KUMBA RESOURCES LIMITED
AUDITED ABRIDGED GROUP
FINANCIAL RESULTS

KUMBA RESOURCES

FOR YEAR ENDED 31 DECEMBER 2005

- Record production and buoyant sales volumes
- Revenue up 37%
- Net operating profit up 171%, excluding Hope Downs settlement
- Headline earnings per share up 219%
- Final dividend of 160 cents per share (540 cents per share for the financial year including special dividend)
- Net debt to equity ratio of 19%
- Creating South Africa's flagship empowerment company and separately listed iron ore company

Group income statement

	12-months ended 31 Dec 2005 Audited Rm	18-months ended 31 Dec 2004 Restated Audited Rm
Revenue	11 962	12 600
Operating expenses	(7 075)	(10 755)
Net operating profit	4 887	1 845
Net financing costs **(note 3)**	(231)	(424)
Share of (losses)/income from equity accounted investments **(note 11)**	7	(42)
Profit before taxation (note 3)	4 663	1 379
Taxation	(1 412)	(423)
Profit for the period	3 251	956
Attributable to:		
Equity holders of the parent	3 190	891
Minority interest	61	65
Net profit	3 251	956
Ordinary shares (million)		
– in issue	306	302
– weighted average number of shares	304	300
– diluted weighted average number of shares	311	302
Attributable earnings per share (cents)		
– basic (2004 as previously reported)	1 049	314
– basic restated for December 2004		297
– diluted (2004 as previously reported)	1 026	312
– diluted restated for December 2004		295
Dividend paid per share (cents) in respect of the previous financial year	90	60
Dividend paid per share (cents) in respect of the interim period	160	
Special dividend paid per share (cents) in respect of the interim period	220	
Final dividend declared per share (cents) in respect of this financial year	160	
Dividend paid per share (cents) in respect of the first interim period		20
Dividend paid per share (cents) in respect of the second interim period		35
Final dividend declared per share (cents) in respect of this 18-month period		90
RECONCILIATION OF HEADLINE EARNINGS		
Net profit attributable to ordinary shareholders	3 190	891
– Impairment charges	28	35
– Share of associates' goodwill amortisation		27
– Goodwill amortisation		(6)
– Excess of minority interest over cost of acquisition	(95)	
– Share of associates' exceptional items		20
– Net deficit on disposal or scrapping of property, plant and equipment	2	48
– Net surplus on disposal of investment	(1 179)	(72)
– Closure cost **(note 5)**		35
– Minority interest on adjustments	(1)	
– Taxation effect of adjustments	428	(12)
Headline earnings	2 373	966
Headline earnings per share (cents)		
– basic (2004 as previously reported)	781	339
– basic restated for December 2004		322
– diluted (2004 as previously reported)	763	337
– diluted restated for December 2004		320

Group balance sheet

	At 31 Dec 2005 Audited Rm	At 31 Dec 2004 Restated Audited Rm
ASSETS		
Non-current assets		
Property, plant and equipment	8 826	8 476
Biological assets	28	31
Intangible assets	61	71
Goodwill **(note 7)**		(53)
Investments in associates and joint ventures **(note 9 & 12)**		
– listed		6
– unlisted	95	79
Deferred taxation **(note 10)**	339	258
Other financial assets **(note 9)**	392	286
	9 741	9 154
Current assets		
Inventories	1 481	1 348
Trade and other receivables	2 066	1 365
Cash and cash equivalents	1 483	1 297
	5 030	4 010
Non-current assets classified as held for sale	11	
Total assets	14 782	13 164
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary shareholders' funds	7 377	5 289
Minority interest	9	1 197
Total shareholders' funds	7 386	6 486
Non-current liabilities		
Interest-bearing borrowings	1 963	2 331
Other long-term payables	604	609
Non-current provisions **(note 8)**	727	599
Deferred taxation	1 006	1 040
	4 300	4 579
Current liabilities		
Trade and other payables	1 388	1 061
Interest-bearing borrowings	911	836
Taxation	773	182
Current provisions	24	20
	3 096	2 099
Total equity and liabilities	14 782	13 164
Net debt **(note 14)**	1 391	1 870
Net asset value per share (cents)	2 411	1 751
Capital expenditure		
– incurred	1 044	1 396
– contracted	1 635	219
– authorised but not contracted	2 182	668
Contingent liabilities	82	36
Operating lease commitments	163	167
Operating sublease rentals receivable	1	28
Capital expenditure contracted relating to captive mines (Thabazimbi and Tshikondeni), which will be financed by Mittal Steel (South Africa)	6	27

