



KUMBA IRON ORE

ANNUAL REPORT 2006

Contents

2	Group review at a glance
3	Geographical locations
4	Ownership structure
5	Strategic objectives
6	Board of directors
9	Chairman's statement
13	Chief Executive Officer's review
16	Financial review
19	Marketing, sales and logistics
22	Executive committee
24	Business operations review
	– Sishen Mine
	– Thabazimbi Mine
31	Project pipeline
33	Review of mineral resources and reserves
37	Corporate governance and risk management
43	Shareholders' information
44	Shareholders' analysis
47	Sustainable development
50	Safety, health and environmental management
57	Selected group financial data translated into US dollars
58	Glossary of terms and acronyms
63	Annual financial statements
108	Notice of annual general meeting
111	Form of proxy
IBC	Administration and shareholders' diary

Note: All acronyms and terms are defined in the glossary (58 – 62)

Highlights

	Audited 2 mths	Unaudited 12 mths
o Revenue	R2,2bn	R8,7bn
o Operating profit	R684m	R5,4bn
o Headline earnings	R262m	R2,1bn
o Earnings per share (cps)	84	1 080
o Maiden dividend 80 cents per share		
o Fully empowered mining company		



Our reason for existence

To deliver outstanding, sustainable value
to stakeholders

Our dream

To define a new frontier of operational and
people performance in the mining industry

Group review at a glance

In 2006 Kumba Iron Ore produced 28,7 Mt of iron ore at Sishen Mine in the Northern Cape Province. 2,4 Mt was produced at Thabazimbi Mine in the Limpopo Province, bringing total production of the group for 2006 to 31,1 Mt.

79 percent of Sishen Mine's products are exported, whilst all products from Thabazimbi Mine are sold in the domestic market, through a cost-plus contract.

The geographical location of the export harbour at Saldanha Bay allows the group to target both the European and Asian markets at competitive prices.

The group exports ore to thirty customers in more than ten countries. The main regions are Asia (China 35 percent of export tonnage, Japan 23 percent and South Korea 5 percent) and Europe (35 percent).

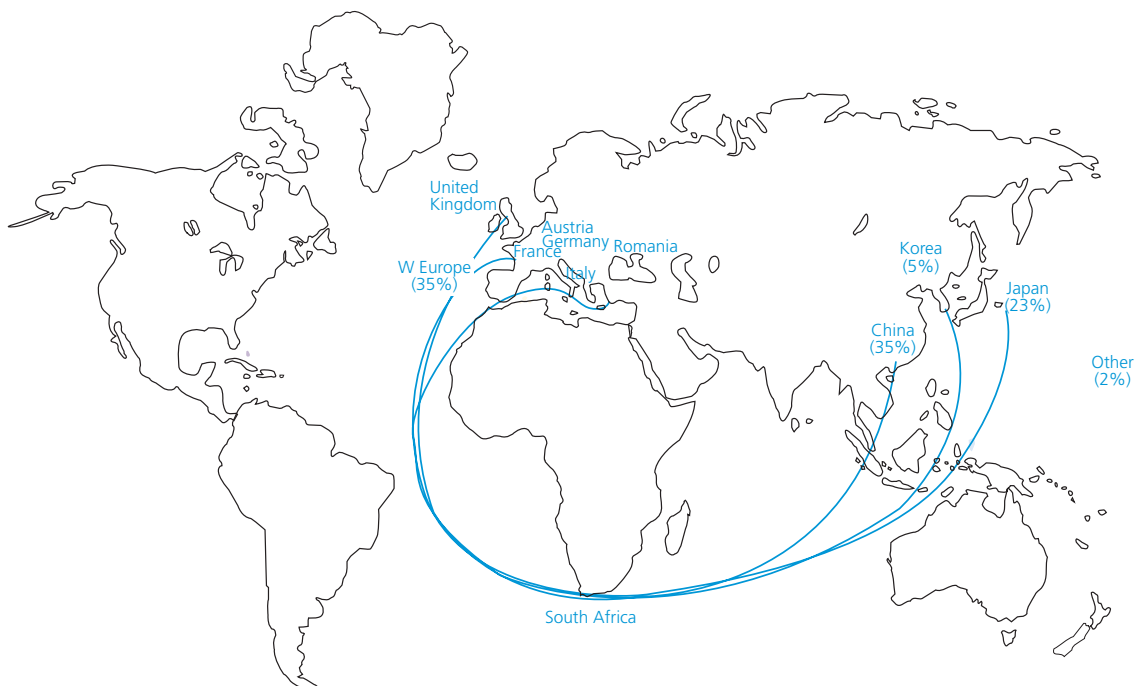
Kumba Iron Ore's beneficiated Sishen ore is a sought-after product because of its consistent quality, high iron content, resistance to

physical degradation during transportation and handling, and very low moisture content. The ore also enhances efficiency in most blast furnaces. For these reasons, the group is a preferred supplier to many customers world-wide.

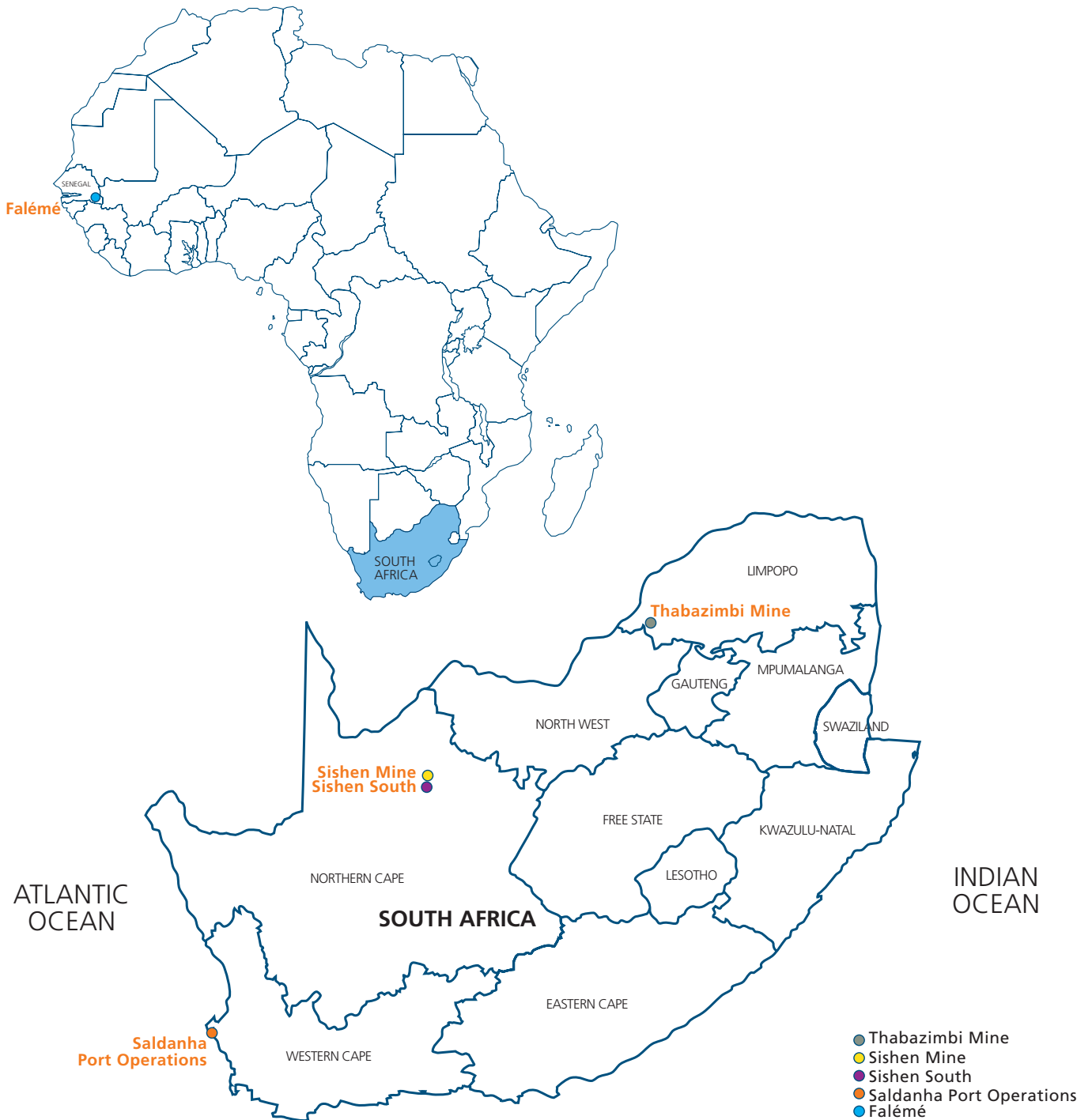
Compared with its competitors in Australia and Brazil, the Sishen resource produces a high (60:40) lump to fine ore ratio. This is an advantage in a market where lump ore sells at a premium.

In a market that is dominated by three major producers, Kumba Iron Ore has a 3,1 percent share of the 717 Mt seaborne iron ore market. With its proportionally higher ratio of lump to fine ore, the group has a significant 9,9 percent share of the 162 Mtpa seaborne lump ore market.

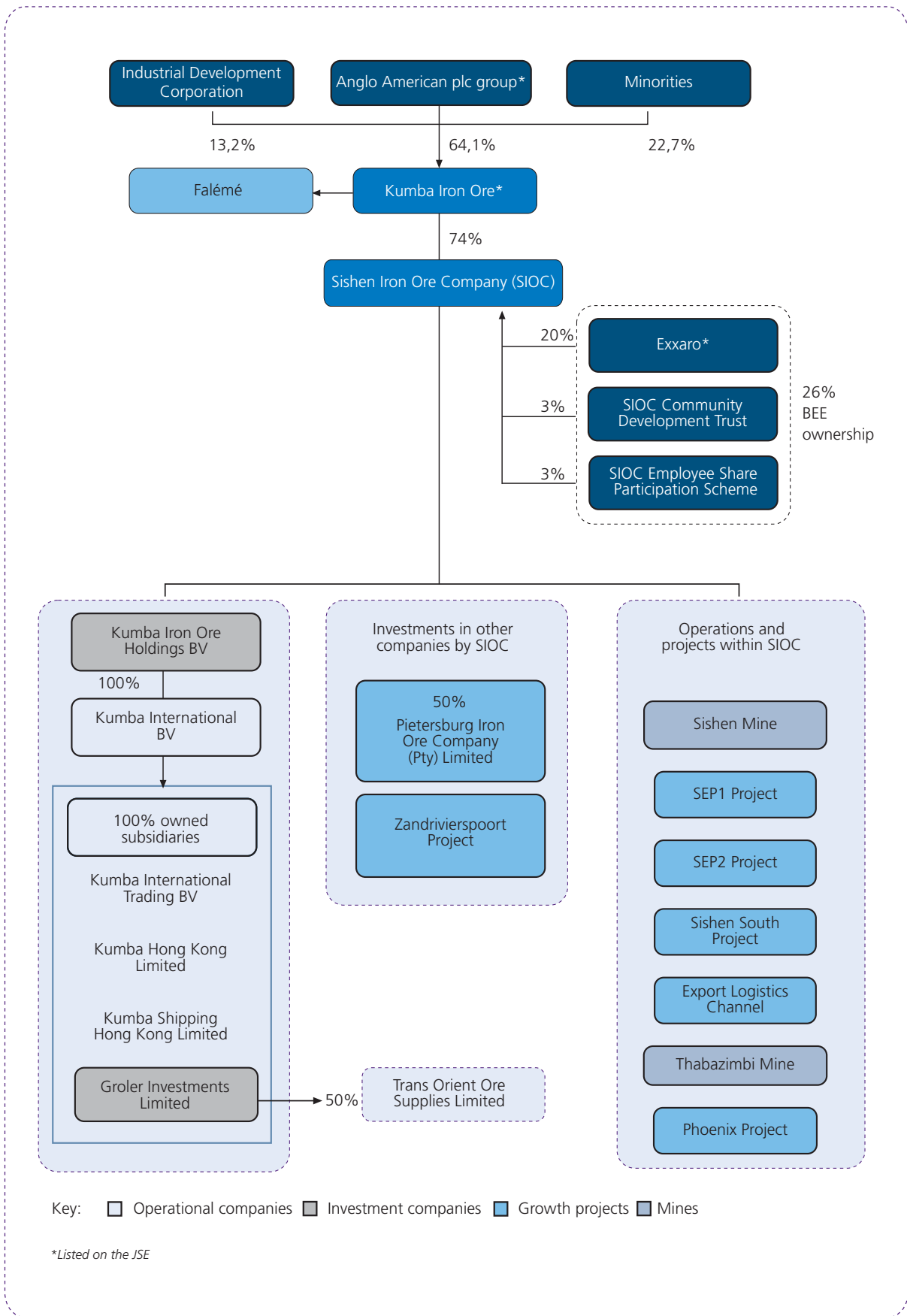
Kumba Iron Ore export distribution profile for 2006



Geographical locations



Group ownership structure



Strategic objectives

Against the background of a market for seaborne iron ore that is projected to remain attractive for some years, Kumba Iron Ore's secure access to high quality reserves and to existing infrastructure provides the basis from which to rapidly expand its production capacity. Proven reserves and resources can support an increase in production from the current 32 Mtpa to more than 70 Mtpa by 2015.

In the quest to define a new frontier of operational and people performance in the mining industry, Kumba Iron Ore will pursue five strategic thrusts:

- **Customer relationships** – establish and maintain a preferred-supplier status in high-margin iron ore markets by differentiating its high-quality products, whilst maintaining consistent quality and delivering superior levels of customer service.
- **Growth** – progress current growth projects and secure new opportunities, to ensure a full pipeline of long-term growth options. The group's current project pipeline includes a balanced portfolio ranging from early stage studies to implementation phase projects. In addition, exploration activities and technology developments should continue to identify new opportunities.
- **Best operator** – reduce operating expenses to increase the operating margin through pursuing continuous improvement initiatives in all business areas.
- **Sustainable development** – be a responsible corporate citizen in line with the guiding principles of the *King II Report* on Corporate Governance. The primary focus of the corporate social investment

programme is on the social needs of the communities forming an integral part of the group's mining operations and progressing the objectives of the *Mining Charter* Scorecard. Kumba Iron Ore also aims to improve safety, health and environmental performance on a continuous basis. This forms an integral part of the organisation's commitment to sustainable development.

- **Talent and performance management** – Kumba Iron Ore aims to become a magnet for talent. This will be achieved by attracting and retaining talent and being an employer of choice in the mining industry.

The focus of Kumba Iron Ore's business development will be to maximise the opportunities represented by its substantial existing brownfields and greenfields project pipeline, thus taking advantage of the current and projected strength in seaborne iron ore markets. The Anglo American plc group supports this approach to business development by Kumba Iron Ore.

Board of directors

Chairman



Lazarus Zim (46)
Chairman

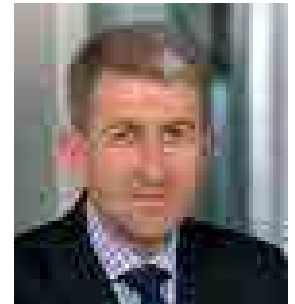
Lazarus is the Chairman of Afripalm Resources, which is a significant shareholder in Mvelaphanda Resources, and Vice-chairman of Pinnacle Point Holdings. He is also a director of Sanlam and Telkom as well as President of the Chamber of Mines. He is a former CEO of Anglo American South Africa and former Chairman of Anglo Operations Limited.

Non-executive directors



Philip Baum (52)
Non-executive

Philip is the Chairman and Chief Executive of Anglo Ferrous and Industries division and acting Chief Executive of Anglo American South Africa. He is also a member of the boards of Anglo Platinum, Tongaat Hulett and the former Kumba Resources. Philip was previously Chief Executive of Anglo American Corporation Zimbabwe and Chief Operating Officer of Anglo American Corporation.



Gert Gouws (48)
Non-executive

Gert is the Chief Financial Officer of the Industrial Development Corporation. He serves as a Director on several boards including Umicore Autocat SA (Chairman), Algorax (Chairman) and Heric Ferrochrome.



Dolly Mokgatle (50)
Independent Non-executive

Dolly is an Executive Director of the Peotona group of companies. She also holds the positions of Non-executive Chairman of EDI Holdings, Deputy Chairman of the National Energy Regulator of South Africa and non-executive director of a number of companies including Sasfin Bank.



Allen Morgan (59)
Independent Non-executive

Allen is a Non-executive Director of Eskom Holdings. He was the Non-executive Chairman of the former Kumba Resources and Chief Executive of Eskom Holdings.

Executive directors



Peter Matlare (47)
Independent Non-executive

Peter is the Commercial Director of Vodacom South Africa. Formerly he was the Chief Executive Officer of the SABC.



Ras Myburgh (48)
Chief Executive Officer

Ras held a number of positions in the previous Kumba Resources – Managing Director of Sishen Iron Ore Company, General Manager: Transformation and Empowerment and Managing Director: Kumba Resources' Coal division. Prior to this he was Power Station Manager of Drakensberg Pumped Storage Scheme.



Vincent Uren (45)
Chief Financial Officer

Vincent has 17 years of experience in Anglo American's Corporate Finance function. He was involved in a number of diverse and complex local and international transactions.



Nkosana Moyo (55)
Independent Non-executive

Nkosana is a managing partner at Actis Capital LLP – Africa. Formerly he was the Senior Adviser to the International Finance Corporation, Managing Director of Batani Capital Finance, Managing Director of Standard Chartered Bank, Tanzania and the Minister of Industry and International Trade in Zimbabwe.



