

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

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**ANNOUNCEMENT**

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In March 2000, ZCI announced that it had acquired an interest in Konkola Copper Mines plc ("KCM") and that KCM had executed a number of agreements with the Government of the Republic of Zambia ("GRZ") and Zambia Consolidated Copper Mines Limited ("ZCCM") which provided for the investment in and development of the assets acquired by KCM.

KCM is owned 65% by ZCI (which is 50.9% owned by Anglo American); 7.5% by the International Finance Corporation ("IFC"); 7.5% by the CDC Group plc ("CDC"); and 20% by ZCCM Investments Holdings ("ZCCMIH"), which is 87.6% owned by the Zambian Government.

At the time of acquiring the interest in the KCM operations, ZCI stated that the development of the Konkola Deep Mining Project (KDMP) was the main rationale for the acquisition.

ZCI announced the deferral of KDMP in October 2001, following the completion of a feasibility study in mid 2001. The deferral decision was based on the difficult market conditions for copper and cobalt and the non availability of the required project financing.

Under the Development Agreement between KCM and the Zambian Government, there were a number of conditions precedent to proceeding with KDMP including:

- that substantial third party limited recourse project finance had to be available on reasonable commercial terms. (Cash flow from existing operations was forecast by ZCI to contribute in excess of 50% of the peak funding requirements of KCM during the construction period of KDMP); and
- that the price of copper had to have exceeded an average of US\$1700/t in real terms (77c/lb, equivalent to 79.8c/lb in 2001 money terms) over the 12 month period prior to any decision to proceed with KDMP.

Since late 2000, copper and cobalt prices have been significantly weaker than had been originally forecast. As a result, and notwithstanding the significant US\$174 million refurbishment capital that has already been invested and the commendable performance of KCM's employees in improving productivity, lowering unit operating costs and improving safety health and environment performance, KCM has continued

to incur substantial losses. The accumulated losses since March 2000, based on the current unaudited estimate of KCM's results for the year to 31 December 2001, amount to US\$108 million. In the last 12 months the price of copper has averaged 71c/lb and in addition, current estimates of world economic growth suggest that near term copper prices will continue to be materially weaker than originally envisaged.

Primarily as a result of weaker actual and projected copper prices and not withstanding the fact that such prices are projected to recover from their current cyclical lows, the external financing requirement for KCM (to fund existing operations and construct KDMP) has increased materially from US\$300 million to approximately US\$1 billion.

KCM has been advised, and ZCI believes, that there is no reasonable prospect of being able to raise the required project finance for KDMP on normal commercial terms.

As a result of the level of ongoing losses and the fact that the aforementioned conditions precedent to proceeding with KDMP had not been satisfied, KCM was requested to produce a strategic review of the options open to the company. All of the investment models run by the company indicated that, whether or not KDMP went ahead, significant incremental shareholder funding would be required over and above the US\$370 million in commitments that have already been given by shareholders. It is ZCI's assessment that none of the funding will be prepared to carry on investing in KCM over and above the amounts committed at the time of the initial acquisition of the KCM assets in March 2000.

Without the prospect of being able to develop KDMP, Anglo American and ZCI have concluded that further investment in the existing KCM operations, which are high cost and have a relatively short life, is not justified and would not be value enhancing for their shareholders.

The shareholders of KCM are currently considering all available options, including sale, transfer of the assets on a going concern basis, or closure in a socially and environmentally responsible manner.

ZCI is committed to working with the other shareholders of KCM, the Government of Zambia, the donor community, civil society and other private sector parties to seek to minimise the impact of the decision not to invest further in KCM over and above existing commitments. In the absence of substantial additional financing becoming available to KCM or the sale or transfer of the assets on a going concern basis, it is anticipated that operations will cease in approximately 12 months.

Anglo American has informed ZCI that it will honour its existing funding commitments to provide ZCI with up to US\$310 million in funding for on-lending to KCM. Of that amount Anglo American had, at 31 December 2001, lent ZCI US\$190 million (US\$214 million including accrued interest) which the latter has on-lent to

KCM. (The undrawn amount will be used by ZCI and KCM to meet their respective obligations as they fall due including, in the case of KCM, repayment of existing debt). Anglo American has, however, also advised ZCI that, as ZCI sees no reasonable prospect of the project financing condition precedent with regard to KDMP being satisfied, it is not prepared to provide additional financial support to ZCI over and above existing commitments.

ZCI is in the process of appointing advisers to assist it in its deliberations and in its negotiations with the other shareholders of KCM, the GRZ and Anglo American. Shareholders are advised that such discussions will include a review of the carrying value of its investment in and its loans to KCM as well as negotiations with Anglo American concerning the existing loan facility between ZCI and a wholly owned subsidiary of Anglo American.

Simon Thompson, Chairman of ZCI commented that "the ZCI directors, in announcing the KCM transaction on 15 March 2000, stated that they believed that the existing operations could be returned to profitability within a reasonable period and that, combined with the long life KDMP, this would provide ZCI shareholders with an opportunity to invest in a major long life, low cost copper mining project. The directors however, also stated that the profitability of KCM's operations was highly sensitive to copper prices on the world's commodity markets. Regrettably, copper prices have fallen sharply in the face of a significant downturn in the world's economy and this has impacted not only the profitability of the existing operations but it has also significantly increased the level of external financing required to fund KCM. The board, having taken financial advice, believes that there is no reasonably foreseeable prospect of securing the required project financing. It is with deep regret that, without the prospect of KDMP, the board believes that further investment in the high cost, short life, loss making KCM cannot be justified. ZCI is in the process of appointing independent financial advisers to advise it on the way forward."

In light of this announcement it is expected that trading in ZCI shares will remain suspended until further notice.

24 January 2002