Group cash flow

	12-months ended 31 Dec 2005 Audited Rm	18-months ended 31 Dec 2004 Restated Audited Rm
Cash retained from operations	3 864	2 661
– net financing costs	(189)	(355)
– taxation paid	(821)	(313)
– dividends paid **(note 13)**	(1 447)	(361)
Cash used in investing activities		
– capital expenditure	(1 044)	(1 396)
– proceeds from disposal of property, plant and equipment	23	138
– proceeds from disposal of investment	1 179	
– proceeds from disposal of associate		100
– increase in investment in subsidiaries – buy out of Ticor Ltd minorities	(1 174)	
– other	68	(159)
Net cash inflow	459	315
– cash flows from issue of shares	128	132
– borrowings (repaid)	(401)	(126)
Net increase in cash and cash equivalents	186	321
Adjusted opening balance	1 297	976
Increase in cash and cash equivalents due to the proportionate consolidation of joint ventures **(note 12)**	39	12
Cash and cash equivalents beginning of period as previously disclosed	1 258	964
Cash and cash equivalents end of period	1 483	1 297
Calculation of movement in net debt:		
Net cash inflow	459	315
– shares issued	128	132
– loans from minority shareholders	2	(1)
– non-cash increase in loans due to joint ventures now consolidated	(1)	
– non-cash flow movements in net debt applicable to special purpose entities		(22)
– non-cash flow movements in net debt applicable to currency translation differences of transactions denominated in foreign currency	(96)	101
– non-cash flow movements in net debt applicable to currency translation differences of net debt items of foreign entities	(13)	(33)
Decrease in net debt	479	492

Group statement of changes in equity

	12-months ended 31 Dec 2005 Audited Rm	18-months ended 31 Dec 2004 Restated Audited Rm
Shareholders' funds at beginning of period as previously reported	6 486	4 895
Minority interest opening balance		1 191
Prior period adjustment		
– Environmental rehabilitation provision **(note 8)**		(136)
– Deferred tax asset **(note 10)**		93
– Deferred tax asset minority interest **(note 10)**		87
IFRS adjustments		
– negative goodwill adjustment **(note 7)**	53	
– decommissioning asset restated	7	
Shareholders' funds at beginning of period	6 546	6 130
Changes in share capital and premium		
– issue of shares		
– share premium [1]	132	132
– movement in shares held by Management Share Trust	12	33
Changes in non-distributable reserves		
– currency translation differences	171	(301)
– financial instruments movements	(101)	10
– realised in associate and joint venture		(11)
– share-based payment charges for the period **(note 6)**	38	30
– transfer of insurance reserve		(5)
– transfer to retained income		(9)
– transfer of attributable reserves of equity accounted investments **(note 11)**	(20)	
– deferred tax	4	
Changes in minority interest		
– currency translation differences	60	(133)
– income charge for the period	61	65
– minority share of reserve movements	(97)	4
– minority share of dividends	(17)	(17)
– minority buy out	(1 194)	
– issue of share capital	10	
Changes in retained income		
– net profit for the year	3 190	891
– dividends paid **(note 13)**	(1 430)	(344)
– reduction in dividends paid to Management Share Trust **(note 13)**		2
– transfer of attributable reserves of equity accounted investments **(note 11)**	20	
– transfer from translation reserve	1	9
Shareholders' funds at end of period	7 386	6 486

(1) Issued to the Management Share Option Scheme due to options exercised.
(2) A final dividend declared after year-end amounts to 160 cents per share. STC at 12,5% (R61 million) will be payable on the dividend.