Kumba Iron Ore will continue to be a responsible custodian of its natural resources.

Maintenance on tertiary crusher – Sishen Mine

Chairman's statement



It is a great pleasure and privilege for me to be at the helm of Kumba Iron Ore at the beginning of what, I am certain, will be a distinguished future as a truly great mining company.

PL Zim
Chairman

The assets of Kumba Iron Ore in terms of its physical and human resources are well tested and are of an exceptional quality. Its governance structures and principles, business ethics and value system are soundly based and well established. Its board includes exceptional performers with impeccable credentials from business and the mining industry. Its broad-based empowerment status also emphasises its stature as a responsible corporate citizen.

I believe that these factors taken together promise an exceptionally fruitful future for the group.

I am proud to have played a part in designing and implementing what we regard as one of the most innovative and sustainable BEE transactions in South Africa, designed to benefit all stakeholders and the country as a whole.

The complex process of managing the separation of assets of the former Kumba Resources Limited (Kumba Resources) was handled remarkably efficiently.

From a very early stage in the unbundling process the teams were fortunate in being able to assemble and put in place a competent, representative board, which not only guided management through the process but also set up the governance systems under which it now operates. These systems were designed to ensure that the group is at all times compliant with the provisions of the *King II Report on Corporate Governance*. They were put in place

from the group's inception and in essence carried on the corporate governance principles and practices that prevailed in Kumba Resources, amended where appropriate by the practices of the Anglo American plc group.

Broadly, I am confident that Kumba Iron Ore in its new format will continue to be a role model in legislative compliance and governance standards. It will continue to be a responsible custodian of its natural resources and will remain a significant contributor to the nation's prosperity and growth.

Challenges in the mining industry

I know that the wisdom of the directors of both Kumba Resources and Kumba Iron Ore in the unbundling will be rewarded amply by the outstanding performance of our company in the future.

I make this prediction in the knowledge that the company has performed excellently since 2001, in virtually unchanged operational format, as the iron ore division of Kumba Resources. Driven by our competent and experienced management and employees, we increased production volumes by 9 percent over the five years to 2006.

We are now poised to better this performance by seeking lasting solutions to the transport challenges that have sometimes affected our results. We are working in close partnership with Transnet, and I am happy to say that various infrastructural challenges are being

Chairman's statement

continued

tackled resolutely by the responsible ministry. We are delighted with the increased urgency apparent in Transnet's activities in recent times, particularly in respect of capacity expansions on the Sishen-Saldanha export line.

There are other regulatory and legislative matters that could affect growth and investment in the iron ore sector, notably the conversion and registration of mining rights and prospecting rights under the *Minerals and Petroleum Resources Development Act*. Here again, together with the mining industry in general, we are working closely with the authorities concerned and are engaged in constant dialogue with them.

It is pleasing to report that the Minister of Minerals and Energy took vigorous action in the latter part of 2006 and succeeded in reducing the backlog in respect of the matters concerned.

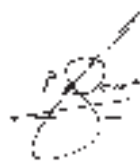
A particular challenge to Kumba Iron Ore is the provisions of the *Mineral and Petroleum Resources Royalty Bill*. In essence, this draft legislation seeks to impose differential royalty rates on refined and unrefined iron ore, ostensibly to encourage beneficiation, which already forms part of our existing operations. However, we remain in close contact with the South African Treasury and continue to put forward our case that an alternative scheme would be preferable and would have a less debilitating effect on iron ore exports. This is a concerted and coordinated effort with other industry players and notably the Chamber of Mines. A decision is awaited towards the end of the third quarter in 2007.

Outlook and thanks

I have pleasure in recording sincere thanks to the board, both collectively and individually, on behalf of our company for their vision and attention to detail in putting us on course so early in the life of the company as an independent entity.

This annual report deals comprehensively with the global iron market, its dynamics and the prospects for Kumba Iron Ore, especially in the light of its expansion programme which is set out in more detail on page 31 – 32. I can add that our board of directors is determined to contribute wherever possible in delivering the growth opportunities that lie ahead.

I am confident that our employees will carve out a great future for this group and I thank them all for their individual contributions in the lead-up to our creation as a separate company.



Lazarus Zim



I am confident that Kumba Iron Ore will continue to be a role model in legislative compliance and governance standards.



Stockpiles – Saldanha Port Operations



We will build on the achievements of Kumba Resources in the iron ore industry and harness the powerful momentum over the past five years.

Haul trucks – Sishen Mine

Chief Executive Officer's review



Kumba Iron Ore Limited came into existence when the iron ore assets of Kumba Resources were unbundled and listed separately on the JSE on 20 November 2006. The organisation is a subsidiary of the Anglo American plc group; the only pure play iron ore company on the JSE and a fully empowered company in terms of the 2014 equity ownership requirements set out in the *Mining Charter*.

EJ Myburgh

Chief Executive Officer

Pre-unbundling activities

The primary task of our management team in the period leading up to and immediately after the unbundling, was the physical separation of the Kumba Iron Ore assets and businesses from the Kumba Resources group, and I am happy to say that the process went remarkably smoothly.

I am confident that, as a result of our combined efforts, Kumba Iron Ore will be able to continue delivering the same exceptional results to stakeholders that it contributed when it was part of Kumba Resources. In fact, we have plans in place to enhance our performance wherever possible.

Broadly, we will build on the achievements of Kumba Resources in the iron ore industry and harness the powerful momentum gained over the past five years.

We are deploying the same management systems and largely the same staffing as before the unbundling. Where there were gaps in our skills levels that we were unable to fill from within, we succeeded in attracting the required talent from outside, despite the general tightness of the market, particularly in technical skills.

In this we were greatly helped by the fact that Kumba Resources was named as "the best South African mining company to work for" by a comprehensive independent survey for

three successive years. This reflects a company culture that strives to give its people greater work satisfaction and applies the values of integrity, respect, accountability, fairness, caring, openness and transparency. It is also a culture in which we create opportunities for our people through our training and skills development programmes, which cover current job requirements, future and potential work orientation and personal skills development. We will continue to spend significantly more than the industry average on training and development.

We have been able to draw on the expertise of both Exxaro and the Anglo American plc group. To the extent necessary normal governance principles have been applied when sourcing such services. Such agreements have been effected at an arm's length and on a normal commercial basis. Service agreements have been negotiated in areas such as payroll, information management, mine planning and certain laboratory activities.

During the lead-up to the unbundling, I visited Kumba Iron Ore's customers world-wide. I was able to give them full assurance that we are committed to continue to be a reliable, long-term partner in our supplier relationship with them, and I am happy to report that they expressed unanimous approval for our products and service offerings. They undertook to continue supporting us in return.

Chief Executive Officer's review

continued

Because the unbundling transaction satisfied the empowerment ownership requirements of the *Mining Charter*, we were able to begin the process of converting the mining rights of Kumba Iron Ore to new-order mining rights before the effective date of the transaction and we expect conversions during 2007.

Operational and financial performance

Despite the preoccupations and activities of the unbundling process, the group, because of its strong value system and inherent strengths, achieved record production figures and kept its expansion projects in line with development schedules.

Revenue for 2006 increased by 32 percent to R8,7 billion, year on year, and earnings before interest and tax rose by 38 percent to R5,4 billion.

Markets

New benchmark prices for 2007/2008 have been settled by most of the major iron ore producers and steel manufacturers at 9,5 percent for both lump and fine ore.

The group's core purpose and prospects

On the understanding that the core purpose of our group is to deliver outstanding sustainable value to our stakeholders, we will challenge ourselves continuously to reach new frontiers in people and operational performance.

Several factors will help us realise our dream. We start life as a new company in a booming global industry. We have world-class iron ore assets with many positive attributes making us a preferred supplier to many customers. The impact of effective logistics and sound infrastructure on our operations and on the industry as a whole cannot be overstated.

In this regard, we appreciate the efforts of Transnet to meet growing demands. We understand that Transnet's upgrading and expansion of the Sishen-Saldanha export channel is on schedule despite initial problems such as the failure of the shiploader in September, and we look forward to its successful completion.

Human capital

The most important strength of Kumba Iron Ore is its committed, experienced and motivated people who have for the most part been nurtured in a flourishing iron ore business.

We have taken over, and will continue to build on, the sound business ethic and management systems that have been in place in Kumba Resources. We can build on this strong base with regard to most of our policies and we are also now able to draw on the best of the Anglo American plc group. This includes a well-entrenched talent management programme.

Performance management and incentives

In order to provide a stimulating environment for our employees, the group sets stringent performance targets across all levels of the workforce and ensures that exceptional performance is well rewarded. To this end short-term incentives are paid to all employees to a maximum potential of 25 percent of annual basic salary on meeting set performance conditions.

In addition, all employees up to junior management level are eligible for participation in the employee share participation scheme, known as Envision. The company will pay the first dividend to participating employees in the second quarter of 2007. Employees will share pro rata individually in the appreciation of the company shares through the Envision trust at the end of five years.

Middle and senior management will participate in a management share incentive scheme as from 2007. This scheme aligns management objectives to ensure the realisation of company objectives over a three-year period. It also serves as a retention mechanism.

Project pipeline and future growth

The company has a balanced pipeline with the potential to more than double production by 2015. In this programme, however, the cost per ton of ore transported, currently formulated in Transnet's feasibility study, is critical for expansion in the Northern Cape.

The current expansions of the Sishen-Saldanha export channel are providing Kumba Iron Ore with the opportunity to expand production from Sishen Mine to 42 Mtpa by 2009. Construction of the SEP plant is set to grow iron ore production by 13 Mtpa. This project, with a capital cost of R5,1 billion, is on track.

In addition, projects that could increase production by a further 35 Mtpa are in the pre-feasibility and potential study phases. A pre feasibility study to expand the current Sishen Mine by a further 10 – 20 Mtpa is due to be completed in 2007. Studies on the production of iron ore pellets and iron ore fines from existing waste streams and low-grade ROM material are currently in potential and pre-feasibility phases and will proceed subject to financial viability and Spoornet rail expansion. The studies are expected to be completed in 2008.

Another possible hindrance to the speedy completion of our expansion programme is the stance of Mittal in relation to certain projects. We are currently in arbitration with this company about its participation in new capacity expansions at the Sishen complex.

A challenge facing us in the successful implementation and completion of our expansion project pipeline is the general shortage of technical skills facing the country, which we expect will continue for at least five years.

Business strategies to increase volumes and improve efficiencies

In our continuing drive to produce optimum results for our stakeholders, we will drive a number of strategic initiatives as set out on page 5.

Outlook

The outlook for Kumba Iron Ore for 2007 is expected to remain positive. The upward trend in global iron ore demand is expected to continue during the coming year. Prospects for continued real growth in global steel demand remain positive in 2007, with the strongest growth again expected to come from China with an anticipated increase of 8 to 10 percent in steel consumption.

Kumba Iron Ore will focus on growth through its current operations whilst broadening its production base further as it pursues actively its pipeline of projects.

Thanks

We are particularly grateful to Dr Con Fauconnier and his team at Kumba Resources for working closely with us to mobilise the skills and resources required to perform the physical and practical steps involved in the unbundling and the subsequent listing of Kumba Iron Ore.

We express our thanks to our board under the able leadership of our Chairman, Lazarus Zim, who guided us with their experience and support through the transition.

I wish to thank our executive team for the exceptionally long hours they have had to put in over the past eventful year and I am confident in the ability of our employees to make the year ahead a great success.

I am proud to lead the exceptional group of people that we employ across the board in our operations and at our central services and head office. I know that together, we will be able to move forward into a new era of profitability and achievement to benefit our shareholders, customers, the wider community and ourselves.



Ras Myburgh

Financial review



Kumba Iron Ore Limited was registered as a legal entity in May 2005 with no trading taking place until November 2006. The audited results include trading for only the two-month period ended 31 December 2006. For analytical purposes a separately bound set of pro forma financial statements for the twelve months ended 31 December 2005 and 2006 is included.

VP Uren

Chief Financial Officer

Overview of group operating results

Audited group operating results for the two months ended 31 December 2006

Profit before interest and tax	Rm	684
Profit after tax	Rm	379
Profit attributable to ordinary shareholders	Rm	264
Basic earnings per share	cps	84
Dividend declared per share	cps	80

Profit before interest and tax was R684 million for the two-month period ended 31 December 2006. Profit after tax was R379 million, of which R115 million was attributable to minority interest holders. The minority interest holders' share for the period is effectively 30,3 percent, compared to the actual minority interest shareholding of 26 percent. An accounting charge of R153 million arises from the sale of 3 percent of the issued shares in SIOC, which Kumba Iron Ore sold to the SIOC Community Development Trust as part of the conditions of the Kumba Resources empowerment transaction. In terms of IFRS 2 the difference between the offer price and the fair value is charged to the income statement and is not shared by minority shareholders.

Costs were higher, largely as a result of rises in fuel, labour and project linked operating costs as well as an increase in waste stripping and maintenance related activities. The increases in costs were partially offset by continued operating cost savings from improvement

initiatives. Unit cost per tonne is expected to remain under pressure until the full benefit of additional tonnages through the SEP project is realised in 2009.

Stronger commodity prices and a weaker local currency towards the end of 2006 fuelled revenue growth. However, export sales volumes were adversely affected by the breakdown of a shiploader at Saldanha port in September 2006. This restricted shipments and necessitated the rescheduling of vessels. Due to the combined efforts of Transnet, our customers and our dedicated staff, export volumes decreased by only 3 percent to 21,5 Mt.

Sishen Mine increased production volumes of iron ore by 1 percent to 28,7 Mt and tonnages railed from the mine to Saldanha increased by 1 percent to 24,3 Mt. Domestic sales volumes decreased by 9 percent to 8,3 Mt as a result of lower off-take from Mittal.



Kumba Iron Ore was established following the unbundling of the iron ore assets from Kumba Resources in terms of the Kumba Resources empowerment transaction in November 2006.

We see what **could** be – Thabazimbi Mine



Financial review

continued

Overview of the twelve months ended 31 December 2006 (unaudited)

In 2006, Kumba Iron Ore's financial and operational performance was strong with year-on-year revenue and EBIT increasing from R6,6 billion to R8,7 billion and from R3,9 billion to R5,4 billion respectively. The underlying EBIT margin increased from 42% in 2005 to 46% in 2006. This excludes the proceeds on the settlement of Hope Downs in 2005, and the profit on the offshore non-iron ore assets sold to Kumba Resources in terms of the empowerment transaction. It also excludes the IFRS 2 expense of R153 million arising on the sale of equity to the SIOC Community Development Trust.

As part of the empowerment transaction, all offshore non-iron ore assets were sold to Kumba Resources resulting in a non-recurring profit of R1,553 million in September 2006.

Unit production cost at Sishen Mine increased by 27 percent to R79,59/t over the FY2005 cost base (R62,43/t). The main drivers behind this increase were inflationary pressure on input costs that had an unfavourable impact on unit cost that resulted in increases of R4,70/t (7,6 percent) as well as operational costs.

These cost increases were driven by:

- Changed mining conditions and compliance related activities increased unit cost by R1,22/t (2 percent).
- Costs deliberately incurred to utilise additional rail capacity and increase throughput (increased throughput by 650 000 tonnes) increased unit cost by R2,06 (3 percent).
- Outsourced mining activities to achieve pre-stripping waste targets increased unit cost by R4,72/t (8 percent).
- Higher crude oil prices increased petroleum costs by R1,76/t (3 percent).
- Above inflationary salary and wage increases increased unit costs by R0,77/t (1 percent).

Dividends

The group's policy is to pay regular dividends. The level of dividend payments is considered half-yearly against prevailing trading conditions, the balance sheet structure and available cash flow, taking cognisance of value-adding growth opportunities. The board accordingly approved a maiden dividend for the two-month period ended 31 December 2006.

The total dividend amount (excluding STC) for the two months to 31 December 2006 is covered 1,05 times by attributable earnings.

Period ended 31 December 2006

Earnings dividend	cps	80
Total dividend payable	Rm	251
STC	Rm	31
Total	Rm	282

Cash flow

As with the preceding ten months the operations for the two months ended 31 December 2006, generated strong cash flows.

Cash and cash equivalents at 31 December 2006 were R1,1 billion, whilst cash generated from operating activities amounted to R389 million. A net cash outflow of R140 million for the period related largely to capital expenditure (R511 million) that includes the SEP capital expenditure (R398 million), partially offset by a R400 million increase in cash resources, being the opening balance of cash in SIOC upon the acquisition of SIOC from Kumba Resources. Net interest-bearing borrowings of R884 million were taken up during the two-month reporting period.

Capital expenditure

The table below contains a comparison of capital expenditure for the two-month period to 31 December 2006 and the twelve-month period ended 31 December 2006 (unaudited).

	2 months ended 31 December 2006	12 months ended 31 December 2006 (unaudited)
Capital expenditure – Rm		
Environmental	–	46
Expansion	424	1 462
Replacement	87	216
Total	511	1 724

Financial structure

During November 2006, the group put in place revolving loan facilities in order to replace previous back-to-back loan facilities provided by Kumba Resources. The net debt as at 31 December 2006 was R2,925 million and interest-bearing debt, details of which are found in annexure 1, amounted to R4,019 million.



Vincent Uren

Marketing, sales and logistics

Fundamentally the iron ore industry remains attractive, and steady growth in demand of some 25 percent from current levels is forecast over the next twenty years.

The global iron ore market in 2006 continued on the strong growth trend of the past few years, increasing by 13,9 percent to 1 750 Mt. The seaborne trade market for iron ore increased by 8,3 percent to 717 Mt. The continued tight supply situation of iron ore was reflected by the 19 percent benchmark price increase for 2006/2007. The annual international price adjustment cycle runs from 1 April to 31 March the following year.

