properly fulfil our custodial role over such sizeable stakeholder assets, comply with legislated targets for empowerment and adhere to global standards in corporate governance, we worked closely with our major shareholders in developing an appropriate solution to:

- Create a flagship, black-controlled, diversified mining company
- Embody the spirit of sustainable transformation
- Enhance value for shareholders
- Increase the asset base through acquisitions
- Create sustainable and exciting investment cases.

In essence, this transaction presents shareholders and all stakeholders with two listed companies with exciting investment cases – both role models in legislative compliance and governance standards, both responsible custodians of South Africa's natural resources and both significant contributors to our country's growth and prosperity. Although the underlying transaction is a complex one developed in conjunction with various stakeholders, we believe this is one of the most innovative and sustainable BEE transactions and that it will significantly benefit all stakeholders and the country as a whole.

Current structure

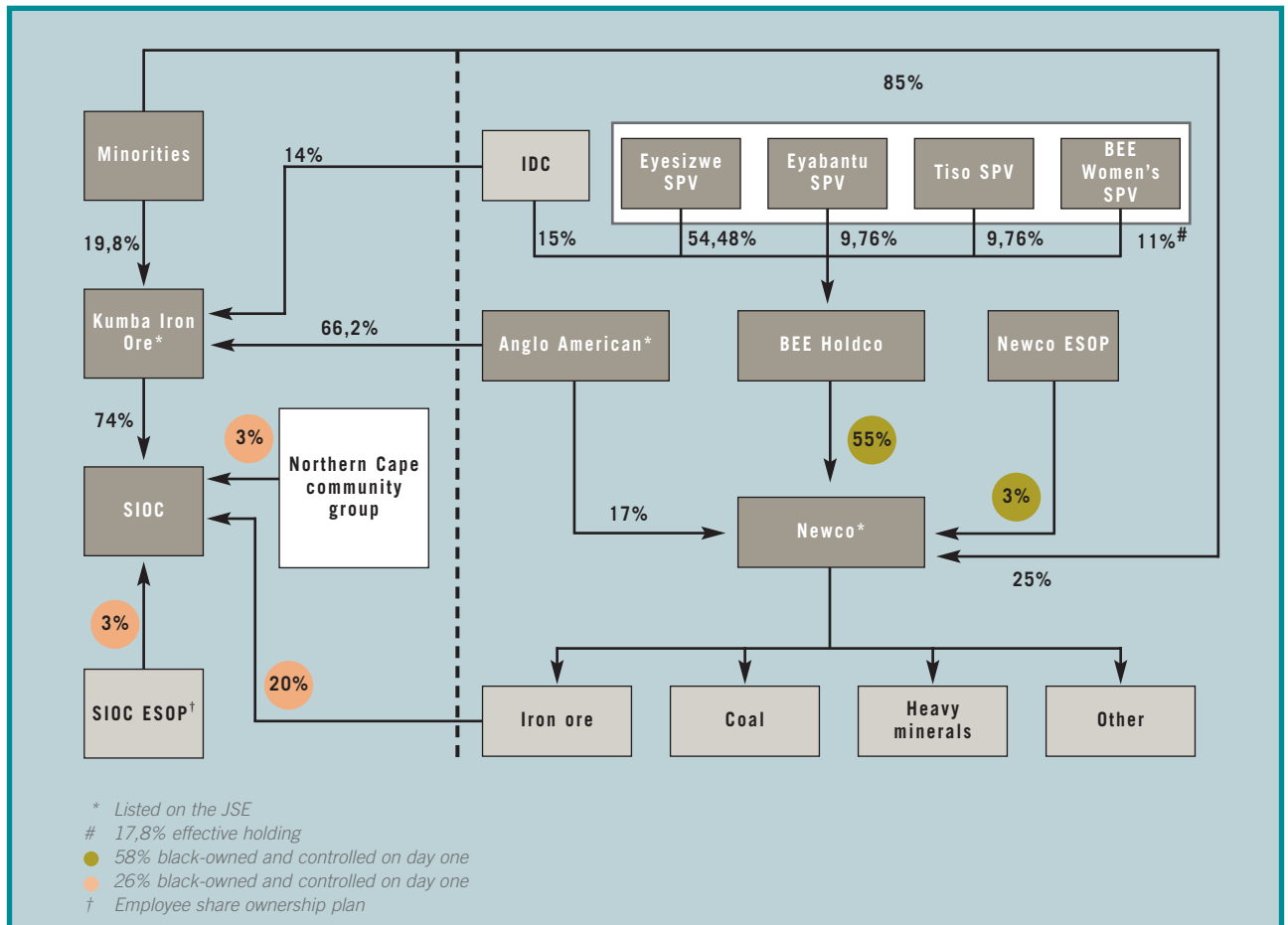


Simplistically, the transaction is unfolding as follows:

- 1 Kumba will transfer 80% of its iron ore assets (housed in the Sishen Iron Ore Company) to Kumba Iron Ore, which will be unbundled to existing shareholders and listed on the JSE. Newco will retain a 20% stake in Sishen Iron Ore. Kumba Iron Ore will sell 3% in Sishen Iron Ore to the Northern Cape Community on a vendor-funded basis and Sishen employees will acquire a 3% stake in their company through an employee share ownership plan. Kumba Iron Ore will have an enterprise value of over R14 billion (based on the Kumba share price of R82 at which the transaction was concluded) and black ownership of 26% from inception.
- 2 Newco will enhance its coal asset portfolio by acquiring Eyesizwe Coal

for R1 582 million. As separate transactions, Newco has the option to acquire 100% of Anglo American's heavy minerals operation, Namakwa Sands, and a 26% stake in the Black Mountain zinc mine and Gamsberg zinc project for R2 125 million and R180 million respectively. In addition, Kumba acquired the 48,5% of Tisor Australia it did not already own in November 2005. These transactions will significantly enhance the Newco investment case, giving it critical mass and leading market positions in its core operations of coal and heavy minerals.

- 3 The shareholders of Eyesizwe Coal will inject the majority of the cash received into the black empowerment vehicle (BEE Holdco – a temporary name) in return for a stake in BEE Holdco. In addition, Tiso and

Structure post-unbundling


Eyabantu will inject R250 million each for a stake in BEE Holdco. The IDC will facilitate the purchase by a women's group – Basadi Ba Kopane – of a stake in BEE Holdco. Finally, the IDC will inject its residual Newco shares into BEE Holdco to facilitate the transaction. The resultant shareholding in BEE Holdco will be as follows:

- Eyesizwe 54,48%
- Tiso 9,76%
- Eyabantu 9,76%
- Basadi 11,00% (plus 6,8% Ba Kopane indirect stake)
- IDC 15,00%

All final shareholdings and asset valuations are subject to change after the due diligence process.

- 4 In addition to the equity injected by the BEE parties, BEE Holdco will raise R1,6 billion of senior debt and R2,1 billion of mezzanine finance to acquire Newco shares from Anglo American and Newco to achieve a 55% stake in Newco. As part of the transaction, Newco will undertake a share buyback at a discount to market value which will be offered to all shareholders but underwritten by Anglo American. In addition, Newco employees will acquire a 3% stake in Newco through an employee share ownership plan.
- 5 Finally, Newco has an option to acquire a portion of Anglo American's residual Newco shares to facilitate the increase in Newco's free float to 25%. In addition, Anglo American has committed to retaining a 10% stake in Newco for

seven years as a sign of its belief in and continued support for the company.

EMPOWERMENT PARTNERS

- Eyesizwe Mining (through Eyesizwe SPV)
 - Diversified and sustainable resource and energy company, with greenfield and brownfield expansion plans
 - Significant player in domestic and international coal markets
 - Broad-based empowerment
- Eyabantu Capital
 - 100% black-owned and managed investment company
 - Expertise in mining, engineering and finance
- Tiso Group
 - Majority black-owned and controlled
 - Investments in resources, industrial and financial services

Creating South Africa's R16 billion flagship empowerment mining company

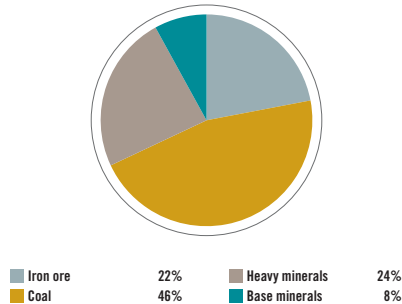
- Northern Cape Community Group
 - Broad-based group representing some 200 000 individuals
 - Will empower disadvantaged regional communities
 - Will acquire 3% interest in Sishen Iron Ore Company
- Basadi Ba Kopane
 - Women's grouping comprising various broad-based groups, led by the South African Women in Mining Investments Holdings
 - Will own shares directly and indirectly through respective BEE groups

BENEFITS TO SHAREHOLDERS

As part of the unbundling, all Kumba shareholders will receive their pro-rata entitlement to Kumba Iron Ore shares. The company will be focused on developing its existing iron ore assets with strong growth prospects and a proven management team. As a result of the transaction, Kumba Iron Ore will be empowered which will enable it to participate in the country's infrastructural development, export-led growth and progress towards government targets for job creation and the alleviation of poverty.