Notes to the group financial results

1. Basis of preparation
This abridged report complies with International Accounting Standard 34, Interim Financial Reporting, and schedule 4 of the South African Companies Act. The group financial results have been prepared on the historical cost basis excluding financial instruments and biological assets which are fair valued, and conform to South African Statements of Generally Accepted Accounting Practice and International Financial Reporting Standards. The accounting policies are consistent with those applied in the financial statements for the 18-months ended 31 December 2004 except for the changes noted in note 6, 7, 11 and 12. Where applicable prior years have been adjusted.

2. Change of year-end
The group changed its year-end from 30 June to 31 December to be in line with the year-end of its majority shareholder, Anglo American plc. during the previous period resulting in an 18-month period ended 31 December 2004. Consequently the amounts for corresponding items in the income statement, changes in equity, cash flows and related notes are not comparable.

3. Profit before taxation is arrived at after

Depreciation and amortisation of intangible assets	(898)	(977)
Financing costs	(381)	(471)
Interest received	150	47
Net realised foreign exchange gains/(losses) on:		
– currency exchange differences	225	(210)
– revaluation of derivative instruments	(64)	173
Net unrealised foreign exchange gains/(losses) on:		
– currency exchange differences	(76)	121
– revaluation of derivative instruments	83	(124)
Fair value adjustment on financial assets	43	28
Fair value adjustment on financial liabilities	5	(5)
Impairment charges **(note 4)**	(28)	(35)
Goodwill amortisation		6
Excess of minority interest over cost of acquisition	95	
Net surplus on disposal of investments	1 179	72
Net deficit on disposal of property, plant and equipment	(2)	(48)
Share-based payment expense **(note 6)**	(38)	(30)

4. Impairment charges and reversals

Impairment of cyanide chemicals plant		(89)
Impairment of property, plant and equipment	(3)	(15)
Reversal of impairment of shipping assets		90
Reversal of impairment of other fixed assets	2	1
Impairment of intangible assets	(20)	(11)
Impairment of investments	(7)	(11)
	(28)	(35)
Taxation effect		
	(28)	(35)

5. Closure of Ticor chemicals plant
On 21 April 2004 Ticor Ltd, Australia announced its intention to discontinue its chemicals business, included in the heavy minerals segment. The revenue, operating results, assets, liabilities and cash flow of the chemicals business for the current and previous periods are:

Revenue	1	217
Expenses	2	192
Provision for closure		35
Provision for impairment		89
Pre-tax loss	(3)	(102)
Income tax expense		28
Total assets	9	76
Total external liabilities	1	6
Cash inflows from operating activities	26	50

6. Share-based payments
As part of the IFRS improvements project Kumba adopted IFRS 2 Share-based payments. The adoption of IFRS 2 is made in accordance with the transitional provision of IFRS 2. Prior years' figures have been restated. The amount of the adjustment for the current and comparable periods is as follows:

Income statement impact		
– Reduction of profit and loss for the period	38	30
Balance sheet impact		
– Retained income decrease	72	34
– Equity-settled reserve increase	72	34

The amount of the adjustment relating to the 30 June 2003 financial statements is a decrease of R4 million in retained income and an increase of R4 million in equity-settled reserve.

7. Business combinations
In line with IFRS 3, Business combinations, the carrying value of previously recognised negative goodwill at the beginning of the period was derecognised and adjusted against the opening balance of retained earnings. The effect of the adjustment is as follows:

No income statement impact		
Balance sheet impact		
– Decrease in negative goodwill	53	
– Increase in retained income	53	

8. Environmental rehabilitation provision
A legal and constructive obligation exists to provide for rehabilitation at the Zincor refinery. The provision has been accounted for as a prior year adjustment to reflect the existence of the obligation originating from previous periods. The effect of the adjustment is as follows:

Income statement impact		
– Increase in finance charges	17	23
– Decrease in deferred taxation	2	2
Balance sheet impact		
– Decrease in retained income	172	157
– Increase in provisions	191	174
– Increase in deferred tax asset	2	15
– Decrease in deferred tax liability		2

9. Investments

Listed investments in associates		
– market value		24
Unlisted investments in associates		
– directors' valuation	130	125
Listed investments included in other financial assets		
– market value	60	20
Unlisted investments included in other financial assets		
– directors' valuation	35	33

	12-months ended 31 Dec 2005 Audited Rm	18-months ended 31 Dec 2004 Restated Audited Rm