Global crude steel production for 2006 was 1 201 Mt, an increase of 8,8 percent over 2005. China's share of world steel output increased from 31 percent in 2005 to 34 percent in 2006, entrenching its position as the world's largest producer of steel.

Prospects for continued real growth in global steel demand remain positive in 2007, with the strongest growth again expected to come from China, where an increase of 8 to 10 percent in steel consumption is expected. Continued consolidation in the global steel industry and increasing steel exports from China will be important industry trends in 2007.

Kumba Iron Ore currently has a 3,1 percent share of the seaborne iron ore trade, and 9,9 percent of the seaborne lump ore market. This is based on exports of 21,5 Mtpa from Sishen Mine. The three largest iron ore producers in 2006 of seaborne iron ore trade are CVRD (235 Mt) from Brazil as well as, Rio Tinto (168 Mt) and BHP-Billiton (115 Mt) from Australia.

The seaborne market is responsible for a large proportion (more than 89 percent) of the group's revenues. Strong growth in steel demand, primarily from China, and increasing supplier consolidation over the past decade have driven the recent record price increases for seaborne iron ore.

Continuing strong economic growth in China and the concomitant development of its steel industry are expected to fuel healthy demand and growth until approximately 2025. China is expected to represent 60 percent of demand for seaborne iron ore by 2011, whilst further growth in CIS and South America in the medium term – as well as India and other developing markets in the longer term – should sustain this growth.

Short- to medium-term scrap shortages should further ensure the growth in demand for iron ore and support attractive iron ore prices.

During 2007 Kumba Iron Ore plans to, in addition to its normal tonnages, place in the market some 2 Mt additional product from the SEP ramp-up, which is a new product with slightly lower iron content. The group has received letters of intent for the products, totalling an additional 13 Mtpa which is the production capacity of the SEP.

Logistics

Kumba Iron Ore is working closely with Transnet, which is currently engaged in expanding the capacity of the Sishen-Saldanha export channel to give effect to an agreement, concluded in February 2005, to increase allocated rail tonnages to 35 Mtpa. Sishen Mine is concurrently ramping up its production (inclusive of the SEP) to ensure that increased output is achieved at about the same time that Transnet completes its expansion works towards the second half of 2007.

Since logistics issues play an important part in Kumba Iron Ore's performance, the group continues its close cooperation with Transnet across all matters of common interest. Discussions commenced on the next phase of capacity expansion, amounting to a further 9 Mtpa rail allocation, in order to carry planned production from the envisioned Sishen South Mine to Saldanha. It is anticipated that an agreement will be concluded towards mid-2007.

The Sishen-Saldanha export channel is performing well again after an unfortunate occurrence in September 2006 when a shiploader at the port broke down and Kumba Iron Ore lost nineteen days of exports, affecting sales for the year. Mine production, however, continued during the period of loader downtime and some 2 Mt of product was stockpiled at Saldanha before the end of the year. It is planned that by August 2007 two shiploaders will be in operation, in time for the increased production linked to the SEP Project. An independent study on the operational shiploader, and the new design of the one that failed, confirmed the structural integrity of these machines.

Marketing, sales and logistics continued

All stakeholders involved are working on increasing efficiency in the logistics system and will continue to improve the outbound logistics chain to increase flexibility and reliability, whilst removing non-value adding activities. The target is to improve efficiencies, eliminate waste and maintain customer satisfaction.

In line with Kumba Iron Ore's customer focus the Marketing division is constantly investigating value adding opportunities in the product portfolio. This is done in close cooperation with customers and Sishen Mine whilst keeping in mind future growth projects.

The off-take by Mittal in 2006 was lower than expected due to logistical reasons. Normal off-take in the order of 9 Mtpa is expected to be resumed during 2007.





The stakeholders are working on increasing efficiency in the logistics system and will continue to apply lean principles to the outbound logistics chain.

Ship loading – Saldanha Port Operations

Executive committee



Ras Myburgh (48)
Chief Executive Officer

Ras held a number of positions in the previous Kumba Resources – Managing Director of Sishen Iron Ore Company, General Manager: Transformation and Empowerment and Managing Director: Kumba Resources' Coal division. Prior to this he was Power Station Manager of Drakensberg Pumped Storage Scheme.



Vincent Uren (45)
Chief Financial Officer

Vincent has 17 years of experience in Anglo American's Corporate Finance function. He was involved in a number of diverse and complex local and international transactions.



Peet Kotze (50)
General Manager,
Sishen Mine

Peet's mining career started with Foskor at Phalaborwa as Production Superintendent. Other positions held by him were Production Superintendent at Grootegeluk Coal Mine, Mine Manager at Leeuwpan Coal Mine and Thabazimbi Mine.



Francois Louw (47)
General Manager,
Commercial

Francois was the project Director for the former Kumba Resources' Northern Cape iron ore interests. Previously he was Manager, Strategic Projects in the iron ore business and General Manager, Operations at Ticom South Africa.



Fergus Marupen (42)
General Manager,
Human Resources

Fergus was the former General Manager, Human Resources for Kumba Resources. He was also an Assistant General Manager (HR) at Heavy Minerals/Ticor and at the former Iscor Quarries.



Aart van den Brink (46)
Mine Manager,
Thabazimbi Mine

Previously Aart was the Manager Mining at Grootegeluk Coal Mine and Thabazimbi Mine.



Christo van Loggerenberg (48)
General Manager, Projects
and Technical

Christo was a former Business Development Manager for Kumba Resources' Iron Ore business. He also held the position of Manager Metallurgy at Iscor Mining and various other engineering and operational positions in the Coal division of Iscor Mining.



Sishen Mine achieved an all-time production record of 28,7 Mt of final product, an increase of 1 percent over the previous best.

Business operations review

Sishen Mine

During the twelve months ended 31 December 2006, Sishen Mine achieved an all-time production record of 28,7 Mt of final product, an increase of 1 percent over the previous best.

The mine also achieved an all-time safety record, reaching a 0,22 LTIFR. Regrettably a fatality occurred during April 2006. Kumba Iron Ore extends heartfelt condolences to the family of Charel Haasbroek. The group continues to strive towards a safe working environment for all its employees and subscribe to the motto "one injury is one too many".

During 2006 the continuously expanding mine had to utilise more contractor capacity to cope with longer travel distances, a deeper ore body and increased production volumes. A total of 28 Mt of waste was handled by contractors during 2006, which represents a 64 percent increase in contractor volumes compared to 2005. Activities during the year included the preparation of facilities for the increased waste volumes that will need to be moved in 2007 as the ore body grows deeper.

While utilising contractors, the mine acquires the necessary time to study all available technology, which is expected to enable it to move these volumes more cost effectively. Consultants have been appointed to do the technology study in conjunction with Kumba Iron Ore.

Preparations for operating the new SEP plant are progressing well and are on track for commissioning towards mid-2007. Skills training programmes for the work teams were developed, together with the



Loading station – Sishen Mine

Business operations review

continued

Sishen Mine

continued

infrastructure to handle the estimated 2,4 Mt of product in 2007. Steps have been taken to integrate the project with the existing mine operations, heralding a new era of increased production growth.

In 2006 the number of people on the mine increased to levels greater than 7 700 due to the construction phase of the SEP plant. These numbers are expected to increase to even higher levels in early 2007 as construction nears its peak activity.

There is a sustained focus on continuous improvement, especially in relation to “lean production” principles, which constitute an important management tool to improve efficiencies and margins. Material efficiency improvements were achieved in a number of areas, notably in selective mining, where an increased plant yield of 2 percent was achieved on final product, resulting in improved utilisation of the ore body. Essentially the improvements depend on being more selective in the mining process using smaller, lower volume equipment to remove waste material at selected areas to expose usable material.

Due to a drive to achieve maximum benefits from selective mining, the result gained from the increased plant yield equated to a decrease of approximately 781 000 tonnes ROM mined and treated in the beneficiation plant. Associated with the lower ROM requirements, approximately 1,5 Mt less waste needed to be stripped. Iron ore gains in excess of 5,5 Mt ROM plant feed were achieved with selective mining at Sishen Mine for 2006. These tonnages would have been classified as waste if selective mining was not applied.

One of the major challenges that the mine faced during 2006 was the shortage of large tyres for the haul trucks. When necessary, Sishen Mine purchased some second-hand tyres with adequate usable life in order to keep the fleet running. Reasonable results were also achieved with tyres bought from alternative sources.

Continuous improvement initiatives also helped in the process of reducing scheduled maintenance stoppages, whilst at the same time increasing the availability of the total production line. This improvement in the maintenance planning process created additional production capacity of 100 000 tonnes a year without incurring any capital costs. The maintenance teams looked anew at routine work management,

revised the maintenance strategy of critical equipment and revisited the availability of critical spares, creating even better equipment availability.

Despite all the sustained continuous improvements at the mine to improve efficiencies and margins, production costs remained under pressure as discussed in the CFO’s financial review on page 16 – 18.

Improving operational safety has become a function of developing leadership and ensuring that every leader of a team fully supports the need for practising safe working conditions. This approach delivered the required results.

A programme of safety through empowering employees was also introduced, in which the involvement of all employees on the mine is sought in the process of managing safety. In this way, safety has become a primary concern for each employee. Management is confident that this approach will be even more successful in further reducing accident frequencies. A new programme is now being rolled out in which identified levels of safety maturity in different areas of operation on the mine are benchmarked and applied across all levels.

The challenges for 2007 include the ramp-up of the SEP plant to full capacity in terms of having the right skills available at the right time. This involves training and developing employees and ensuring that both existing and new plants operate optimally despite the fact that each will contain a proportion of relatively inexperienced employees as inter-plant transfers take effect.

Following the introduction of the SEP plant, the mine accepted the challenge to establish a satisfactory water balance management system when both operations are working at full capacity, in line with its sustainable development goals. To this end, a water circulation dam was designed and constructed for the SEP plant to ensure optimum water utilisation.

Good progress was made in the environmental management programmes in respect of the tests for the re-vegetation of the waste dumps. Excellent results were achieved on various angles of repose and the plan to roll out this process to other areas is progressing well. The basic approach remains one of ongoing rehabilitation of the affected areas as the LOM decreases.

In its human resources policies, Sishen Mine focuses on developing people and providing them with technical, personal and leadership skills. Particular emphasis is placed on integrating leadership development with personal development and training.

Mine management regards competence and performance as the main determinant of reward, with the result that affirmative action and employment equity are natural by-products of the mine's normal business practices. The best people are employed, resulting in a natural achievement of employment equity targets. HDSAs made up 34,4 percent of the management level at the mine in 2006.

Broad-based black economic empowerment is supported through the mine's procurement policies with 26,8 percent of the annual purchasing spend having benefited empowerment companies during 2006.

Sishen Mine faces two major challenges in 2007 namely the successful commissioning of the SEP and the mining of additional volumes associated with its ramp-up.

Operational activities

	2006	2005
Production (Mt)	28,69	28,46
Overburden mined (Mt)	59,26	58,64
ROM pit production (Mt)	31,21	31,69
Stripping ratio	1,90	1,85
ROM plant feed (Mt)	32,40	31,78
Plant yield (%)	89	90
Sales		
Export (Mt)	21,50	22,11
Local (Mt)	8,30	9,17
Total sales (Mt)	29,80	31,28

Thabazimbi Mine

At current production levels of 2,4 Mtpa Thabazimbi Mine has an LOM of four years in terms of current resources left. Its total production is sold to Mittal, which also arranges transport, at cost plus 3 percent. The mine continues to implement the group's policy in respect of safety improvement and accident prevention, and achieved a 0,31 LTIFR in 2006.

Production volumes of final product at Thabazimbi Mine were maintained at 2,4 Mt during 2006, despite severe floods in February 2006, which affected production for five days. With a waste-stripping ratio of 6,4, the mine delivered 2,9 Mt of ROM ore to the plant, which yielded 82,4 percent of final product.

A lack of rail wagons supplied by Spoornet adversely affected dispatches, which would otherwise have been some 11 percent higher. This problem was mitigated to a certain extent when, in September, at the request of Mittal, the mine began dispatching lump iron ore by road from Thabazimbi Mine to Mittal's Vanderbijlpark steel mill.

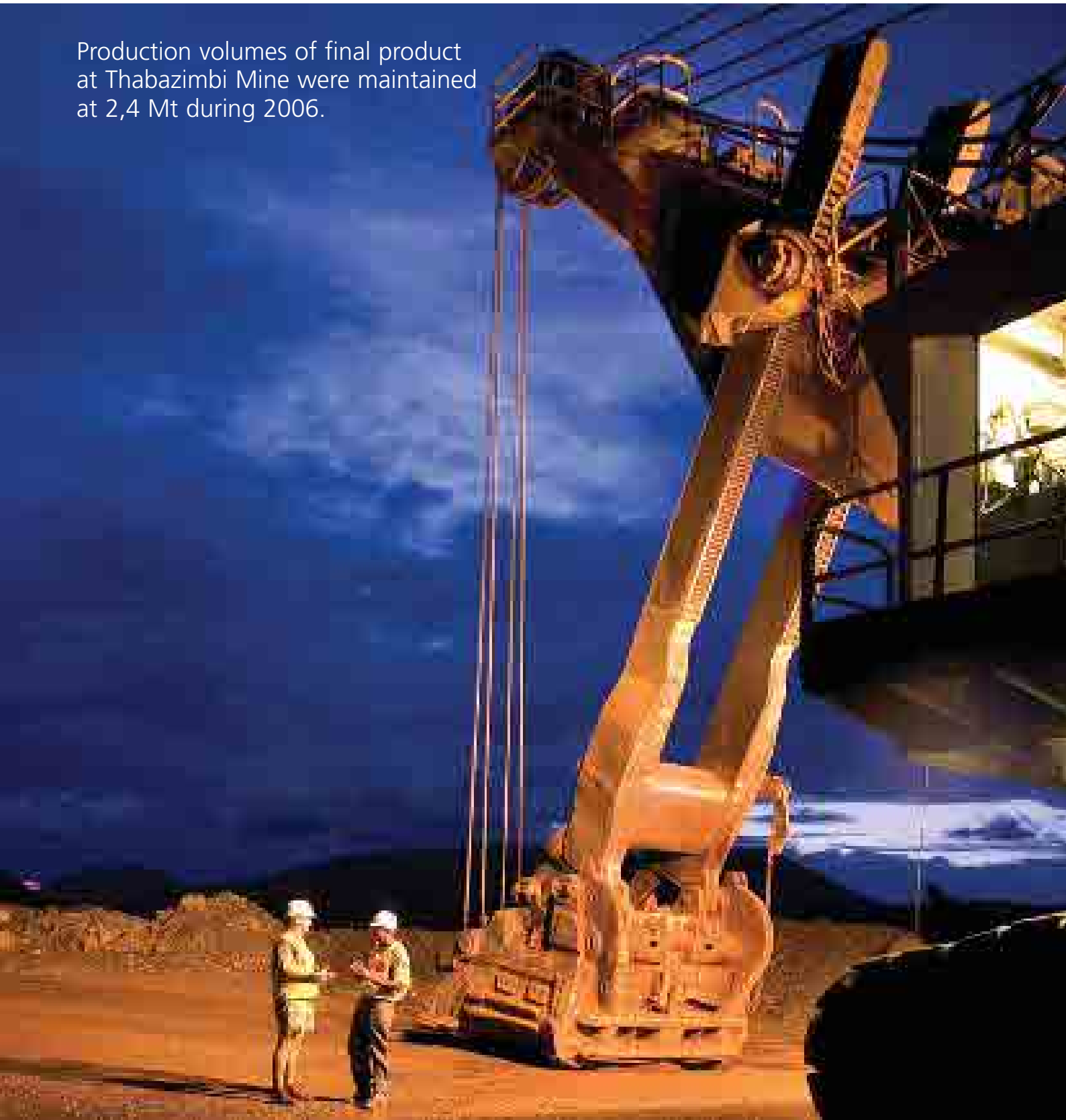
The feasibility study results of the Phoenix Project to extend the LOM to a possible thirty years, are expected towards the end of April 2007. Mittal has indicated that it does not want to participate in the project, but the group is exploring alternative ways to optimally utilise the resource.

HDSAs made up 32,8 percent of the management level at the mine in 2006.

Operational activities

	2006	2005
Production (Mt)	2,42	2,53
Overburden mined (Mt)	18,62	24,98
ROM pit production (Mt)	3,11	2,84
Stripping ratio	6,40	8,80
ROM plant feed (Mt)	2,93	3,06
Plant yield (%)	82	83
Sales		
Export (Mt)	–	–
Local (Mt)	2,42	2,53
Total sales (Mt)	2,42	2,53

Production volumes of final product at Thabazimbi Mine were maintained at 2,4 Mt during 2006.



Rope shovel – Thabazimbi Mine



Stacker Reclaimer – SEP Project

Kumba Iron Ore has developed an exciting project pipeline of new opportunities and intends to grow its total production capacity to more than 70 Mtpa by 2015.

Project pipeline

Growth

Kumba Iron Ore has developed an exciting project pipeline of new opportunities and intends to grow its total production capacity to more than 70 Mtpa by 2015, which will be more than double its current capacity. The group will exploit the full potential of the substantial Northern Cape iron ore resources under its control, and it has access to other opportunities in West Africa.

Kumba Iron Ore is dependent on the expansion of the Sishen-Saldanha export channel as well as off-take agreements from domestic steel producers to realise some of the South African opportunities. It is, therefore, engaged in an active programme of securing cooperation and participation from the parties involved.