The business case for the bulked-up Newco is equally compelling. Newco will have a diverse portfolio in coal, heavy minerals, zinc and iron ore, one that will balance fluctuations in economic and commodity conditions to provide sustainable growth prospects in its existing businesses and new projects. The merging of the Kumba and Eyesizwe coal assets will make Newco the fourth largest South African producer with an annual capacity of some 45Mt. Newco will become a significant market player in the coal and heavy minerals arena and provide a unique listed investment opportunity into these commodities.

Newco estimated attributable EBITDA 2005



Significant and exciting growth opportunities and expansion projects identified across Newco totalling over R4 billion have been approved and are under way in the coal, heavy minerals and zinc strategic business units (p44).

Newco will have an enterprise value of over R16 billion – based on the Kumba share price of R82 at which the transaction was concluded – and net debt of R0,8 billion (prior to the potential exercising of the Namakwa Sands and Black Mountain/Gamsberg options and R3,25 billion if those options are exercised).

Newco's management will be a blend of the best of both Kumba and Eyesizwe – two companies with proven track records, established and experienced management teams and a reputation for enhancing stakeholder value.

PROGRESS SINCE OCTOBER 2005

Since the announcement, a team of almost 300 people, comprising all parties to the transaction, Kumba's execution teams and various advisors, have been working on the details of the transaction and its implementation.

The transaction framework agreement signed by all parties is a binding contract containing key fundamentals of the

transaction such as the structure and implementation steps, preliminary valuations of the companies and assets involved, the process and timelines for any subsequent adjustments after detailed due diligence work, certain funding arrangements and relationship agreements.

To implement the transaction, the parties agreed to a period of 90 days to complete the due diligences, after which funding for the transaction will have to be finalised and the necessary regulatory and shareholder approvals obtained.

The implementation stage, which started immediately following the signing of the agreement, involves a number of phases and processes running concurrently.

Due diligence phase – The transaction is based on values that are determined by a high-level due diligence on the assets of the parties. The detailed due diligence exercise will confirm these values to finalise the transaction. It involves a detailed technical, environmental, legal and financial due diligence as well as assessments of all other transactional risks and opportunities.

Competent person's report – Running simultaneously to the due diligence is the compilation of a competent person's report, which is required in terms of JSE listings conditions. This report is compiled by an external consultant and offers an analysis of the parties' mineral resources and reserves as well as other aspects of their operations, including plant and equipment and expected future profitability.

Legal process – To give effect to the transaction, the transaction framework agreement is being converted into detailed legal agreements. Five law firms and legal teams from all the parties are involved in drafting and reviewing more than 100 agreements.

FUNDING THE TRANSACTION

This is a critical aspect in finalising the transaction. More than R8 billion will be raised at Newco, Kumba Iron Ore and BEE Holdco level. Various banks have been invited to participate in the fundraising process which is expected to be completed by March 2006.

SHAREHOLDERS AND LISTING

In the first half of 2006 a circular will be dispatched to Kumba's shareholders to inform them of the proposed transaction, its details and to give notice of a general meeting where shareholders will be required to approve the transaction. Included will be a prelisting statement for Kumba Iron Ore and a revised listing statement for Newco.

COMPETITION COMMISSION AND OTHER REGULATORY APPROVALS

The transaction requires competition approvals or ratifications in various jurisdictions which are in process.

OTHER ACTIVITIES

To ensure a smooth unbundling and integration, Kumba and Eyesizwe management, in conjunction with the Kumba board and the implementation teams, are attending to a number of related issues such as the companies' organisational structures, compositions of new boards, corporate governance and staffing as well as retirement fund implications and appropriate share incentive plans.

Above: At the announcement of the empowerment transaction are, from left, Geoffrey Qhena, CEO of IDC; Dr Con Fauconnier, Kumba's chief executive; Lindiwe Hendricks, Minister of Minerals and Energy; Lazarus Zim, Anglo American South Africa's chief executive; Pinkie Ncetezo, who represents the BEE women's groups; and Siphon Nkosi, chief executive of Eyesizwe Mining.

Below: Branding used during the announcement of the empowerment transaction.

WAY FORWARD

Throughout the 18 months it took Kumba and Anglo, together with our BEE partners and the IDC, to construct this deal, we made a point of continually briefing key players in government and key departments on our thinking and progress with the project. We had constructive input and support at national and provincial level and a clear indication that the authorities view this as an important transaction which they would like to see progress to full conclusion as soon as possible. For that support we are extremely grateful.

At the time of writing, we still expect to complete the transaction before mid-2006 and to have Kumba Iron Ore and Newco listed as two separate entities on the JSE. At all times, we have done our best to creatively address many of the pitfalls we identified and tried to learn from other transactions. Given the spirit of cooperation among the parties to the transaction, we are confident that, in Kumba Iron Ore, we will have one of the great iron ore companies of the world and, in Newco, we will indeed create South Africa's true flagship empowerment company.