10. Deferred taxation
A deferred tax asset was raised as a prior year adjustment in respect of Ticor Ltd's eligibility to claim a bad debt deduction of A$130,7 million as at 31 December 2002. The effect of the adjustment is as follows:

No income statement impact		
Balance sheet impact:		
– Increase in retained income	93	93
– Increase in minority interest	87	87
– Increase in deferred tax asset	180	180

11. Reclassification and presentation
The group has changed the following accounting policies to be in line with the accounting policies of its majority shareholder and parent, Anglo American plc:
– The equity accounted investments' recognised profits were previously transferred to a non-distributable reserve "Attributable reserves of equity accounted investments". The opening balance of R20 million (2004: R11 million) of this reserve was reclassified as distributable reserves and transfers to this reserve have ceased.
– Income from equity accounted investments were previously presented as pre-tax income, and the tax shown as part of the taxation charge. Only the post-tax share of equity accounted profits are now disclosed. The net effect on earnings is zero, however the line-by-line effect on the income statement is as follows:

– Decrease in income from equity accounted investments	2	9
– Decrease in taxation	2	9

12. Interest in joint ventures
Kumba's majority shareholder and parent, Anglo American plc. changed its accounting policies to be in line with IFRS with effect 1 January 2005. Anglo elected to account for interests in joint ventures per IAS 31, by applying the proportionate consolidation method. To be consistent with the parent entity's policies Kumba changed its accounting policy to the proportionate consolidation method. Prior years' figures have been restated. This policy change does not impact on earnings per share. The effect of the change in accounting policy is as follows:

Income statement impact:		
– Increase in net operating profit	26	20
– Increase in interest income	1	
– Decrease in income from equity accounted investments	27	20
Balance sheet impact:		
– Decrease in investments in joint ventures	38	11
– Increase in property, plant and equipment	3	3
– Increase in financial assets	2	1
– Decrease in trade and other receivables		32
– Increase in cash and cash equivalents	63	39
– Increase in trade and other payables	48	
– Decrease in net debt	63	39
Cash flow impact:		
– Increase in net cash flows from operating activities	22	29
– Increase in taxation paid		2
– Increase in financial assets	1	
– Increase in borrowings raised	1	
– Increase in foreign currency translation	3	
– Increase in opening balance of cash and cash equivalents	39	12

13. Dividends paid

– Kumba	1 430	344
– Less paid to Kumba Management Share Trust		(2)
– Paid to minorities	17	19
	1 447	361

14. Net debt
Net debt is calculated as being interest-bearing borrowings less cash and cash equivalents.

15. Related party transactions
During the period the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures. These transactions were subject to terms that are no less favourable than those arranged with third parties.

16. JSE Limited requirements
The announcement has been prepared in accordance with the listings requirements of JSE Limited.

17. Corporate governance
The group complies with the Code of Corporate Practice and Conduct published in the King II Report on Corporate Governance.

18. Audit opinion
The auditors, Deloitte & Touche, have issued their opinion on the group's financial statements for the 12-month period ended 31 December 2005. The audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified audit opinion. A copy of their audit report is available for inspection at the company's registered office. These summarised financial statements have been derived from the group financial statements and are consistent in all material respects, with the group annual financial statements.

UNAUDITED PHYSICAL INFORMATION ('000 TONNES)