Sishen Expansion Project

In February 2005, the board of Kumba Resources approved an amount of R3 605 million for the development of the SEP1 with a rated production capacity of 10 Mtpa. The Kumba Resources board approved a further R1 495 million to expand the production capacity of the SEP1 by an additional 3 Mtpa to a total of 13 Mtpa.

The SEP1 project utilises jig technology to extract additional saleable product from 21 Mtpa of feedstock – about 8 Mt that was previously regarded as waste and 13 Mt of which will be new ROM material. The final product will have an average iron content of 64 percent compared with the 66 percent iron content of the current Sishen product, and will be marketed to a range of existing and new clients.

The construction phase of the project is nearing completion and production is scheduled to begin in the second half of 2007 with full ramp-up to nameplate capacity by early 2009.

Export Logistics Expansion Project

Kumba Iron Ore and Transnet concluded an agreement to expand the Sishen-Saldanha export channel in February 2005, increasing the group's contractual iron ore rail allocation on the channel to 35 Mtpa. This capacity will be reached in 2009 and overall development is aligned with the expansion of Kumba Iron Ore's production capacity at Sishen Mine.

Transnet has embarked on a further study to increase the channel's capacity from 47 Mtpa to 67 Mtpa. Kumba Iron Ore intends finalising its studies on the Sishen South Project and further expansions at Sishen Mine to coincide with the completion of the Transnet study by mid-2007. This will place Kumba Iron Ore in a position to commit to

further expansion of its contractual rail allocation on the Sishen-Saldanha export channel.

Sishen South Project

This project involves the development of a greenfield open-cast operation on a group of iron ore bodies situated some 80 km south of Sishen Mine, and immediately to the west of the current mining operations of Assmang's Beeshoek Iron Ore mine.

Due to export logistics constraints, a phased approach for developing the mine was envisaged, but the first phase development of 3 Mtpa did not meet Kumba Iron Ore's requirements in respect of capital investment and railway logistics. A feasibility study for the development of a 9 Mtpa operation is currently in progress and will be completed by mid-2007. A range of products similar to the Sishen Expansion Project will be produced. An investment decision is expected during 2007. The decision depends on the outcome of Transnet's feasibility study for the essential logistics expansions. A study is also under way on further expansion of the Sishen South Mine that will include the installation of a beneficiation plant.

Under certain circumstances, Mittal may have the right to participate in and appropriately fund future SIOC iron ore expansion projects or new projects in South Africa. Kumba Iron Ore has previously indicated that there was a difference in interpretation with regards to the terms of this agreement with Mittal. Regrettably these differences could not be resolved amicably and the parties have now decided to resort to arbitration.

Phoenix Project

The objective of the Phoenix Project is to extend Thabazimbi Mine's current LOM from four to thirty years. Thabazimbi Mine has a captive supply agreement with Mittal and currently produces some 2,4 Mtpa of lump and fine ore for Mittal.

The extended LOM will be achieved by exploiting the medium grade *in situ* banded ironstone formation, which, when combined with high-grade hematite, provides an economically viable iron ore feed. Based on test work and technology similar to the Sishen Expansion Project, a flow sheet has been developed to produce the required tonnages and qualities of lump and fine ore products. The project is currently in the feasibility phase, which will be completed in the second quarter of 2007. Kumba Iron Ore has embarked on a rigorous value engineering exercise as part of the feasibility study to review and reduce capital and operating cost estimates for the project.

Project pipeline

continued

Mittal has given notice that it does not wish to participate in the project, but has requested that Kumba Iron Ore complete the feasibility study. In light of this decision alternative uses for the iron ore are currently under investigation by the company.

Falémé Project

Miferso, a Senegalese state-controlled company, owns the exploration rights to the Falémé iron ore resources located in the southeastern corner of Senegal. Kumba Iron Ore (through Kumba International B.V.) and Miferso concluded an agreement in July 2004 for, amongst other things, the exploration of the resources with a view to creating and operating an export-orientated iron ore mine at Falémé.

Kumba Iron Ore exercised its option to acquire a 80 percent interest in the project in November 2005. Following receipt of notice of such exercise, the government of Senegal and Miferso informed Kumba Iron Ore that they disputed the validity of such right and that the Government of Senegal had concluded an agreement with Mittal Steel for the development of the Falémé project.

Kumba Iron Ore has engaged with representatives of the Government of Senegal and Miferso with a view to resolving this dispute in an amicable manner. Towards the end of February 2007, Arcelor Mittal issued a statement indicating that it had signed agreements for the development of the Falémé iron ore resources with the Government of Senegal. The Government of Senegal has confirmed, despite recent settlement discussions, that it does not acknowledge Kumba Iron Ore's rights with respect to the Falémé deposits. Kumba Iron Ore has therefore terminated all activities in relation to the Falémé iron ore resources. It remains the view of the board that if an amicable settlement is not achievable, legal action is to be pursued to seek appropriate redress.

Sishen Expansion Project II

Further utilisation of the medium and low grade resources at Sishen is currently being examined in a business case study due for completion in June 2007. The study focuses specifically on the development of an optimised Whittle pit shell for Sishen Mine incorporating the use of lower grade resources, and the definition of an optimised product strategy for marketing these products as well as the existing range of products produced at the mine.

The study considers additional production capacity of between 10 and 20 Mtpa and a final decision on production capacity will depend on the eventual expansion potential of the Sishen-Saldanha export channel, domestic growth in demand and the results of the export marketing study.

The project will use technology similar to that developed for the SEP1 and production from this facility could start by 2011.

Zandriverspoort Project

The former Kumba Resources acquired a 50 percent interest in the PIC in the 1980s and has conducted extensive exploration and technical studies to develop the project. This company owns the surface rights for the Zandriverspoort iron ore project, 30 km north of Polokwane. Phelps Dodge sold its 50 percent interest in PIC to Mittal Steel in December 2004. Since then, the parties have developed a framework for a pre-feasibility study, commenced with exploration activities in 2005 and are progressing to the evaluation of alternative processing and final product options in 2007. The parties intend to commit to a detailed bankable feasibility study in 2008, if interim studies prove a robust and viable business case.

Review of mineral resources and ore reserves

Review

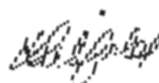
Tables 1 and 2 (pages 35 and 36) summarise the mineral resources and ore reserves attributed to Kumba Iron Ore's current mining operations and growth projects. The mineral resources are reported inclusive of the ore reserves and are reflected as 100 percent owned irrespective of the organisation's attributable ownership, the details of which are included in the respective tables.

Competent persons have estimated the mineral resources and ore reserves reported. Kumba Iron Ore's competent persons take responsibility for estimating mineral resources and/or ore reserves on an operational basis. They all have sufficient relevant experience in the style of mineralisation, type of deposit and mining method as well as in the activity for which they have taken responsibility as a 'competent person', as defined by the *SAMREC Code of 2000*.

The mineral resource and ore reserve estimates have been signed off by the relevant competent persons, who consent to the inclusion of the information in this report in the form and context in which it appears. A list of the competent persons responsible for Kumba Iron Ore's mineral resources and ore reserves is available from the company secretary on written request.

Kumba Iron Ore's operations are regularly audited on an ongoing internal basis and on a three to four year rotational external basis to ensure that internationally acceptable estimating processes are followed. All Kumba Iron Ore operations and projects were externally audited in late 2005 as part of the Kumba Resources Limited unbundling process.

The estimates reported here have been reviewed and are endorsed by V Lickfold, the person within Kumba Iron Ore designated to take corporate responsibility for mineral resources and ore reserves. Kumba Iron Ore's CEO, EJ Myburgh, also endorses the estimates presented in the report.



V Lickfold (Pr Sci Nat 400099/94)
Manager, Geosciences



EJ Myburgh
CEO, Kumba Iron Ore

14 February 2007

Commentary

In South Africa, the *Minerals and Petroleum Resources Development Act, No 28 of 2002 (MPRDA)* was implemented on 1 May 2004, and effectively transferred custodianship of the previously privately held mineral rights to the State. Mining companies were given up to five years to apply for prospecting permit conversions and five years to apply for mining licence conversions for existing operations.

A prospecting right is a new order right that is valid for up to five years initially, with the possibility of a further three year extension obtainable either by the conversion of existing old order prospecting permits or through new applications. A mining right is a new order right valid for up to thirty years, obtained either by the conversion of an old order mining licence, or as a new order right pursuant to the exercising of the exclusive right of the holder of a new order prospecting right, or as a new mining right application.

Kumba Iron Ore achieved the required 26 percent BEE participation in accordance with the MPRDA when the unbundling was finalised in November 2006. In preparing Kumba Iron Ore's mineral resource and ore reserve estimates, the following reporting principles have been adopted in respect of prospecting and mining rights:

- Where applications for new order mining rights have been submitted – either as conversions (Sishen Mine and Thabazimbi Mine) or as a new application (Sishen South Mine) – and are still being processed by the relevant regulatory authorities, the relevant mineral resources and ore reserves have been reported; and
- Where new-order prospecting rights have been granted (Zandrivierspoort), the relevant mineral resources have been reported.

Sishen Iron Ore Company submitted a new mining application for the Sishen South project in 2005. It must be noted that a new order prospecting right application, submitted before the new order mining right application, was refused by the Department of Minerals and Energy (DME) for two farms within the Sishen South group of farms. The DME, however, accepted the new mining right application for the whole area, including the two farms for which the new order prospecting right applications were refused. Attorneys acting for Sishen Iron Ore Company have informed the DME in writing that Kumba Iron Ore withheld an appeal against the refusal of the new order prospecting rights for the two farms as a gesture of goodwill pending the granting of the new order mining right for the Sishen South Project as a whole.

Review of mineral resources and reserves

continued

Despite in-fill drilling and subsequent geological model updates resulting in a net decrease in the mineral resources reported for Sishen Mine, an increase in the ore reserves was realised by the effective use of a new optimising programme, which saw the blending of an additional 139 Mt of previously (2005) unblendable material. This, in effect, increases the utilisation of the available resources from 83 percent in 2005 to 92 percent in 2006. The latter resulted in an overall increase in the proved ore reserves of 87 Mt, despite the decrease associated with measured mineral resources and 31 Mt of mining depletion. The decrease in the probable ore reserves can be directly linked to the decrease in indicated mineral resources. Of the 50 Mt decrease in saleable product, 28,5 Mt is ascribed to the reduction of ROM ore reserves as a result of geological model updates. The remaining 21,5 Mt is due to a slight drop in plant yield, which in turn is the result of the exclusion of selective mining tonnes previously included in the ore reserve estimates. Note that 17 Mt of inferred mineral resources fall within the final pit layout; these are not included in the ore reserve figure reported. The additional underground mineral resources at Sishen Mine increased by 140 Mt (30%) because the conglomeratic ore was not reported in 2005.

Thabazimbi Mine's mineral resources were mostly depleted as a result of mining 3 Mt during 2006. This was partially offset by gains as a result of updated geological models. Most of the decrease in the ore reserves is the result of annual mining production (3 Mt), although blending difficulties (0,4 Mt), updated geological models (0,1 Mt) and reclassification of mineral resources into the inferred category (0,9 Mt) accounted for the remaining decrease.

The increase in the mineral resources of Sishen South from 2005 to 2006 is the result of model updates brought about by the addition of new exploration information as well as a revision of the geostatistical parameters used for estimating. Note, however, that part of the increase is due to the prescribed depth limits having been relaxed for mineral resource estimates for the Leeuwfontein deposit based on new layouts. New pit layout designs explain the marginal decrease in the ore reserves reported for the Sishen South Project. The increase in proved ore reserves is directly linked to the updated geological models and increases in measured mineral resources, whereas the increase in indicated mineral resources accompanied by decreased probable ore reserves is the result of the depth limit change mentioned above.

The Sishen South Project feasibility study for a 9 Mtpa open-pit operation will benefit from the updated geological models and improved mineral resource and ore reserve estimates and should be completed in the first quarter of 2007.

Following the granting of the new order prospecting rights for the Zandriverspoort Project, work will commence early in 2007 on baseline environmental studies and additional tests to refine the modifying factors related to beneficiation.

Once security of tenure has been satisfactorily resolved, the third exploration season will commence in Senegal with the drilling of a number of boreholes in the central Falémé region. The current exploration focus at Falémé is to improve the resource classification of, and better delineate, the magnetite-rich iron ore deposits.

Table 1: Mineral resources

Commodity	Operation	% attributable to Kumba Iron Ore	Resource category	2006		2005		% change
				Tonnes (Mt)	Grade (% Fe)	Tonnes (Mt)	Grade (% Fe)	
Iron ore	Sishen Mine ¹ – DMS + jig plant	58,2	Measured	1 397,6	57,0	1 477,3	57,4	(5)
			Indicated	421,7	56,2	479,7	56,5	(12)
			Inferred	23,8	57,1	28,6	55,9	(17)
			Subtotal	1 843,1	56,8	1 985,6	57,2	(7)
Iron ore	Sishen Mine ¹ – additional resources (underground)	58,2	Measured	114,8	64,6	93,9	64,9	22
			Indicated	266,4	64,3	222,6	64,7	20
			Inferred	227,7	64,1	152,8	64,5	49
			Subtotal	608,9	64,3	469,3	64,7	30
			Total	2 452,0		2 454,9		
Iron ore	Thabazimbi Mine ^{2*} – within current pit layouts	74,0	Measured	8,5	62,1	10,9	62,1	(23)
			Indicated	2,9	61,4	3,9	61,6	(27)
			Inferred	4,2	61,8	3,0	61,7	38
			Subtotal	15,6	61,9	17,8	61,9	13
Iron ore	Thabazimbi Mine ^{2*} – additional resources	74,0	Measured	12,4	62,2	12,4	62,1	–
			Indicated	14,1	61,8	14,3	61,3	(1)
			Inferred	16,9	60,6	16,8	60,0	1
			Subtotal	43,4	61,4	43,5	61,0	–
			Total	59,0		61,3		
Iron ore	Sishen South ³ – advanced project	74,0	Measured	156,3	65,4	140	65,4	11
			Indicated	149,6	64,8	108	64,4	39
			Inferred	66,7	62,9	42	62,0	58
			Total	372,6	64,7	290	64,5	28
Iron ore	Zandrivierspoort – project	37,0	Measured	–	–	–	–	–
			Indicated	447,0	34,9	447	34,9	–
			Inferred	–	–	–	–	–
			Total	447,0	34,9	447	34,9	–

The tonnages are quoted in metric tonnes and million tonnes is abbreviated as Mt.

Rounding of figures may cause computational discrepancies.

Figures reported at 100 percent irrespective of percentage attributable to Kumba Iron Ore.

Note that ALL operations and projects were audited in 2005 as part of Project Pangolin.

¹ The decrease in Sishen Mine's DMS and jig plant mineral resources is the result of model updates, mining depletion, and stockpile growth. The additional underground mineral resources increased by 140 Mt (30 percent) because the conglomeratic ore was not reported in 2005.

² Mining depletion accounts for 79 percent (3,3 Mt) of the decrease in in-pit mineral resources at Thabazimbi Mine. The additional mineral resources decreased by 0,2 Mt due to solids model reinterpretation.

³ The 28 percent increase in mineral resources for Sishen South is mainly the result of solids and block model updates, although a small proportion is because layout depth limits have not been applied as they have been previously. See text for legal comment.

* Externally audited in 2005.

Review of mineral resources and reserves

continued

Table 2: Ore reserves

Commodity	Operation	% attributable to Kumba Iron Ore	Reserve category	2006					2005			% change from 2005 to 2006
				ROM (Mt)	Grade (% Fe)	Saleable product (Mt)	ROM (Mt)	Grade (% Fe)	Saleable product (Mt)			
Iron ore	Sishen Mine ^{4*} – DMS + jig plant	58,2	Proved	813,3	58,1	567 @ 65,8% Fe	727,0	59,3	600 @ 65,7% Fe	12		
			Probable	240,5	57,2	226 @ 63,9% Fe	294,2	58,1	243 @ 64,0% Fe	(18)		
			Total	1 053,8	57,9	793 @ 65,3% Fe	1 021,2	59,0	843 @ 65,2% Fe	3		
	Thabazimbi Mine ^{5*}	74,0	Proved	7,3	61,6	6 @ 64,5% Fe	10,3	61,2	9 @ 64,1% Fe	(29)		
			Probable	2,4	60,9	2 @ 63,9% Fe	3,8	60,2	3 @ 63,6% Fe	(38)		
			Total	9,6	61,4	8 @ 64,3% Fe	14,1	60,9	13 @ 63,9% Fe	(32)		
Iron ore	Sishen South ⁶	74,0	Proved	134,1	65,4	n/a	100,5	64,8	n/a	33		
			Probable	31,5	64,2	n/a	66,4	63,3	n/a	(53)		
			Total	165,6	65,2	n/a	166,9	64,2	n/a	(1)		

Rounding of figures may cause computational discrepancies.

Figures reported at 100 percent irrespective of percentage attributable to Kumba Iron Ore.

Note that ALL operations and projects were audited in 2005 as part of Project Pangolin.

⁴ The increase in proved ore reserve tonnes is the result of a new optimising programme that allowed for the blending of previously stockpiled material. The decrease in saleable product tonnes is mainly due to the reduction of ROM reserves as a result of geological re-interpretation as well as a slight drop in plant yield brought about by the exclusion of selective mining tonnes due to changes in mine planning criteria. 17 Mt inferred mineral resource tonnes fall within the final pit layout; these are not included in the ore reserve figure.

⁵ Mining depletion (3 Mt), reclassification (1,2 Mt) and model updates (0,2 Mt) account for the decrease in the ore reserves at Thabazimbi Mine. 4,2 Mt of inferred mineral resources within the final pit shells are not included in the ore reserve figures reported.

