

Zambia Copper Investments Limited
(Registered in Bermuda)
("ZCI")



**ZCI announces agreement on the future of the Konkola Copper Mines
("KCM") in Zambia**

On January 24, 2002, ZCI announced that, in view of the substantial losses suffered by KCM, the weak outlook for the copper and cobalt markets and the non availability of project finance for the Konkola Deep Mining Project, it had been advised that Anglo American plc ("Anglo American") had concluded that it could not justify investing further funds in KCM over and above those committed at the time of the original investment.

Since the announcement on January 24, 2002, ZCI, funded by Anglo American, has contributed US\$82 million to KCM, in order to maintain operations while negotiations have taken place with the other stakeholders.

ZCI is pleased to announce that agreement on the restructuring of KCM has now been reached with Anglo American, the Government of the Republic of Zambia ("GRZ"), ZCCM Investments Holdings plc ("ZCCM"), the International Finance Corporation ("IFC") and CDC Group plc ("CDC"). The primary objectives of the agreement are the proposed restructuring of KCM and acquisition by it of ZCCM (SmelterCo) Limited ("SmelterCo") (the "proposed transaction") which will substantially strengthen KCM's balance sheet. In terms of the agreements, Anglo American, IFC and CDC will be withdrawing as direct or indirect shareholders of KCM. KCM is seeking a new strategic equity partner to provide both funding and technical support. The proposed transaction is subject to regulatory approval, the approval of ZCI shareholders, and execution of final legal documentation.

The proposed transaction will result in the transformation of ZCI from a heavily indebted company, owing US\$316 million to ARH, a subsidiary of Anglo American, into a debt free company with a slightly reduced holding in a substantially debt free KCM which will then also own the Nkana smelter and refinery. This transformation will be achieved with a marginal reduction in the minorities' shareholding in ZCI but should improve both ZCI and KCM's prospects of raising funding in the future.

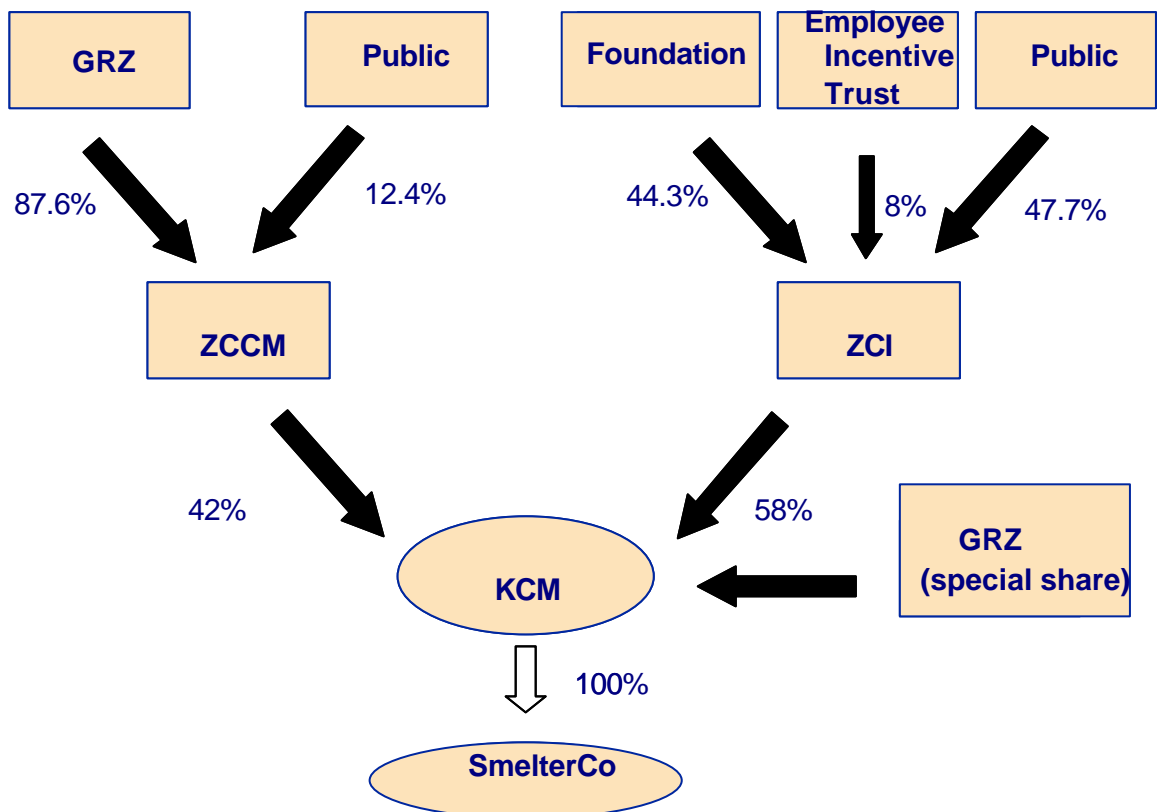
In terms of the agreement:

- Anglo American will contribute US\$30 million in cash to KCM and a further amount of up to US\$26.5 million in loans on favourable terms secured by anticipated insurance proceeds, in order to fund continued operations at the mines.
- Transitional management arrangements for KCM have been agreed and Anglo American will provide certain services until 31 March 2003 in order to assist in the orderly handover of management responsibility to the new board of directors of KCM
- The IFC and CDC will each assign to Anglo American their respective interests in loans to KCM and to ZCI their respective interests in repayable carried loans to ZCCM in exchange for a payment to each of them by Anglo American of US\$25.4 million. Anglo American will in turn assign the KCM loans to ZCCM. As part of the restructuring, all repayable carried loans to ZCCM and its future carried rights will be cancelled.
- The various parties to the restructuring will each grant certain releases in order to facilitate an orderly exit for the relevant members of the Anglo American group and IFC and CDC.
- ZCI and ZCCM will each subscribe for new KCM equity in return for the loans owed by KCM to them.
- ZCCM will permit the option to acquire SmelterCo to be exercised in return for the issue of further new KCM equity and GRZ will subscribe for new KCM shares in return for assigning to KCM the debt obligations owed by SmelterCo to GRZ. GRZ will transfer these new KCM shares to ZCCM for no consideration. SmelterCo owns the Nkana smelter and refinery which is the principal processor of KCM's concentrates and the ownership thereof is important in an environment where logistics make the export of concentrate unattractive and where there are no alternative local processors.
- The IFC and CDC will each exchange their respective existing shares in KCM for new shares to be issued by ZCI and transfer these new shares to the Foundation referred to below for no consideration.
- Anglo American will facilitate the repayment of the loan extended to ZCI by the Anglo American group.

Prior to these transactions, the shareholders of KCM were ZCI (65%), ZCCM (20%), IFC (7.5%) and CDC (7.5%). On completion of these transactions, the new shareholders of KCM will be ZCI (58%) and ZCCM (42%). KCM will own and operate the Konkola mine, Nchanga underground and open pit mines, the Nampundwe pyrite mine and the Nkana smelter and refinery.

It is also proposed that Anglo American will establish an independent entity, the Copperbelt Development Foundation (the "Foundation"), and will transfer to the Foundation for no consideration a 41.4% shareholding in ZCI. The Foundation will use income from ZCI to invest in projects aimed at diversifying the economy of the

Zambian Copperbelt, contributing to the provision of health, education and other social services on the Copperbelt and mitigating the social impact of the eventual closure of the KCM mines. The balance of ZCI shares held by Anglo American will be transferred for no consideration to a management and employee incentive trust intended to align the objectives of the new KCM management team and workforce with the those of the new shareholders. On completion of the proposed transaction the structure of KCM and its shareholders will be as follows:



Following the transfer by Anglo American of its ZCI shares to the Foundation and to the management and employee trust referred to above, and appointment of independent directors of the Foundation, the Board of ZCI will comprise only members appointed by its ongoing shareholders.

The Securities Regulation Panel in South Africa has ruled that, in terms of Rule 34 of the Code on Takeovers and Mergers, no offer to the minority shareholders of ZCI need be made by any person to whom shares in ZCI may be transferred pursuant to the proposed transaction of KCM. In terms of the Listings Requirements of the JSE Securities Exchange South Africa ("JSE"), a circular incorporating a notice of special general meeting will be forwarded to ZCI shareholders in due course. Resolutions will be proposed at that special general meeting to approve the proposed transaction. Anglo American has advised that it intends to vote in favour of the proposed transaction at the Special General Meeting.

The financial effects of the proposed transaction on the financial position of ZCI as presented in the audited financial statements for the year ended December 31, 2001, is illustrated in the table below, on the basis that the proposed transaction was effected on January 1, 2001. The transfer of ZCI shares by Anglo American to the

Foundation and the management and employee incentive trust will have no financial effect on ZCI shareholders.

Measure per share	Before Transaction	After Transaction	Change
Headline loss (US cents)	69.68	65.05	6.6%
Loss (US cents)	70.14	65.50	6.6%
Net Asset Value (US cents)	(49.76)	144.46	194.22
Number of ordinary shares in issue	122,559,900	126,197,362	2.97%

Assumptions:

1. KCM has been assumed to have no shareholder loans and its third party loans during 2001 have been assumed to have been reduced by US\$30 million to reflect the proposed funding by Anglo American. In addition US\$35 million of its remaining third party loans has been assumed to have had the interest margin reduced by 1.25% to reflect the margin proposed on the new loans. In addition, ZCI itself is assumed to have had no interest expense or commitment fees given the proposed settlement of its loan from the Anglo American group.
2. SmelterCo incurred an operating loss of US\$17.4 million in calendar year 2001. The SmelterCo interest expense in 2001 has been excluded treating its funding as having been provided by equity rather than debt. The Net Asset Value attributable to SmelterCo is US\$61.6 million.
3. Full details will be provided in the circular to shareholders.

Lower projected copper prices combined with the fact that KCM is not likely in the foreseeable future to be able to raise the funding required to implement the Konkola Deep Mining Project have impacted on the projected life of the Konkola mine and the values of KCM's assets. In the light of the proposed transaction and the funding available to KCM as detailed in this announcement, the directors of ZCI have evaluated the assets and determined the need for an impairment to be reflected in the accounts. The impairment of the assets at June 30, 2002, which will be reflected in ZCI's interim financial report, has been determined to amount to \$249 million.

Commenting on the agreement, Simon Thompson, Chief Executive of Anglo American Base Metals Division and retiring Chairman of ZCI and KCM said: *"The finalisation of these complex negotiations allows KCM to continue to operate in accordance with the objectives of the Government and provides an opportunity for Zambia to diversify its economy and reduce its dependence on copper. The newly formed Copperbelt Development Foundation, endowed by Anglo American, will work with other stakeholders in pursuit of this goal."*

Despite incurring substantial losses, Anglo American has demonstrated its commitment to acting in a socially responsible manner with regard to its withdrawal from KCM and has also taken into account the interests of the minority shareholders in ZCI by providing them with a debt-free vehicle through which they can continue to participate in the future of KCM."

Bermuda, 19 August 2002

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