	12-months ended 31 Dec 2005	12-months ended 31 Dec 2004	6-months ended 31 Dec 2005	6-months ended 31 Dec 2004	18-months ended 31 Dec 2004
Iron ore					
Production	30 987	30 112	15 476	14 900	44 952
Sales					
– Exports	22 113	20 923	11 510	10 381	30 762
– Domestic	9 172	9 371	4 360	4 630	14 107
Total	31 285	30 294	15 870	15 011	44 869
Coal					
Production					
– Power station	14 573	14 383	7 243	7 521	21 829
– Coking	2 273	2 409	1 098	1 243	3 486
– Other	2 993	2 652	1 552	1 371	3 880
Total	19 839	19 444	9 893	10 135	29 195
Sales					
– Eskom	14 703	14 356	7 268	7 400	21 769
– Other domestic	4 174	4 112	2 164	2 069	6 058
– Export	1 109	1 090	500	593	1 688
Total	19 986	19 558	9 932	10 062	29 515
Heavy minerals – Ticor SA project					
Production					
– Ilmenite	356	262	202	132	390
– Zircon	47	49	23	25	74
– Rutile	23	20	11	10	29
– Pig iron	89	63	52	22	85
– Scrap pig iron	8	5	3	2	11
– Chloride slag	134	96	79	48	123
– Sulphate slag	30	40	18	19	60
Sales					
– Ilmenite	60	27	30	27	67
– Zircon	47	48	21	20	71
– Rutile	18	17	9	7	29
– Pig iron	79	58	50	28	68
– Scrap pig iron	11	8	5	4	11
– Chloride slag	150	84	85	42	96
– Sulphate slag	41	24	20	14	24
Heavy minerals – Ticor Limited [1]					
Production					
– Ilmenite	220	236	116	120	347
– Zircon	35	38	18	20	59
– Rutile	16	18	8	9	26
– Synthetic rutile	111	112	56	58	168
– Leucoxene	12	11	7	6	20
– Pigment	53	53	27	27	78
Sales					
– Ilmenite	13	30	3	10	52
– Zircon	36	38	19	21	58
– Rutile	18	21	10	6	32
– Synthetic rutile	59	50	33	28	79
– Leucoxene	14	17	10	8	25
Base metals					
Production					
– Zinc concentrate	126	124	62	57	178
– Zinc metal	117	116	58	58	174
– Zincor	102	104	50	52	159
– Chifeng [2]	15	12	8	6	15
– Lead concentrate	25	27	12	13	45
Zinc metal sales					
– Domestic	92	91	46	45	135
– Export	27	28	13	12	43
Total	119	119	59	57	178
Lead concentrate sales					
– Export	35	12	23	6	29

(1) The production and sales tonnes reflect Ticor's 50% interest in its Tiwest joint venture.
(2) The effective interest in the physical information for the Chifeng (Hongye) refinery has been disclosed.

Harnessing the power of the earth

KUMBA RESOURCES

COMMENTS

OPERATING RESULTS

Comments are for comparative purposes based on an analysis of the group's audited financial results and physical information for the financial year ended 31 December 2005 compared with the corresponding unaudited information for the 12-month period ended 31 December 2004. Kumba's previous audited financial results were for the 18-month period from 1 July 2003 to 31 December 2004 due to a change in year-end from 30 June to 31 December.

The 12-month period to December 2005 was marked by continued excellent operational performance, strong commodity prices and the realisation of benefits from the ongoing business improvement programme. Revenue increased by R3 253 million to R11 962 million and net operating profit, excluding the Hope Downs non-recurring settlement proceeds, by R2 339 million to R3 707 million, resulting in an improved operating margin of 31% for the year.

An average exchange rate of R6,36 to the US dollar was realised compared with R6,51 for the previous 12-month period.

EARNINGS

The significant improvement in net operating profit including a non-recurring settlement of R1 179 million pre-tax for the acquisition of Kumba's interest in the Hope Downs project, after accounting for net financing charges of R231 million and a higher taxation charge of R1 412 million, resulted in attributable earnings increasing by 400% to R3 190 million for the financial year. Headline earnings were 223% higher at R2 373 million or 781 cents per share.

CASH FLOW

Total cash of R3 864 million retained from operations together with the Hope Downs project settlement, was used partly to settle lower finance charges of R189 million, higher cash taxes of R821 million, increased dividends of R1 447 million and the acquisition of the minority interests in Ticor Ltd, Australia for R1 174 million.

This, together with capital expenditure of R1 044 million, of which R655 million was invested in new production capacity, resulted in a net cash inflow of R459 million for the year.

Net debt decreased to R1 391 million, with a debt to equity ratio of 19% at 31 December 2005, from R1 870 and a debt to equity ratio of 29% at 31 December 2004.

SAFETY, HEALTH AND ENVIRONMENT

Regrettably, and despite excellent safety achievements at several mines, four fatalities were suffered during the past year, one of which was a public road accident. A further two fatalities occurred at the start of 2006. The group remains committed to achieving a working environment where no fatalities or serious injuries occur. Its ongoing safety awareness and preventative programmes have been strengthened by further initiatives to enhance hazard identification.