⁶ The increase in proved ore reserves is directly linked to the re-interpretation and model updates for measured mineral resources, whereas the increase in indicated mineral resources but decrease in probable ore reserves is because the depth limit has not yet been applied to the mineral resource figures. See text for legal comment.

* Externally audited in 2005.



Extensive mineral resources will allow the group to almost double its production by 2015.

Thabazimbi Mine

Corporate governance and risk management

Kumba Iron Ore is committed to the highest standards of business integrity, ethical values and professionalism in all its activities. As an essential part of this commitment, the board supports the highest standards of corporate governance and the directors are responsible to the Kumba Iron Ore shareholders. The key principles underpinning the corporate governance of the group and systems of control that form an integral part of corporate governance, are set out below:

Board of directors

In preparation for the company's listing on the JSE in November 2006 a number of corporate governance processes, policies and procedures were adopted by the board. These included, *inter alia*, a board charter, terms of reference for the various board committees, a conflict of interest policy, a procedure for directors to have access to professional advice, a policy for trading in shares and a policy for disclosure of information. Additional policies and procedures, including a code of ethics, will be implemented as required during 2007.

The board charter is based on the acknowledgement that the board is responsible to the Kumba Iron Ore shareholders for setting the strategic direction of Kumba Iron Ore through the establishment of strategic objectives and key policies. In terms of its charter, the board meets on a regular basis, at least four times a year. The board considers issues of strategic direction, major acquisitions and disposals and approves major capital expenditure and other matters having a material effect on Kumba Iron Ore. Where relevant, presentations are made to the board by business management on the activities of operations. Opportunities for the board to visit operations and projects are arranged. All the directors participated in a visit to Sishen Mine early in 2007 which included a guided tour of the mining operations as well as presentations by the business management teams of both Sishen and Thabazimbi Mines on their expansion plans. This opportunity was also used by the board to discuss issues of strategic importance to the group with the business' management teams.

The composition of the board, with a strong independent element, ensures that no one individual has unfettered powers of decision and authority.

The chairman is responsible for leading the board and for its effectiveness. The company secretary, with the support of the CEO, is responsible for ensuring that the directors receive timely, accurate and clear information before board meetings and updates of issues arising between meetings. The executive committee is responsible for the overall day-to-day management of the group.

The directors have a wide range of expertise as well as significant experience in financial, commercial and mining activities. All directors have full access to internal and external auditors, and are encouraged to stay fully abreast of the group's business through meetings with senior management and site visits. Induction, training and briefings are available to all directors on appointment and subsequently, as necessary, taking into account existing qualifications and experience.

All directors have access to management, and to the advice and services of the company secretary, and to such information as is needed to carry out their duties and responsibilities fully and effectively. Furthermore, all directors are entitled to seek independent professional advice concerning the affairs of the group at its expense.

Six board meetings were held during 2006 in preparation for the listing of the company on the JSE and one meeting took place following the listing in November 2006. The November 2006 meeting was attended by all the directors except for Dr Moyo, based in London, who tendered his apologies due to other commitments.

All non-executive directors are subject to election by shareholders at the first opportunity following their appointment. In addition, non-executive directors retire by rotation and stand for re-election by Kumba Iron Ore shareholders at least once every three years in accordance with the company's articles of association.

Executive management

Executive committee

The executive committee is a management forum chaired by the CEO and includes the CFO, a number of senior managers, and the company secretary. The executive committee meets on a monthly basis to assist the CEO in formulating strategies, monitoring performance, defining the group's risk tolerance capacity and acting as a sounding board on issues to be presented to the board and board committees.

Committees of the board

Subject to specific fundamental, strategic and formal matters reserved for its decision, the board delegates certain responsibilities to a number

of standing committees, which operate within defined terms of reference laid down by the board. The terms of reference of the committees deal *inter alia* with the composition, number of meetings and responsibilities of each committee. All members of the committees are appointed on recommendation of the human resources, remuneration and nomination committee. Except for the audit and risk committee, none of the committees met during 2006 and formal committee meetings commenced in accordance with the agreed meeting schedule for 2007. The board committees consist only of non-executive directors.

These committees are:

- Human resources, remuneration and nomination;
- Safety and sustainable development; and
- Audit and risk.

Human resources, remuneration and nomination committee

The human resources, remuneration and nomination committee, comprising solely of non-executive directors, is responsible for:

- setting human resources and remuneration policies and practices for the group in general; and
- making recommendations on the composition of the board and board committees and ensuring that the board of directors consists of individuals who are equipped to fulfil the role of director of the company.

The members of the committee are:

Mr Peter Matlare – Chairman
 Mr Allen Morgan
 Mr Philip Baum
 Mr Lazarus Zim.

The committee did not meet during 2006.

Safety and sustainable development committee (S&SD)

The S&SD committee is responsible for developing framework policies and guidelines for the management of sustainable development issues, including safety, health and environmental matters, and ensuring the progressive implementation of these throughout the group. The S&SD committee meets three times each year, including visits to operations, and business unit heads will be invited to attend S&SD meetings. Each business unit head will make an annual safety and sustainable development presentation to the S&SD committee.

The members of the committee are:

Ms Dolly Mokgatle – Chairman
 Mr Allen Morgan
 Mr Peter Matlare.

The committee did not meet in 2006.

Audit and risk committee

The primary objectives of the audit and risk committee are to ensure the integrity of financial reporting and the audit process, and that a sound risk management and internal control system is maintained. In pursuing these objectives, the committee oversees relations with the external auditors and reviews the effectiveness of the internal audit function.

In fulfilling its responsibility of monitoring the integrity of financial reports to shareholders, the committee reviews accounting principles, policies and practices adopted in the preparation of public financial information and examines documentation relating to the annual report, interim report, preliminary announcements and related public reports.

The committee reviews regular internal and external audit reports on the results of audits at various operations.

The internal audit function, which has been outsourced to ABAS (Anglo Assurance Business Services) from 2007, reports directly to the committee and is accountable for maintaining company auditing standards, including risk reporting. The internal auditor's mandate and annual audit coverage plans are approved by the committee, and the committee will consider reports on the results of internal audit work and risk management information. The effectiveness of the internal audit function will be evaluated by means of annual assessments against predetermined criteria and periodic external peer reviews, the results of which will be reported to the committee.

The members of the committee are:

Mr Gert Gouws – Chairman
 Ms Dolly Mokgatle
 Dr Nkosana Moyo.

The committee met twice following the listing of the company on the JSE in November 2006 and all members of the committee were in attendance at the meeting.

Policy on external auditors' independence

Kumba Iron Ore's policy on auditors' independence is consistent with the ethical standards promulgated by the Auditing Practices Board and published in December 2004.

Internal control

The executive committee is responsible for establishing a system of internal control to manage significant group risks. The board's approach to risk management encompasses all significant business risks to the

Corporate governance and risk management

continued

group, including financial, operational and compliance risk, which could undermine the achievement of business objectives. This system of risk management is designed so that the different businesses are able to tailor and adapt their risk management processes to suit their specific circumstances. There is clear accountability for risk management, which is a key performance area of line managers throughout the group. The requisite risk and control capability is assured through board challenge and appropriate management selection and skills development. Managers are supported in giving effect to their risk responsibilities through policies and guidelines on risk and control management. Continuous monitoring of risk and control processes provides the basis for regular and exception reporting to business management and the boards of subsidiary companies, the executive committee and the board of directors of the company. The risk assessment and reporting criteria are designed to provide the board with a consistent perspective of the key risks. The reports to the board, submitted via the audit and risk committee, include an assessment of the likelihood and impact of risks materialising, as well as risk mitigation initiatives and their effectiveness.

The system of internal control, which is embedded in all key operations, provides reasonable, rather than absolute, assurance that the group's business objectives will be achieved within the risk tolerance levels defined by the board. Kumba Iron Ore seeks to have a sound system of internal control, based on the group's policies, in all material associates and joint ventures. In those companies that are independently managed, the directors who are represented on these organisations' boards seek assurance that significant risks are being managed.

The group's internal audit function has a formal collaboration process in place with the external auditors to ensure efficient coverage of internal controls. The internal audit function will be responsible for providing independent assurance to the executive committee and the board on the effectiveness of the risk management process throughout the group.

Whistleblowing programme

A whistleblowing policy has been implemented by the group. This programme, which is monitored by the audit and risk committee, is aimed at enabling employees, customers, suppliers, managers or other stakeholders, on a confidential basis, to raise concerns in cases where conduct is deemed to be contrary to ethical behaviour.

The programme makes available, via an independent service provider, a selection of telephonic, e-mail, web-based and surface mail

communication channels, to any person who has information about unethical practices in the group and its managed operations. Quarterly reports on reported matters and subsequent investigations are submitted to the audit and risk committee for notification.

Relations with shareholders

Following the listing of the company, Kumba Iron Ore maintains an active dialogue with its key financial audiences, including institutional shareholders and sell-side analysts. Regular presentations will take place at the time of interim and final results as well as during the rest of the year.

Risk management

Risk philosophy

Kumba Iron Ore maintains an integrated, enterprise-wide, risk management programme (IRM). The group applies a logical, systematic and repetitive methodology to identify, analyse, assess, treat and monitor all risks, whether they are insurable or not.

The effectiveness of the IRM process is measured by how well it aligns the key fundamentals of governance, business objectives, ethics, policies, standards, strategies and compliance. Kumba Iron Ore recognises the complexity and diversity of risks that face all its operational activities and integrates all efforts to maximise opportunities and minimise exposures to risk and to reduce them, where necessary, to levels commensurate with its risk appetite.

Risk culture

The group's policy is zero tolerance for compliance failures and its aim is to identify speedily and to rectify any deviation. Promoting a risk-conscious culture is a constant focus throughout the group and this culture proactively supports achieving our strategic business objectives. Each risk owner is responsible for monitoring the existing and ever-changing risk profile of the group on a continuous basis.

To this end, a monthly risk review that covers both internal and external risks has been instituted with findings reported to the executive committee.

Divisional and business unit risk committees play an important role in identifying operational risk and in the development and application of generic mitigating strategies. They also have a risk oversight function by virtue of being closer to activities that could have adverse results. Each committee is chaired by the head of the business centre and meets monthly.

Risk management objectives

The risk management process is continuous, with well-defined steps, which support better decision-making by contributing a greater insight into risks and their impacts. Risks from all sources are identified and once they pass the materiality threshold, a formal process begins in which causal factors and consequences are identified and the correlation with other risks and the current risk mitigating strategy is reviewed. One of the challenges is to ensure that mitigating strategies are geared to deliver reliable and timely risk information to support better decision-making.

Reporting

Continuous monitoring of risk and control processes, across headline risk areas and other business specific risk areas, provides the basis for regular and exception reporting to business management and boards.

The headline risk areas are:

- Foreign exchange
- Commodity prices
- Treasury
- Counterparties
- Employees
- Employee safety
- Employee health
- Environmental
- Social
- Political
- Legal and regulatory, finance
- Reserves and resources
- Operational performance
- Capital projects
- Mergers and acquisitions
- Technology
- Infrastructure
- Event risk.

The risk assessment and reporting criteria are designed to provide the executive committee and the board, via the audit and risk committee, with a consistent, enterprise-wide perspective of the key risks. The reports which are submitted monthly to the executive committee and quarterly to the audit and risk committee include an assessment of the likelihood and impact of risks materialising, as well as risk mitigation initiatives and their effectiveness.

In conducting its annual review of the effectiveness of risk management, the board will consider the key findings from the ongoing monitoring and reporting processes, management assertions and independent

assurance reports. The board will also take account of material changes and trends in the risk profile and consider whether the control system, including reporting, adequately supports the board in achieving its risk management objectives.

Risk factors

Kumba Iron Ore's business, financial position, results of operation, growth, strategies and dividend policy could be materially adversely affected by risks, including any of those set out below. These risks could also have an adverse effect on the trading price of the Kumba Iron Ore shares.

The risks described below are not the only risks faced by Kumba Iron Ore. Currently unknown risk factors and risks directors deem immaterial may also impair its business operations.

Mining exploration and projects

In order to expand its operations and mineral resources and reserve base, Kumba Iron Ore relies on its exploration programme and its ability to develop mining projects. Resource exploration and development are speculative in nature, characterised by a number of significant risks.

Further exploration on, and development of, mines and projects will require additional capital, which will need to be sourced as required. The current buoyant construction market in South Africa may result in an increase in the cost of capital required for major construction projects.

Mining operations

The mining operations of Kumba Iron Ore are subject to the risks and hazards that are normally encountered in open-cast mining operations. These risks include environmental hazards, such as unexpected geological pressures and ground subsidence, and operational risks relating to materials handling, industrial accidents, blasting and removing material from an open-cast pit. If any of these risks should materialise, such event could potentially result in serious harm to employees and contractors, delays in production, increased production costs and a possible increase in the liabilities of Kumba Iron Ore.

Mining operations, development and exploration activities are further subject to extensive legislation and regulations. Changes in this regulatory environment could increase the group's cost of production and, as in most other businesses, its failure to adhere thereto, could result in the revocation of the consents, licences and rights that it requires to conduct its business.

Cost factors such as a rise in the crude oil price, ageing mining and plant equipment, compliance costs, short supply of diesel, electricity

Corporate governance and risk management

continued

and haul truck tyres as well as rising stripping ratio in the long-term due to geology changes at Sishen Mine may increase production costs. Disruption to the supply of key inputs or changes in their pricing may threaten Kumba Iron Ore's ability to produce products at competitive rates (increase in production cost) and on a timely basis (throughput losses).

Growth prospects

Sishen Mine is under a contractual obligation to deliver up to 6,25 Mtpa of iron ore to Mittal at a price which recovers the cost of production plus 3 percent. Mittal may, on certain conditions and with proper notice, procure iron ore for use within South Africa in excess of 6,25 Mtpa from Kumba Iron Ore at a price and on terms and conditions to be negotiated in good faith. Under certain circumstances, Mittal may have the right to participate in and proportionately fund future SIOC iron ore expansion projects or new projects in South Africa. Kumba Iron Ore has previously indicated that there was a difference of interpretation with regards to the terms of the agreement with Mittal. Regrettably these differences could not be resolved amicably and the parties have decided to resort to arbitration.

Kumba Iron Ore aims to more than double its output by 2015. The associated challenge of this opportunity is to bring online new growth projects, on time and within budget. Kumba Iron Ore seeks to develop new mining properties and expand its existing operations as a means of generating shareholder value. New mining properties are identified through an active exploration programme whilst current operations are expanded by technology applications to upgrade medium grade iron ore.

Labour

Kumba Iron Ore is, to a great extent, reliant on the large number of persons employed in its operations. The availability of skills in the mining industry, especially those of artisans, may have an impact on current production and future growth in the industry.

Unionised operations are exposed to the risks posed by organised labour disruption and disputes. The group's production costs may also be increased as a result of increases in wages and employee benefits.

The incidence of HIV/Aids in South Africa is high and may adversely impact on the operations of Kumba Iron Ore through potentially reduced productivity and increased medical and other costs.

Kumba Iron Ore operates in an industry that is subject to numerous safety regulations. Failure to provide a safe working environment may expose the organisation to compensation liabilities, loss of business reputation and other costs.

Environmental risks

The group's operations are subject to environmental legislation and regulations. If any of the legislation or regulations should be changed, Kumba Iron Ore's production costs could be increased.

Activities harmful to the environment may expose the group to additional costs.

Commodity price fluctuations

Iron ore prices typically lag the steel commodity cycle by approximately 18 months. Iron ore prices are negotiated annually with the major international steel producers. Kumba Iron Ore has historically followed these international price settlements in its annual price negotiations with its clients.

Currency fluctuations

Iron ore prices are normally determined in US dollar terms. Strengthening or weakening of the US dollar could, therefore, have a significant effect on the financial position and financial results of the group.

Risks related to the mining industry in South Africa

South Africa has enacted legislation that promotes the ownership and control of mining companies by HDSA's as set out in the *Mining Charter*. The HDSA's legislation enacted in South Africa at present, requires all mining companies to convert the rights that they held under the previous legislation into rights under the new legislation. Kumba Iron Ore has commenced application for conversion of its old order mineral rights to new order mining rights. The Kumba Resources empowerment transaction was structured to satisfy the 2014 equity ownership requirements of the *Mining Charter* in respect of Kumba Iron Ore.

Rail and port

Kumba Iron Ore does not own or operate any of its logistical chain assets and exports its iron ore to its international customers through a single channel rail and port. Labour and other operational risks associated with the management of the rail operators' assets fall outside the scope of the group's direct control and may impact on its results.

Shareholder information

Market listings and other information

The principal market for Kumba Iron Ore Limited is the JSE. As a constituent of the All Share Top 40 index (ALSI 40 index), Kumba Iron Ore shares trade through the STRATE system.

STRATE is the authorised CSD for equities in South Africa that incorporates an electronic settlement system. STRATE achieves secure, electronic settlement of share transactions on the JSE and for off-market trades. Shares in companies listed on the JSE can no longer be traded unless they have been dematerialised on to the STRATE system. This process involves submitting paper share certificates to a custodian bank or JSE member firm (broker) for conversion into an electronic record, an exercise referred to as dematerialisation.