The average lost time injury frequency rate per two hundred thousand man-hours worked (LTIFR) for the financial year was 0,52. A target LTIFR of 0,25 has been set for 2006.

Programmes for HIV/Aids counselling and voluntary testing are in place at all South African operations of the group. The extension of anti-retroviral programmes to all of the group's businesses is progressing well, with most employees who tested HIV-positive during the year now enrolled on the programme. All business units in the group have obtained international environment and safety certifications (ISO 14001 and OHSAS 18001).

SEGMENT RESULTS AND COMPARATIVE EARNINGS

	6-months ended 31 December		12-months ended 31 December	
	2005 Unaudited Rm	**2004** Unaudited Rm**	**2005 Audited Rm**	**2004** Unaudited Rm**
REVENUE				
Iron ore	**3 819**	2 130	**6 638**	4 250
Coal	**1 159**	986	**2 203**	1 878
Heavy minerals	**1 046**	847	**1 928**	1 662
• Ticor SA	**466**	266	**839**	514
• Ticor Australia	**580**	581	**1 089**	1 148
Base metals	**586**	354	**1 070**	812
Industrial minerals	**55**	51	**106**	95
Other	**11**	8	**17**	12
Total	**6 676**	4 376	**11 962**	8 709
NET OPERATING PROFIT				
Iron ore	**1 692**	454	**2 767**	833
Coal	**284**	238	**554**	430
Heavy minerals	**173**	156	**227**	254
• Ticor SA	**(65)**	7	**(79)**	(10)
• Ticor Australia	**238**	149	**306**	264
Base metals	**58**	(94)	**69**	(116)
Industrial minerals	**13**	10	**26**	20
Other	**1 156**	(3)	**1 244**	(53)
• Hope Downs*	**1 179**		**1 179**	
• Other	**(23)**	(3)	**65**	(53)
Total	**3 376**	761	**4 887**	1 368
EARNINGS				
Net operating profit	**3 376**	761	**4 887**	1 368
Net financing charges	**(86)**	(142)	**(231)**	(287)
Income from equity accounted investments	**5**	(3)	**7**	(23)
Profit before taxation	**3 295**	616	**4 663**	1 058
Taxation	**(1 031)**	(175)	**(1 412)**	(330)
Minority interest	**(28)**	(46)	**(61)**	(90)
Net profit attributable to ordinary shareholders	**2 236**	395	**3 190**	638
Adjustments	**(826)**	22	**(817)**	96
Headline earnings	**1 410**	417	**2 373**	734

* *A$236,5 million settlement- and option payment for Kumba's interest in the Hope Downs project.*
** *Restated as set out in note 1 of the group financial results.*

OPERATIONS

Iron Ore

Excellent operating performance at Sishen mine resulted in an all-time production record of 28,5 Mt. Selective mining practices and improved plant efficiencies contributed to this production record representing an increase of 900 000 tonnes over the comparative period. New records were set for railage and exports. Total ore railed increased by 1,4 Mt to 24 Mt while export sales were 1,2 Mt higher at 22,1 Mt, in line with the ongoing expansion and ramp-up of the Sishen-Saldanha export channel.

Despite the break-down of both ship-loaders at the Saldanha Bay iron ore export terminal hampering ship loading in July 2005, all supply commitments to customers were met while stock levels at Saldanha Bay were also increased.

Revenue increased significantly by 56% to R6 638 million and net operating profit by 232% to R2 767 million, with the operating margin improving to 42%. This was due to the excellent operational performance, the substantial iron ore price settlements effective 1 April 2005, business improvement results, and a higher margin sales product mix which more than offset the effects of higher fuel prices and a stronger currency.

Coal

The production of power station (thermal) coal increased by 13% to a record of 14,6 Mt over the comparative period due to improved throughput at Grootegeluk mine and higher final product yield at Leeuwpan. Coking coal production was 136 000 tonnes lower in line with demand.

Sales of power station coal increased by 347 000 tonnes on the comparative period to meet growing local electricity demand. Exports were also at higher volumes, supported by the strong steel and ferro-alloy markets.

Revenue increased by 17% to R2 203 million from the increased sales volumes at higher prices. The higher revenue together with business improvement initiatives resulted in net operating profit improving by 29% to R554 million despite increased stripping costs and fuel prices.

Heavy Minerals

Ticor SA

The furnaces are reaching 85% of their production capacity of 250 000 tonnes per annum. Encouragingly, the ratio of chloride to sulphate slag increased on average from 71 % in the comparative period to 82 % in the year under review. Furnace 1 is planned to be shut temporarily in the current year to effect modifications and improvements that were successfully made to furnace 2 in 2004.

Total production and sales increased in line with the ramp-up of the furnaces. This, together with higher sales prices for zircon and low manganese pig iron, resulted in revenue increasing by 63% to R839 million. The stronger currency, increased raw material costs and the cessation of capitalisation of costs and interest during the construction period more than offset the improved revenues, resulting in a net operating loss of R79 million for the year.

Ticor Australia

Kumba acquired the minority shareholding in Ticor Limited resulting in it becoming a wholly-owned subsidiary and being de-listed from the Australian Stock Exchange (ASX) on 22 November 2005. As a result, Ticor's 40% holding in Ticor SA was re-structured into a direct holding by Kumba.

Mineral production at Ticor's Western Australian operations was marginally lower as a result of a planned shutdown of the dry mill and the re-location of the North mine concentrator. Pigment and synthetic rutile production was in line with the comparative period despite pigment production being impacted by an unscheduled shutdown of a contractor's oxygen plant.

Revenue decreased by 5% over the comparative period as a result of the effects of the final closure of Ticor's chemical business in May 2004. Net operating profit, however, increased by 16% to R306 million as a result of higher pigment and zircon prices, favourable hedging programmes, the elimination of losses recorded by the chemicals business, and the ongoing success of margin improvement initiatives.

Base Metals

The sale of an additional 23 000 tonnes of lead and a significant increase in the LME-traded zinc price from an average of US$1 048 per tonne in the comparative period to US$1 382 per tonne in 2005 resulted in revenue improving by 32% to R1 070 million, despite continued low treatment charges and a stronger currency.

Net operating profit, which improved to R69 million from a loss of R116 million in the comparative period, was due to increased revenues, non-recurrence of impairment charges raised in the comparative period, and the benefits from the business improvement programme.

As reported in the group's interim results for the six months ended 30 June 2005, a provision of R182 million, representing the business unit's best estimate for the environmental rehabilitation of a residue disposal site at the Zincor refinery, was raised against its prior year's retained income. Investigation of viable reclamation alternatives is continuing. The provision at 31 December 2005 amounts to R191 million.

Industrial Minerals

Revenue and net operating profit improved by 12% and 30% respectively due to good operating performance and business improvement initiatives, despite lower market demand.

GROWTH OPPORTUNITIES

Iron Ore

Kumba and Transnet concluded an agreement in February 2005 for the expansion of the Sishen-Saldanha export channel by an additional 11,5 Mtpa of iron ore from 2009. Kumba's iron ore rail allocation will, as a result, increase to 35 Mtpa by 2009 of which 33,2 Mtpa is destined for the export market.

The Sishen Expansion Project (SEP), under construction, is planned to commence delivery of product by mid-2007 and will ramp-up to full capacity of 10Mtpa by the beginning of 2009, in line with the additional export channel capacity expansions agreed with Transnet. Improvements identified during the detailed design phase of the project together with higher commodity and labour costs in the construction industry, resulted in an increase in the capital estimate of the project from R3 000 million to R3 600 million.

Due to export logistics constraints, a phased approach for the development of the Sishen South project is currently being investigated jointly between Kumba and Transnet. Final approval of the first phase of 3 Mtpa is expected in the current year upon approval of the application for mining rights and acceptance of the environmental management plan. Further expansion of the mine to around 9 Mtpa during the second phase is dependent on the synchronised expansion of the export channel capacity.

The evaluation of a project to significantly extend the life of the current mine at Thabazimbi by approximately 20 years to provide Mittal Steel (South Africa) with lumpy and fine ore, is expected to be finalised in the current year. If viable and an investment decision is made, production of 2,5 to 3 Mtpa could be achieved in 2009.