The introduction of the Johannesburg Equity Trading (JET) system a few years ago highlighted the deficiencies in the JSE's paper-based settlement system. Shares were no longer traded on a trading floor, and this contributed to a massive leap in the number of trades each day. Back office support services were incapable of handling this increase in daily transactions efficiently in a paper-based environment. The transition to an efficient settlement system has increased market activity and certainly will improve the international perception of the South African market by reducing settlement and operational risk in the market, increasing efficiency and ultimately reducing costs. Accordingly, by heightening investor appeal, STRATE enables South Africa to compete effectively with other international markets, and not just those of emerging countries. For additional information please refer to the STRATE website at: www.strate.co.za

Closing JSE share prices are published in most national and regional South African newspapers and are available during the day on the Kumba Iron Ore and other websites. Share prices are also available on I-Net Bridge, Reuters and Bloomberg.

ADR holders

Kumba Iron Ore has an over the counter American depository receipt (ADR) facility with the Bank of New York (BoNY) under a deposit agreement.

ADR holders may instruct the BoNY as to how the shares represented by their ADR's should be voted. Registered holders of ADR's will have the annual and interim reports mailed to them at their recorded address by the BoNY. Brokers or financial institutions, which hold ADR's for shareholder clients, are responsible for forwarding shareholder information to their clients and will be provided with copies of the annual and interim reports for this purpose.

Dividend determination

Dividends are determined in South African rand (ZAR) and are then declared payable in the same currency. ADR holders are paid in

US dollar by the BoNY. BoNY effects the conversion of ZAR determined dividend in US dollars on behalf of its US ADR holders. Contact Computershare or BoNY for further details.

Electronic publication of financial statements

Shareholders wishing to receive the annual report and/or interim report in electronic rather than paper form should register their instruction on the Kumba Iron Ore website at www.kumba.co.za

Major shareholders

As of 31 December 2006, the two entities known to Kumba Iron Ore as owning more than 10 percent of its shares were Anglo American plc (via Anglo South Africa Capital (Pty) Limited and Stimela Mining Holding (Pty) Limited) and the Industrial Development Corporation of South Africa (IDC) with 201 092 500 and 41 498 615 shares representing 64,13 percent and 13,23 percent of the issued share capital of Kumba Iron Ore respectively.

As of 31 December 2006, the total number of the voting securities owned by the directors of Kumba Iron Ore was 635 ordinary shares representing approximately 0,0002 percent of the number of shares in issue.

AGM

For more information on the AGM to be held on Thursday, 24 May 2007 at 12:00 at the Johannesburg Country Club, refer to the notice of the meeting on page 108.

Supplementary information General shareholder enquiries

Computershare is the registrar for Kumba Iron Ore. All enquiries and correspondence concerning shareholding (other than shares held in ADR form) should be directed to the registrar. Computershare's contact details are on the inside back cover. Shareholders must notify Computershare promptly in writing of any change of address.

All enquiries concerning shares held in ADR form should be directed to the BoNY, whose contact details are also given on the inside back cover or alternatively visit their website at: www.adrbny.com

Shareholders can obtain details about their own shareholding on the internet. Full details, including how to gain secure access to this personalised enquiry facility, are provided on the Computershare website at: www.computershare.com

Consolidation of share certificates

If your certificated shareholding in Kumba Iron Ore is represented by several individual share certificates, you may wish to have these replaced by one consolidated certificate; there is no charge for this service. You should send your share certificates to Computershare together with a letter of instruction.

Shareholder analysis

Register date: 29 December 2006

Issued share capital: 313 594 471 shares

Shareholders' classification	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	26 828	93,12	5 147 351	1,64
1 001 – 10 000 shares	1 522	5,28	4 706 492	1,50
10 001 – 100 000 shares	370	1,28	11 907 822	3,80
100 001 – 1 000 000 shares	79	0,27	22 448 510	7,16
1 000 001 shares and over	13	0,05	269 384 296	85,90
	28 812	100,00	313 594 471	100,00

Shareholders' profile	Number of shareholders	%	Number of shares	%
Banks	153	0,53	62 697 683	20,00
Close corporations	176	0,61	117 642	0,04
Endowment funds	70	0,24	329 228	0,10
Individuals	25 705	89,23	7 077 740	2,26
Insurance companies	41	0,14	2 327 352	0,74
Investment companies	27	0,09	4 029 320	1,28
Medical aid schemes	11	0,04	124 110	0,04
Mutual funds	225	0,78	12 153 255	3,88
Nominees and trusts	1 617	5,62	2 068 301	0,66
Other corporations	105	0,36	176 653	0,06
Pension funds	292	1,01	19 011 373	6,06
Private companies	370	1,28	32 151 199	10,25
Public companies	19	0,07	171 319 645	54,63
Share trusts	1	–	10 970	–
	28 812	100,00	313 594 471	100,00

Public/Non-public shareholders	Number of shareholders	%	Number of shares	%
Directors and associates of the company holdings	1	0,01	635	–
Strategic holdings (more than 10%)	2	0,01	242 591 115	77,36
Public shareholders	28 809	99,97	71 002 721	22,64
	28 812	100,00	313 594 471	100,00

Beneficial shareholders holding of 3% or more	Number of shares	%
Anglo American plc total	201 092 500	64,13
– Anglo South Africa Capital (Pty) Limited	189 999 200	54,21
– Stimela Mining Holdings (Pty) Limited	31 093 300	9,92
Industrial Development Corporation	41 498 615	13,23
Public Investment Corporation	11 236 646	3,58

Resident/Non-resident breakdown	Number of shareholders	%	Number of shares	%
South Africa	28 295	98,22	290 588 838	92,66
Australia	3	0,01	542	–
Austria	2	0,01	2 899	–
Belgium	1	–	2 611 380	0,83
Bophuthatswana	2	0,01	224	–
Botswana	15	0,05	2 772	–
Canada	1	–	111	–
China	2	0,01	527	–
Denmark	5	0,02	219 587	0,07
France	6	0,02	478 216	0,15
Germany	5	0,02	1 674	–
Greece	1	–	132	–
Israel	2	0,01	274	–
Jersey Islands	2	0,01	2 500	–
Lesotho	5	0,02	658	–
Liechtenstein	1	–	900	–
Luxembourg	7	0,02	665 859	0,21
Mauritius	1	–	29 791	0,01
Monaco	1	–	1 660	–
Namibia	252	0,88	861 444	0,28
Netherlands	4	0,01	10 318	–
New Zealand	2	0,01	612	–
Nigeria	1	–	1 000	–
Seychelles	1	–	2 500	–
Singapore	1	–	800	–
Swaziland	28	0,10	70 527	0,02
Sweden	3	0,01	23 558	0,01
Switzerland	15	0,05	764 299	0,25
Turkey	1	–	337	–
UK	58	0,20	2 837 646	0,91
USA	76	0,27	14 409 326	4,60
Zambia	4	0,01	1 356	–
Zimbabwe	9	0,03	2 204	–
	28 812	100,00	313 594 471	100,00

Shareholder analysis

continued

Breakdown of non-public holdings	Number of shares	% of shares
Director		
Myburgh, EJ	635	–
Strategic holdings		
Anglo American plc group	201 092 500	64,13
Industrial Development Corporation	41 498 615	13,23
Total	242 591 115	77,36

Sustainable development

Kumba Iron Ore offers significant opportunities for its stakeholders on a sustainable basis.

From the outset, the group's equity holdings credentials met with the requirements of the *South African Mining Charter* set for 2014. This will assist conversion of the group's mineral rights.

Kumba Iron Ore aims to be a role model in respect of legislative compliance and governance standards, a responsible custodian of South Africa's mineral resources and a significant contributor to growth and prosperity wherever it operates.

Approach to sustainable development

With skilled and committed sustainable development teams in place, Kumba Iron Ore will continue to build on the foundation laid by the former Kumba Resources in creating a company that is rooted in South Africa, global in its reach, and focused on economic, social and environmental criteria that will deliver sustainable prosperity.

It will continuously report to stakeholders on an integrated triple bottom-line basis as part of its annual reporting.

In formulating a group-wide approach to sustainable development and its inextricable component of local economic development, Kumba Iron Ore is guided by the requirements of South African legislation, recommendations on corporate governance and international benchmarks such as the *Global Reporting Initiative*.

Given our belief that sustainable development is the foundation on which our future rests, we have developed a tiered approach to ensure that our sustainable development initiatives complement government's identified priorities.

Whilst currently utilising the policies and procedures of the former Kumba Resources, the objective is to customise these to the specific needs of Kumba Iron Ore in 2007.

The group's sustainable development practices are reflected in some of the local economic development community projects that were handed over to communities in 2006.

1. Kgalagadi Charcoal and Firewood Project



The project focuses mainly on eradicating the indigenous invader plant, Black Thorn, on stock and game farms. The invader plant decreases grazing capacity on the farms, which in turn results in job losses due to lower carrying capacity. These plants are cut and processed into various products, including charcoal, firewood and compost.

The project is aimed at creating jobs for historically disadvantaged individuals in the Deben area where there is an 80 percent unemployment rate. The project currently employs a total of 109 people in the production and twelve in the distribution sections.

During November 2006 the project received a Nedbank Green Mining Award as one of the national top three projects in the socio-economic category. Sishen Mine spent R3,5 million on the establishment of the project, of which R500 000 was spent during 2006.

Sustainable development

continued

2. Tshono Leather Craft and Tannery

Sishen Mine launched the Tshono Leather Craft and Tannery project in 2002 to train women in leather making and stimulate job creation in Deben in the Northern Cape. Initially the women had difficulty in generating profits but sales increased after exhibiting their products in July 2005 at Decorex in Johannesburg, the biggest interior decorating show in South Africa. The show stimulated demand to the extent that the women are now fully occupied.

A craft facilitator was appointed by Sishen Mine to help the women design, manufacture and market a new product range. The project is now run as a privately owned BEE business. The plan is to expand the capacity of the tannery. The total project cost during the three and a half years amounted to R3 million.

3. Vuk'uzenzele Arts and Craft Learnership



This trendy cultural enterprise produce upmarket clay, art and concrete products. It also renders training services in the surrounding communities. Waste clay from Sishen Mine is used to start what could be a sustainable business for students in the area. This forms part of the imaginative arts and craft initiative sponsored by Sishen Mine at the Kathu Technical College. Learners are being trained in the fine arts and the different techniques for making ceramic products.

Skills offered at the training centres include fabric painting, glass work, woodwork, tiles and basins for bathrooms. Using the local

clay, mosaic tiles are being made to complete a huge mural of the Kalahari on a wall at the campus. Sishen Mine's investment in this project was R474 000 in 2006.

4. Tshwaranang Jewellery group


The project teaches unemployed and unskilled people at Thabazimbi the skills to manufacture jewellery. With the involvement of Mintek, a group of seven individuals was selected to begin the project. Mintek provides all the necessary training and equipment for the students. At the end of the training programme students receive an accredited qualification.



A number of products have already been manufactured and sold at the TBZ Expo in 2005 and some products were sold to Mintek, bringing a steady income for the students. Through Mintek, the group is also receiving orders for manufacturing jewellery items for specific clients such as the Foschini Group. Kumba Iron Ore sponsored a fully equipped R50 000 workshop that was opened in September 2006.

5. Iterileng Skills Development Centre

This centre at Thabazimbi Mine has been operating since 2003 and is focused on improving local capacity and promoting development by empowering residents, creating jobs and improving qualifications. Training for predominantly unskilled and unemployed people ranges from general training in life skills, adult basic education and computer literacy to specialised technical skills and entrepreneurship. In the life skills area, basic training is provided in pottery, découpage and jewellery whilst the clothing factory produces overalls to SABS standards. In the technical area, students receive basic training in welding, civil construction, plumbing and carpentry. All Iterileng students complete a basic entrepreneurial course to learn the skills needed to start their own businesses.



Kumba Iron Ore aims to be a significant contributor to growth and prosperity wherever it operates.

Vuk'uzenzele Arts and Craft – Sishen Mine.

Safety, health and environmental management

The review period was characterised by commendable progress in SHE issues. Whilst celebrating achievements, Kumba Iron Ore is always mindful of its goals of an injury free working environment and zero tolerance for non-compliance or unsafe behaviour. The environmental management focus is to ensure the rights of stakeholders – present and future – to an environment that is not harmful to their safety and well-being.

Kumba Iron Ore aims to improve on SHE performance and management systems on a continued basis in all its operations as an integral part of its commitment to sustainable development. An important element of its compliance with all relevant SHE legislation and international obligations is its commitment to consult with all stakeholders, achieve high standards on environmental performance, and implement internationally accepted standards for occupational health and safety.

The Kumba Iron Ore board bears overall responsibility for SHE monitoring and performance, as exercised through the safety and sustainable development committee of the board and consulting forums at corporate and business unit level. Policies and standards cover all operational aspects and activities that could affect the safety and health of people and the environment. A duty of care that covers the life cycle of each mine, from exploration and planning to operation, closure and decommissioning, remediation and rehabilitation, and post-closure care focuses mainly on ensuring that environmental sustainability is achieved.

Developed in consultation with relevant stakeholders and mandatory for all Kumba Iron Ore operations, the objectives of the SHE policy and management standards are to:

- Provide a risk-based SHE management system framework, consistent with national legislation, the Kumba Iron Ore SHE policy, ISO 14001, OHSAS 18001, and other internationally recognised standards that support the implementation of SHE best practice across all Kumba Iron Ore's operations.
- Provide a Kumba Iron Ore framework to effect SHE legal compliance.
- Ensure the progressive development and implementation of more specific and detailed SHE management systems at all levels of the group's operations.
- Provide performance criteria against which SHE management systems throughout Kumba Iron Ore can be measured.
- Provide a basis from which to drive continuous improvement in SHE.
- Integrate SHE elements into all relevant existing Kumba Iron Ore policies and practices.

The SHE management process is largely driven by well-established risk management principles. Processes and working areas are broken down into units and, assessed for baseline risks and issue based risks. All operational teams are trained to apply risk assessment on new projects and tasks. Control measures to reduce risks are implemented systematically according to the following risk parameters:

- Engineering design
- Engineering control and SHE systems
- Early warning systems
- Administrative control such as procedures, training and inspections
- General protective mechanisms and processes

OHSAS 18001 and ISO 14001

All Kumba Iron Ore operating business units retained their certification for ISO/OHSAS management systems (to OHSAS 18001 and ISO 14001 standards) as at 31 December 2006.

Health and safety

The focus on health and safety management is on minimising major occupational risks in the work environment and include:

- Mobile machinery
- Lifting and materials handling
- Conveyors
- Electricity and other sources of energy
- Human behaviour
- Noise exposure
- Working in confined spaces

In line with the *International Labour Organisation* (ILO) code of practice, South African legislation and selected industry parameters, occupational safety and health incidents and trends are reported to relevant stakeholders. Monthly and biannual incident analysis helps determine contributing factors, whilst lessons learned and proactive measures implemented are shared throughout the group to prevent repeats.

As part of the ISO/OSHAS certification process, all business units are subject to legal assessment and have a legal register. No legal action for non-compliance occurred during the review period.

Safety

Safety is a top priority in Kumba Iron Ore. The focus of all operating business units is to ensure that minor injuries are prevented. A major initiative during the year was the successful launch of the *I Care Rules* to improve hazard identification and risk awareness of employees at all sites. In line with the group's aspiration to achieve an injury-free working environment and to exceed legal compliance standards, the *I Care Rules* are non-negotiable and focus on safety in confined spaces and working at heights, energy and machine isolation, vehicle safety, materials lifting and handling and site specific rules. The *I Care Rules* augment other safety rules by spotlighting hazards in specific high risk areas. During 2007 the mines will launch the Safety "ONE" campaign, which places strong emphasis on the theme "One injury is one too many". The leading indicators will be the revamped *I Care Rules*. Sishen Mine also launched a pro-zero initiative aiming at promoting, measuring and monitoring progress towards achieving safety maturity.

As part of the drive to measure safety awareness throughout the group, a proactive index is being developed which considers positive and negative safety performance to develop leading indicators that will ultimately guide future behaviour. The first concrete example of this approach is a guide to manage operator fatigue, developed with input from all business units. This guide is available on the Kumba Iron Ore intranet. Management visibility to embody clearly defined visible felt leadership (VFL) is also ongoing and has been entrenched in the group's leading indicators. The Du Pont Safety training programme was successfully completed by the executive committee, management and line supervisors.

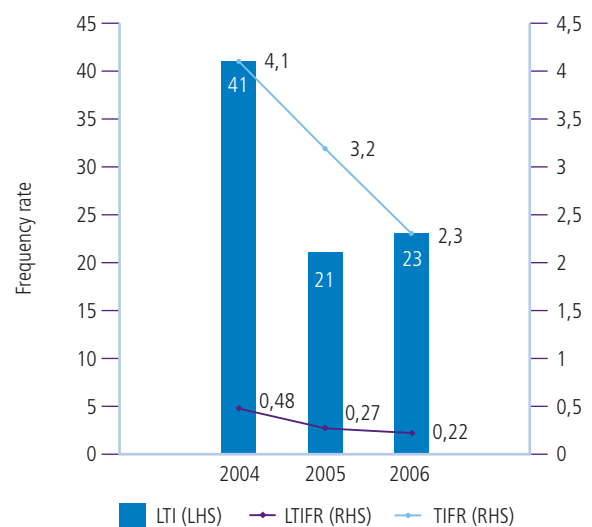
Safety performance

Kumba Iron Ore regrets to report one fatality (Charel Haasbroek) in April 2006. Whilst disappointed not to have achieved all the LTIFR and fatality targets for the year, exceptional performance was achieved on several fronts:

- Thabazimbi Mine achieved one million LTI free man hours on 2 March 2006.
- Thabazimbi Mine reached four and a half years without a fatality by the end of December 2006. The last fatality was reported on 24 July 2002.
- Sishen Mine also achieved the best ever record of 5,23 million man hours without an LTI during the first quarter of 2006. This milestone resulted in the best ever LTIFR of 0,12 during March 2006.
- In December 2006 Sishen Mine worked three million man hours without an LTI.
- OHSAS 18001 re-certifications were achieved at both mines.

The average LTIFR for Kumba Iron Ore for the twelve months ending 31 December 2006 was 0,22 against the target of 0,25 for the former Kumba Resources.

Safety performance Jan 2004 to Dec 2006 (LTI, LTIFR, TIFR)



There has been a major improvement in the TIFR and LTIFR since 2004. The LTIFR performance was better than the targets set by the erstwhile Kumba Resources in the last three years.

Independent safety audits and peer reviews are conducted at all sites to continuously identify areas of improvement. Focusing on corporate requirements, the primary objective is to analyse the application and effectiveness of selected corporate imperatives at operational level. SHE managers have been trained as internal integrated auditors and are registered with the *South African Auditor and Training Certification Association (SAATCA)*.

2007 safety targets and objectives

The following safety targets and objectives have been set:

- Aspire to achieve zero fatality and an injury free workplace
- Drive the *I Care Rules* as non-negotiable
- Zero repeats through sharing and learning
- Focus on the leading indicators
- Heavy vehicle safety
- Contractor management and establishing best practice
- Revisit the risk management approach

Safety, health and environment management

continued

Health

In line with the sectoral targets, the focus during the review period was on risk reduction and implementing proactive indicators to support the elimination of two key occupational health risks – noise induced hearing loss and silicosis.

Health performance

Medical surveillance for dust, noise and lead exposure is conducted annually. There were three suspected cases of Pneumoconiosis reported during 2006, all of which were reported to the Mine Medical Bureau for Occupational Diseases.

As a proactive measure, investigations of all occupational health incidents (specifically noise) are conducted on variance deviations of 5 percent from the baseline, which is a more exacting measure than the 10 percent deviations which are required to be reported to Rand Mutual as NIHL. Noise and dust exposure campaigns will be rolled out in 2007 at the mines to increase awareness.

All occupational health targets are regularly reviewed against legislation and other industrial commitments to meet the following targets for future reporting periods:

- Air quality index of <1 for 80 percent of exposed employees by 2006;
- 95 percent of all exposure measurement results below the occupational exposure limit for respirable crystalline silica of 0,1 mg/m³ by December 2008;
- After December 2013, using present diagnostic techniques, no new cases of silicosis will occur amongst previously unexposed employees;
- After December 2008, hearing conservation programmes implemented by industry must ensure there is no deterioration in hearing greater than 10 percent among occupationally exposed employees;
- By December 2013, total noise emitted by all equipment installed in any workplace must not exceed a sound pressure level of 110 decibels at any location in that workplace.

Occupational hygiene is an integral part of our occupational health management programme to ensure that the work environment supports high health standards. All mandatory codes of practice in terms of the *Mine Health and Safety Act (29 of 1996)* are in place.

Kumba Iron Ore has formal health committees in place at all operations with equal management and employee representation. Care is taken to

ensure that all employees are represented. Bi-monthly meetings with the corporate SHE team provide a platform for sharing lessons and successful interventions.

Health achievements

The mines succeeded in retaining their OHSAS 18001 certificates.

Health objectives and targets

- No new cases of occupational disease reported.
- Refining the strategy to meet sector targets by 2013, primarily noise induced hearing loss, silicosis and incidents.
- Evaluation and further improvement of the noise induced hearing loss programme (key risks).

HIV/Aids

The group has a comprehensive strategy in place, built on preventing more employees from becoming infected with HIV/Aids, extending for as long as possible the lives of those infected and ensuring that the impact of the pandemic on the group is managed to enable it to grow and contribute to South Africa's growing economy.

Altogether 96 percent of employees at Thabazimbi Mine and 64 percent of employees at Sishen Mine participated in a voluntary counselling and testing programme. The group-wide prevalence study revealed an infection rate of just under 10 percent.

Comprehensive antiretroviral drugs and employee wellness programmes are working well and have been outsourced to Calibre Clinical Consultants. The antiretroviral treatments are provided free of charge.

Environment

Kumba Iron Ore has an integrated enterprise-wide risk management programme in place to evaluate environmental management risks. All operating business units have approved environmental management plans and systems in place.

Kumba Iron Ore is effectively using its electronic environmental management system mainly as an incident management tool, and to consolidate environmental data and statistics. This system is considered to be the best of its type in South Africa. It contains all the elements of ISO 14001 and enables Kumba Iron Ore to make stakeholder reporting more meaningful and comparable. These benefits will help to achieve ISO 14001 certification. The most important ones being improved risk profiling and managing significant risks in a standardised system.

Environmental performance

Energy and diesel consumption

Kumba Iron Ore is committed to reducing its energy use on an annual basis. There has been an improvement in electrical energy consumption at the mines since 2004. Diesel consumption increased at both mines, specifically at Sishen Mine mainly due to an increase in waste material tonnages, longer travelling distances, and the construction of the SEP plant. The mines are continuously striving to conserve energy by investigating new alternatives of reducing energy consumption.

The SEP is an example of Sishen Mine's commitment to energy conservation. The design of the SEP plant made provision from the outset for energy efficient equipment such as electrical pumps and motors. An energy consumption task team will be established in 2007 to evaluate critically the existing infrastructure and processes with a view to identifying areas where energy efficiency can be improved.

Water consumption

During 2006, the mines experienced an increase in water consumption per tonne of product compared to 2004/2005 performances, mainly due to the current expansion projects.

Thabazimbi Mine is in the process of reducing its clean water consumption by minimising losses and maximising recycling. The water balance for the site was developed during 2006 and handed over to major water users on the mine in order to minimise losses. The focus for 2007 will be to ensure that the water maintenance plan is developed to manage, amongst other things, storm water. Some of the focus areas for 2007 will include:

- Water use awareness campaigns;
- Preventing leaks and wasteful practices; and
- Improving water re-use and recycling practices.

Sishen Mine established a water task team in 2006 to evaluate the mine's existing water use and to identify water saving opportunities especially in the light of the imminent commissioning of the SEP Project and the resulting increase in total water consumption at the mine.

A detailed water use balance plan was developed to guide the planning and was updated in 2006 to include the SEP Project. The processing plant, specifically the thickener and sludge dams, were identified as priority areas for improved water usage. Investigations are currently in progress to determine possible modifications to the design and operational processes to improve the *status quo*. Water usage per tonne of saleable product will be closely monitored during 2007 to determine the success of the proposed modifications.

Water pollution prevention receives attention on an ongoing basis. Projects undertaken during 2006 included an upgrade of the storm-water management system (clean water diversion system) and the construction of a new centralised wash bay. The new washing facility incorporates a comprehensive dirty water management system and will be able to deal with large numbers of vehicles and equipment on a daily basis. This facility will replace some of the smaller wash bays on the mine, thereby making possible better management of potential pollution.

Waste management

Waste volume baselines have been established for all categories of waste. A system to centralise and report all waste figures is in progress.

Owing to space limitations at the disposal sites, locally and nationally, the principles of sustainable development, conforming with environmental legislative requirements and recycling waste have become strategically important for the mines. Effective waste separation and waste re-use play an important role in this regard. Waste is sorted, as far as possible, into recyclable fractions such as paper, cardboard, wood and metal. Hazardous waste is also separated from general waste and stored in a formalised area before removal from the operating sites.

Land management

In line with the new GRI reporting indicators for mining companies, Kumba's land for production activities or extractive use is as follows:

- Total land disturbed – 17 002 ha.
- Total land rehabilitated in period versus agreed end use – 10 ha.

In 2007, the focus will be on initiatives to optimise land holding costs and develop a rehabilitation strategy to cover inactive sites. The ecology expertise available through Anglo American plc's technical division will be used to drive the biodiversity baseline studies needed to comply with new legislation.

Better than before

In conjunction with the North-West University, Kumba Iron Ore is implementing and monitoring an extensive set of rehabilitation experiments at Sishen Mine. The outcome will form the framework for rehabilitation and mine closure plans. Sishen Mine has been mining iron ore in the Kathu region of the Northern Cape for over fifty years, committing itself to mining in a socially acceptable and ecologically sustainable manner.

Safety, health and environmental management

continued

Acknowledging that current rehabilitation trials were not delivering the desired result of zero ecological impact because the material being used to encourage new vegetation lacked sufficient suitable organic matter, Sishen Mine started producing its own organic compost in 2003. Currently, all compost used during the trials is supplied by an organic plant constructed at the mine. The compost consists of a mixture of sewerage sludge, chipped invader plant species, horse manure and shredded paper. Earthworms are used to accelerate the biological breakdown process. For the experimental phase, over 700 m³ of compost was made.

Special attention is also being paid to aspects that could influence the success of rehabilitation, including different forms of surface water run-off control, alternative types and formulations of fertiliser and methods of seed application. Current trials are being repeated on slopes varying between 18 and 37 degrees. By removing exotic plant species which have to be eradicated by law, Sishen Mine is now fully conforming to environmental legislation for complete rehabilitation whilst clearing the area of unwanted alien vegetation.

Environmental risks

There were no significant or reportable (level 2 or 3) incidents during the year. Only one reportable incident, which occurred at Sishen Mine, was reported to the Department of Water Affairs and Forestry. This was a spillage of old oil into the storm water management system.

Major experiments to enhance rehabilitation were performed at Sishen Mine. All mining operations have updated estimated final closure liabilities as well as immediate closure liabilities (where applicable). Provision for the cost of closure and post-closure liabilities for all mines is managed through an independent rehabilitation trust fund and verified independently.

Environmental achievements

- The DME approved the amended environmental management plans (EMPs) at both Sishen Mine and Thabazimbi Mine to incorporate the expansion projects (SEP and Phoenix).
- Sishen Mine re-uses large volumes of old oil and tyres in emulsion explosives. In South Africa, the application of rubber in explosives was pioneered by Sishen Mine. The process involves stripping the rubber from tyres and granulating it to a small diameter. A final destination for old tyres, which are currently stockpiled on the site, remains a concern and needs to be investigated.
- A waste stream classification report was drawn up for Sishen Mine towards the end of 2005 by African EPA. This was done in an effort to improve the handling and classification of hazardous waste at the mine. The results of this study will be used to review the waste management system in 2007 with a view to identifying opportunities to improve waste minimisation, recycling and re-use.
- A significant milestone for Sishen Mine in terms of waste management is the SEP Project. This project can be linked to the commitments made in the approved EMPR in terms of reducing waste stream volumes by upgrading the mine's beneficiation process for optimally beneficiating the ore.

Environmental targets and objectives

- Improvement of water and energy consumption.
- Integrate biodiversity action plans into the mines' environmental management systems.
- Update mine closure plans.
- Recycle 10 percent of waste generated per annum.
- Zero incidents in levels 2 and 3.
- Continuously monitoring the implementation of environmental management programme.
- Maintain ISO 14001 certification.
- Develop rehabilitation strategy to cover inactive sites.
- Participate actively in Anglo American's practices focusing on water, air quality, waste and land management for sharing and learning.

Electricity, diesel consumption and water use per business unit: January 2006 to 31 December 2006

Business unit	Electricity (Gj)	Diesel (l)	Water (m ³)	Product (t)	Electricity/ tonne	Diesel/ tonne	Water/ tonne
Sishen Mine	1 032 386	59 306 154	6 117 291	29 228 254	0,035	2,03	0,21
Thabazimbi Mine	117 618	7 658 868	2 28 282	2 418 145	0,049	3,16	0,09

Environmental incidents

Business unit	Level 3 ³	Level 2 ²	Level 1 ¹	Total incidents
Sishen Mine	–	–	43	43
Thabazimbi Mine	–	–	21	21

¹ **Level 1 incidents:** Environmental incidents not covered in Level 2 and Level 3.

² **Level 2 incidents:** Incidents which resulted in any of the following:

- A moderate impact on the physical or biological environment (air, land, water or habitats) with limited impairment of ecosystem function or surface/ground water resource.
- An inconvenience/disturbance/disruption/annoyance (including odour, dust, noise, traffic problem, loss of water supply) of moderate duration and with medium impact.
- A minor impact on fauna or flora in a statutory designated area (eg national park).

³ **Level 3 incidents:** Incidents which resulted in any of the following:

- A significant impact on the physical or biological environment (air, land, water or habitats) with extensive or long-term impairment of ecosystem function or surface/ground water resource.
- An inconvenience/disturbance/disruption/annoyance (including odour, dust, noise, traffic problem, loss of water supply) of long duration and/or with a long-term effect on the environment and/or community.
- An impact on protected species or habitats.



Selected group financial data translated into US dollars

for the two months ended 31 December 2006

Income statement	US\$ million
Revenue	304
Operating expenses	(208)
Net operating profit	96
Net financing costs	(5)
Profit before taxation	91
Taxation	(38)
Profit for the year	53
Attributable to:	–
Equity holders of the parent	37
Minority interest	16
	–
Attributable earnings per share (US cents)	12
Headline earnings	37
Headline earnings per share (cents)	12

Balance sheet	US\$ million
Assets	
Non-current assets	
Property, plant and equipment	554
Biological assets	1
Investments in associates and joint ventures	–
Financial assets	22
Current assets	
Cash and cash equivalents	157
Other	251
Total assets	985
Equity and liabilities	
Shareholders' funds	120
Minority interest	31
Non-current liabilities	
Interest-bearing borrowings	407
Deferred taxation and provisions	92
Current liabilities	
Interest-bearing borrowings	169
Other	166
Total equity and liabilities	985
Net debt	834

Cash flow statement	US\$ million
Cash available from operations	49
Proceeds on disposal of assets	1
Investments	
– To maintain operations	(12)
– To expand operations	(59)
– Increase in cash resources on acquisition of a controlling interest in subsidiaries	56
Foreign currency translation reserve	(5)
	–
Net cash inflow	30

The group statements on this page have been expressed in US dollars for information purposes. The average US dollar/rand of US\$1: R7,1342 (for 31 December 2006) has been used to translate the income and cash flow statements, whilst the balance sheet has been translated at the closing rate at the last day of the reporting year US\$1: R6,9750.

Glossary of terms and acronyms

Anglo American plc	Anglo American plc (registration number 3564138), a public company duly registered and incorporated with limited liability in accordance with the company laws of England and Wales, the ordinary shares of which are listed on the London Stock Exchange plc (primary listing), the JSE, the SWX Swiss Exchange, the Botswana Stock Exchange and the Namibian Stock Exchange. Anglo American plc is the majority shareholder in Kumba Iron Ore (64,1 percent)
Anglo American plc group	Anglo American plc and all of its subsidiaries whether direct or indirect
Arcelor Mittal	Mittal Steel Company N.V. (NYSE: MT). Also see Mittal
Articles	The articles of association of Kumba Iron Ore Limited
Basic Conditions of Employment Act (1997)	To give effect to the right to fair labour practices referred to in section 23(1) of the Constitution by establishing and making provision for the regulation of basic conditions of employment; and thereby to comply with the obligations of the Republic as a member state of the International Labour Organisation; and to provide for matters connected therewith
BEE	Black economic empowerment
Broad-based Socio-economic Charter for the Mining Industry	The <i>Mining Charter</i> provides for HDSA empowerment in South African mining industry in accordance with the objectives of the MRDPA
Cash and cash equivalents	Comprise cash on hand and current accounts in bank, net of bank overdrafts together with any highly liquid investments readily convertible to known amounts of cash and not subject to significant risk of changes in value
CEO	Chief executive officer
CFO	Chief financial officer
CGU	Cash generating unit
CGT	Capital gains tax
CIS	Commonwealth of independent states
Computershare or transfer secretaries	Computershare Investor Services 2004 (Pty) Limited (registration number 2004/003647/07, a private company duly registered and incorporated with limited liability in accordance with the company laws of South Africa and the transfer secretaries and registrar of Kumba Iron Ore
Companies Act	The Companies Act, No 61 of 1973, as amended
CSD	Central securities depository
CVRD	Companhia Vale do Rio Doce
DME	Department of Minerals and Energy
DMS	Dense Medium Separation

EBIT	Net operating profit before interest and tax
EBITDA	Net operating profit before interest, tax, depreciation and amortisation
Employment Equity Act (1998)	Applies to all employers and workers and protects workers and job seekers from unfair discrimination, and also provides a framework for implementing affirmative action
EMPR	Environmental management programme report
Basic earnings basis	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year
Headline earnings basis	Earnings attributable to ordinary shareholders adjusted for profits and losses on items of a capital nature recognising the taxation and minority impacts on these adjustments divided by the weighted average number of ordinary shares in issue during the year
Diluted earnings basis	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year increased by the number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares
Euro or €	The currency of the Euro zone countries
Exchange Control	The Exchange Control Department of the South African Reserve Bank
Exchange Control Regulations	Exchange Control Regulations, 1961, as amended, promulgated in terms of section 9 of the Currency and Exchanges Act, No 9 of 1933
Exxaro	The former Kumba Resources Limited. Its name was changed to Exxaro Resources Limited in November 2006, following the listing of Kumba Iron Ore Limited on the JSE
Fe	Iron
FECs	Forward exchange contracts
FIFR	Fatal injury frequency rate – number of deaths per million man hours worked
FOB	Free on board
GRI	Global Reporting Initiative
HDSA	Historically disadvantaged South African, being any natural person, a category or community of persons, an unincorporated entity or association, a trust, a company or a corporate entity (other than a trust) disadvantaged in law by unfair discrimination before the Constitution of the Republic of South Africa Act, No 200 of 1993, came into operation
IDC	The Industrial Development Corporation of South Africa Limited (registration number 1940/014201/06), a body corporate created under section 2 of the Industrial Development Act, No 22 of 1940
Income Tax Act	The Income Tax Act, No 58 of 1962, as amended