The commencement of a bankable feasibility study for the development of a mine to exploit the Faleme iron ore deposit, located in the south-eastern corner of Senegal, and associated infrastructure, has been approved by Kumba. Kumba has exercised its option to acquire a controlling interest in the project. The Senegalese government development company, Miferso, has put Kumba's rights in dispute. Kumba will pursue the legal actions available to it in order to preserve its contractual rights.

Coal

The jig plant at Leeuwpan at a capital cost of R97 million was successfully commissioned in the third quarter of 2005 with full ramp-up scheduled for the first quarter of 2006. Once in full production, Leeuwpan will supply an additional 1 Mtpa of power station coal to Eskom.

Construction of the R323 million new coal benefication module (GG6) at Grootegeluk mine has commenced and is due for commissioning in the fourth quarter of 2006. The plant will beneficiate coal previously sent to the adjacent Matimba power station and will supply 530 000 tonnes per annum of semi-soft coking coal to the coking plants being refurbished by Mittal Steel (South Africa) at its Newcastle facility.

The Richards Bay Coal Terminal (RBCT) announced in November 2005 the go-ahead for the RBCT Phase V expansion. This has triggered the 1 Mtpa export-focused Inyanda mine near Witbank which is a 50:50 joint venture operation producing high quality thermal coal between Kumba and Eyesizwe Coal. Construction of the mine, at a capital cost of some R184 million, will commence during the second quarter of 2006 and commissioning of the mine is planned for December 2007. The expansion at RBCT will provide Kumba with a 2,5 Mtpa export allocation to be filled by production from the Inyanda mine and expanded output at the Grootegeluk and Leeuwpan mines.

Following encouraging exploration results, Kumba will conclude a joint venture agreement with Anglo Coal Australia in the first quarter of 2006 to undertake a feasibility study on the high-grade coking coal resource on the adjacent properties of Moranbah South and Grosvenor South in Queensland, Australia.

A feasibility study on the possibility of producing char for the ferro-alloy industry was completed during the year. Board approval for construction at a capital cost of R210 million for initial production of 80 000 tonnes per annum and ramping up to 160 000 tonnes per annum by 2008, was given. The approval is conditional upon the conclusion of off-take agreements and an environmental impact assessment.

Heavy Minerals

Commencement of construction of the Fairbreeze project, subject to board approval, is planned in the first half of 2006, with commissioning in the third quarter of 2008.

The bankable feasibility study on the Toliara Sands Project in south-west Madagascar has commenced and will be completed in early 2007. The currently delineated deposit within the Toliara Sands Project is capable of providing long-term ilmenite feedstock to the Ticor SA furnaces.

AlloyStream™

Good progress has been made on the commercialisation of AlloyStream™, the proprietary technology that allows the use of fine un-agglomerated ore and non-coking coal to produce high carbon ferro-manganese.

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.

OUTLOOK

Buoyant market demand for the group's portfolio of commodities, except titanium dioxide feedstock where surplus supply exists, is expected to support strong price levels. This, together with the ongoing benefits of Kumba's business improvement programme, is expected to have a positive impact on the group's results for the next six months.

The stronger Rand will, however, affect earnings.

FINAL DIVIDEND

The directors have declared a final dividend, number 7 of 160 cents per share in respect of the 2005 financial year. The dividend has been declared in South African currency and is payable to shareholders recorded in the books of the company at close of business on Friday, 10 March 2006.

In compliance with the electronic settlement system of JSE Limited, the following dates are applicable:

Last date to trade cum dividend	Friday, 3 March 2006
Shares trade ex dividend	Monday, 6 March 2006
Record date	Friday, 10 March 2006
Payment date	Monday, 13 March 2006

Share certificates may not be dematerialised or rematerialised between Monday, 6 March 2006 and Friday, 10 March 2006, both days inclusive.

On behalf of the Board

AJ Morgan *(Chairman)*
Dr CJ Fauconnier *(Chief Executive)*
DJ van Staden *(Executive Director, Finance)*

17 February 2006

KUMBA RESOURCES LIMITED

REGISTRATION NUMBER	2000/011076/06
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This report is available at the Kumba Resources website at:
http://www.kumbaresources.com