Glossary of terms and acronyms

continued

IRM	Integrated risk management
Iscor	Iscor Limited – refer to the definition of Mittal Steel below
ISO	International Standards Organisation
ISO 9001	A family of ISO (the International Organisation for Standardisation) standards for quality management systems
ISO 14000/14001	Environmental standards issued by the International Standards Organisation – to implement sound environmental management systems
JSE	The JSE Limited (registration number 2005/022939/06), a public company duly registered and incorporated with limited liability in accordance with the company laws of South Africa, licensed as an exchange under the Securities Services Act, No 36 of 2004
King II	The King Report on Corporate Governance for South Africa, 2002
Kumba International BV	Kumba International BV (registration number 34218341), an unlisted public company duly registered and incorporated with limited liability in accordance with the company laws of the Netherlands and an indirect wholly-owned subsidiary of SIOC
Kumba Iron Ore or the company	Kumba Iron Ore Limited (formerly Vicva 177 (Pty) Limited) (registration number 2005/015852/06), a public company duly registered and incorporated with limited liability in accordance with the company laws of South Africa
Kumba Iron Ore board or the board	The board of directors of Kumba Iron Ore
Kumba Iron Ore directors or the directors	The directors of Kumba Iron Ore
Kumba Iron Ore group or the group	Kumba Iron Ore and all of its subsidiaries whether direct or indirect
Kumba Iron Ore Scheme	The Kumba Iron Ore Management Share Purchase and Option Scheme
Kumba Iron Ore shareholders	Holders of Kumba Iron Ore shares
Kumba Iron Ore shares	Ordinary shares having a par value of one cent each in the issued share capital of Kumba Iron Ore
Kumba Resources	Kumba Resources Limited (registration number 2000/011076/06), a public company duly registered and incorporated with limited liability in accordance with the company laws of South Africa, the ordinary shares of which are listed on the JSE and which was renamed Exxaro
Kumba Iron Ore Scheme	The Kumba Iron Ore Management Share Purchase and Option Scheme
Life of mine (LOM)	The number of years that an operation is planning to mine and treat ore, taken from the current mine plan
LTI	Lost time injury
LTIFR	Lost time injury frequency rate, quoted in million man hours

Mining Charter	The Broad-based Socio-economic Empowerment Charter for the South African mining industry, developed under section 100 of the Mineral and Petroleum Resources Development Act, 2002 together with the Charter Scorecard, and any amended or replacement Mining Charter and/or Charter Scorecard from time to time
MPRDA	Mineral and Petroleum Resource Development Act 28 of 2002
Mittal	Mittal Steel South Africa Limited (registration number 1989/002164/06), formerly Ispat Iscor, formerly Iscor, a public company duly registered and incorporated with limited liability in accordance with the company laws of South Africa, the ordinary shares of which are listed on the JSE
Mt	Million metric tonnes
Mtpa	Million metric tonnes per annum
Net assets	Total assets less current and non-current liabilities less minority interest which equates to ordinary shareholders' equity
NIHL	Noise induced hearing loss
Pangolin	The name given to the project of unbundling Kumba Resources Limited into two separately listed companies
Rand or R	The currency of South Africa
RC drilling	Reverse cycle drilling
Register	The register of shareholders of Kumba Iron Ore
ROM	Run of mine
SEP	Sishen Expansion Project – SEP1 and SEP2
SIOC	Sishen Iron Ore Company (Pty) Limited (registration number 2000/011085/07), a private company duly registered and incorporated with limited liability in accordance with the company laws of South Africa and a subsidiary of Kumba Iron Ore
SIOC Community Development Trust	SIOC Community Development Trust, masters reference number IT10454/06, a trust established for the ultimate benefit of communities and community-based projects in the Northern Cape and Limpopo Provinces, and potentially in other areas in which SIOC conducts mining operations
SIOC ESPS	Two consecutive Employee Share Participation Schemes of five years each have been established for the benefit of participating employees of SIOC and whose beneficiaries will be mainly HDSAs. It is named Envision.
SIOC ESPS Trust	SIOC Employee Share Participation Scheme Trust, masters reference number it IT10288/06, a trust established for the purpose of holding SIOC shares for the benefit of participating employees
SHE	Safety, Health and Environmental

Glossary of terms and acronyms

continued

South Africa	The Republic of South Africa
Stakeholder	Any person or body with a direct or indirect interest in Kumba Iron Ore operations, or with the ability to affect Kumba Iron Ore operations, or who is required to be informed of our operations
STC	Standard tax on companies
Subsidiary	A subsidiary as defined in the Companies Act
TIFR	Total injury frequency rate
UK	United Kingdom
US	United States of America
US\$	The currency of the United States of America
ZAR	South African rand



ANNUAL FINANCIAL STATEMENTS

Contents

64	Directors' responsibility for financial reporting
64	Certificate by company secretary
65	Report of the independent auditors
66	Directors' report
68	Directors' remuneration report
70	Income statements
71	Balance sheets
72	Cash flow statements
73	Group statement of changes in equity
74	Company statement of changes in equity
75	Notes to the annual financial statements
105	Annexure 1 – Interest-bearing borrowings
106	Annexure 2 – Investments in associates, joint ventures and other investments
107	Annexure 3 – Investments in subsidiaries

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DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

for the year ended 31 December 2006

TO THE SHAREHOLDERS OF KUMBA IRON ORE LIMITED

The directors of the company are responsible for maintaining adequate accounting records, the preparation of the annual financial statements of the company and the group and for developing and maintaining a sound system of internal control to safeguard shareholders' investments and the group's assets. In presenting the accompanying financial statements, International Financial Reporting Standards have been followed, applicable accounting policies have been used and prudent judgements and estimates have been made.

In order for the directors to discharge their responsibilities, management has developed and continues to maintain systems of internal control aimed at reducing the risk of error or loss in a cost-effective manner. Such systems can provide reasonable but not absolute assurance against material misstatement or loss. The directors, primarily through the audit committee, which consists of non-executive directors, meet periodically with the external and internal auditors as well as the executive management to evaluate matters concerning accounting policies, internal control, auditing and financial reporting. The group's internal auditors independently evaluate the internal controls and coordinate their audit coverage with the external auditors. The external auditors are responsible for reporting on the financial statements. The external and internal auditors have unrestricted access to all records, property and personnel as well as to the audit committee.

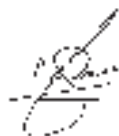
The directors are not aware of any material breakdown in the functioning of these controls and systems during the year under review. The directors are of the opinion, based on the information and explanations given by management and the internal auditors, and on comment by the external auditors on the results of their audit

conducted for the purpose of expressing their opinion on the annual financial statements, that the internal accounting controls are adequate, so that the financial records may be relied on for preparing the financial statements and maintaining accountability for assets and liabilities.

The directors have reviewed the group's financial budgets with their underlying business plans for the period to 31 December 2007. In the light of the current financial position and existing borrowing facilities, they consider it appropriate that the annual financial statements be prepared on the going-concern basis.

The external auditors have audited the annual financial statements of the company and the group and their unmodified report appears on page 65.

Against the background, set out above, the directors of the company accept responsibility for the annual financial statements, which were approved by the board of directors on 14 February 2007 and are signed on its behalf by:



PL Zim
Chairman



EJ Myburgh
Chief executive officer



VP Uren
Chief financial officer

14 February 2007

CERTIFICATE BY COMPANY SECRETARY

In terms of the Companies Act 61 of 1973 of South Africa, as amended, I, A van der Merwe, in my capacity as company secretary, confirm that for the year ended 31 December 2006, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.



A van der Merwe
Company secretary

14 February 2007

REPORT OF THE INDEPENDENT AUDITORS

for the year ended 31 December 2006

We have audited the annual financial statements and group annual financial statements of Kumba Iron Ore Limited, which comprise the directors' report, the balance sheet at 31 December 2006, the income statement, the statement of changes in equity and the cash flow statement for the year ended 31 December 2006, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and the group at 31 December 2006, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.



Deloitte & Touche – Johannesburg
Registered auditors

Per **BW Smith**

Partner

14 February 2007

Buildings 1 and 2, Deloitte Place
The Woodlands Office Park
Woodlands Drive
Sandton

National executive: GG Gelink *chief executive* AE Swiegers *chief operating officer* GM Pinnock *Audit* DL Kennedy *Tax* L Geering *Consulting* MG Crisp *Financial Advisory* L Bam *Strategy* CR Beukman *Finance* TJ Brown *Clients & Markets* SJC Sibisi *Public Sector and Corporate Social Responsibility* NT Mtoba *Chairman of the Board* J Rhynes *Deputy Chairman of the Board*.

A full list of partners and directors is available on request.

DIRECTORS' REPORT

for the year ended 31 December 2006

The directors have pleasure in presenting the annual financial statements of Kumba Iron Ore Limited and the group for the year ended 31 December 2006.

INCORPORATION

Kumba Iron Ore was incorporated on 16 May 2005 and did not have any business transactions from the date of incorporation until 1 November 2006, the effective date of the unbundling transaction explained below.

Unbundling transaction

Kumba Iron Ore was unbundled from Kumba Resources Limited and subsequently listed on the JSE on 20 November 2006 as the only pure play iron ore company on the JSE. Following completion of the Kumba Resources empowerment transaction, Kumba Iron Ore now complies with the 2014 equity ownership requirements of the *Mining Charter*. Applications for conversion of SIOC held old order rights were lodged during December 2005 and with the Kumba Resources empowerment transaction now completed, conversion representations to the Department of Mineral and Energy are in progress.

Nature of business

Kumba Iron Ore, incorporated in South Africa, is a mining group of companies focusing on extracting, processing and beneficiating iron ore.

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 Iron Ore 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 from page 38.

Registration details

Kumba Iron Ore is a listed company on the JSE. The company registration number is 2005/015852/06. The registered office is Lakefield Office Park, 272 West Avenue, Centurion, 0046, Republic of South Africa.

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 pages 16 and 18 and in the business operations review on pages 25 to 28. These reports are unaudited.

CAPITAL

Authorised capital

The company's authorised share capital of 500 000 000 shares of 1 cent each was authorised by the shareholders (resolution dated 7 April 2006).

Issued capital

During the year new shares were issued as part of the unbundling of Kumba Resources. Following these allotments, the issued share capital increased from 100 ordinary shares to 313 594 471 ordinary shares of 1 cent each.

The directors are authorised to issue unissued shares until the next annual general meeting. Shareholders will be asked to extend the authority of the directors to control the unissued shares of the company at the forthcoming annual general meeting, up to a maximum of 5 percent of the issued capital.

Dividends

A maiden dividend of 80 cents per share was declared on 14 February 2007.

Property, plant and equipment

Investments in property, plant and equipment are detailed in the financial statements. Capital expenditure for the two-month period ended 31 December 2006 amounted to R511 million.

Holding company and related parties

The ultimate beneficial holding company is Anglo American plc group, which has a beneficial interest of 64,1% in the company.

SHAREHOLDERS

An analysis of shareholders and shareholdings appears on pages 44 to 46 of the annual report.

Shareholders resolutions

A shareholder resolution was passed on 7 April 2006, approving the following:

- Change of company name to Kumba Iron Ore Limited.
- Change of main business and object to holding company of subsidiaries.
- Increase in authorised share capital.
- Subdivision of authorised and issued share capital.
- Conversion from a private to a public company.
- Replacement of the memorandum and articles of association with a new memorandum and articles of association.

At a shareholder meeting, held on 22 August 2006, the following special and ordinary resolutions were passed:

- General authority to issue shares.
- General authority to issue shares for cash in terms of the Listings Requirements of the JSE.
- General authority to repurchase company shares.

- Adoption of the Kumba Iron Ore Management Share Scheme.
- Authority to issue shares in terms of the Kumba Iron Ore Management Share Scheme.
- Authority to enter into the Share Incentive Schemes Agreement.
- Authority to issue shares to Kumba Iron Ore Management Share Trust.
- Authority to issue shares in terms of the Kumba Iron Ore Sale Agreement.

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.

FALÉMÉ

Following notification from Miferso, a Senegalese state-controlled mining exploration permitholder, that it disputes Kumba Iron Ore's rights (held by Kumba International B.V.) in relation to the Falémé iron ore deposit under an agreement entered into in 2004, Kumba Iron Ore has engaged with representatives of the Government of Senegal and Miferso with a view to resolving the dispute in an amicable manner. It remains the view of the board that should settlement discussion not prove successful, legal action is to be pursued to seek appropriate redress.

With respect to a separate claim for US\$196 million brought against Kumba by Lithos, Kumba's legal advisors have concluded that, as presently framed, the particulars of the case do not sustain a cause of action and accordingly no provision has been raised.

SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial period and up to the date of this report, 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 pages 6 and 7. During the current financial year, the following resignations and appointments took place in Kumba Iron Ore:

MW von Wielligh	Resigned as director	31 January 2006
MJ Kilbride	Resigned as director	9 February 2006
PM Baum	Appointed as director	9 February 2006
GS Gouws	Appointed as director	9 February 2006
PB Matlare	Appointed as director	9 February 2006
AJ Morgan	Appointed as director	9 February 2006
EJ Myburgh	Appointed as director	9 February 2006
PL Zim	Appointed as director and chairman	9 February 2006

DD Mokgatle	Appointed as director	7 April 2006
N Moyo	Appointed as director	7 April 2006
VP Uren	Appointed as director	1 May 2006

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

COMPANY SECRETARY

The company secretary is A van der Merwe. The company secretary's registered address is:

Lakefield Office Park	PO Box 9679
272 West Avenue	Centurion
Centurion	0046
0157	

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.

DIRECTORS' REMUNERATION REPORT

for the year ended 31 December 2006

This report on remuneration and related matters covers issues which are the concern of the board as a whole in addition to those which were dealt with by the Remuneration Committee.

REMUNERATION POLICY

The human resources and remuneration committee has a clearly defined mandate from the board aimed at:

- ensuring that the company's chairman, directors and senior executives are fairly rewarded for their individual contributions to the group's overall performance;
- ensuring that the group's remuneration strategies and packages, including the incentive schemes, are related to performance, are suitably competitive and give due regard to the interests of the shareholders and the financial and commercial health of the group.

DIRECTORS' SERVICE CONTRACTS

All executive directors' service contracts are subject to six calendar months' notice. Non-executive directors are not bound by service contracts.

There are no restraints of trade associated with the contracts.

SUMMARY OF REMUNERATION – For the year ended 31 December 2006

Name	Basic salary	Directors' fees	Committee fees	Performance bonuses	Benefits and allowances	Retirement fund contributions	Total
Executive directors	R'000	R'000	R'000	R'000	R'000	R'000	R'000
EJ Myburgh ¹	248	–	–	1 090	162	25	1 525
VP Uren ²	197	–	–	–	22	18	237
MW von Wielligh ³	–	–	–	–	–	–	–
MJ Kilbride ⁴	–	–	–	–	–	–	–
	445	–	–	1 090	184	43	1 762
Non-executive directors							
PL Zim ⁵	–	240	–	–	–	–	240
PM Baum ⁶	–	120	–	–	–	–	120
GS Gouws ⁶	–	120	23	–	–	–	143
DD Mokgatle	–	120	11	–	–	–	131
N Moyo	–	120	11	–	–	–	131
AJ Morgan	–	120	–	–	–	–	120
PB Matlare	–	120	–	–	–	–	120
Subtotal	–	960	45	–	–	–	1 005

¹ Remuneration relates to the period from 1 November 2006 to 31 December 2006.

² Remuneration relates to the period from date of listing on the JSE (20 November 2006 to 31 December 2006).

³ Resigned as executive director on 31 January 2006.

⁴ Resigned as executive director on 9 February 2006.

⁵ Non-executive director who was appointed as non-executive chairman of the board on 9 February 2006.

⁶ Fees paid to their respective employers and not to the individuals.

DIRECTORS' INTEREST IN KUMBA IRON ORE SHARES

At 31 December 2006

Executive director	Beneficial		
	Direct		Indirect
EJ Myburgh	635		–

Non-executive directors did not have any beneficial interest in the group.

There has been no change to the interest of directors in share capital since the year-end.

On 31 December 2006 no director had direct or indirect interests of more than 1% in the share capital of the company.

DIRECTORS' SHARE OPTIONS AND RESTRICTED SHARE AWARDS

The following options and rights in shares in the company were outstanding in favour of directors of the company under the company's share option schemes:

MANAGEMENT SHARE OPTION SCHEME

For the year ended 31 December 2006

Name	Options held at 31 Dec 2006	Exercise price R	Exercisable period	Proceeds if exercisable at 31 Dec 2006	Pre-tax gain if exercisable at 31 Dec 2006
				R	R
Executive director					
EJ Myburgh	51 000	17,37	12/3/08	6 273 000	5 387 130
	26 730	22,04	11/1/09	3 287 790	2 698 661
	32 920	26,40	3/16/11	4 049 160	3 180 072
Total	110 650			13 609 950	11 265 863

INCOME STATEMENTS

for the year ended 31 December 2006

	Notes	GROUP 31 Dec 2006 Rm	COMPANY 31 Dec 2006 Rm
REVENUE	2	2 171	–
Operating (expenses)/income	3	(1 487)	457
OPERATING PROFIT		684	457
Finance income	4	7	–
Finance costs	4	(43)	–
PROFIT BEFORE INCOME TAX		648	457
Income tax expense	5	(269)	(39)
PROFIT FOR THE YEAR		379	418
ATTRIBUTABLE TO:			
Equity holders of the parent		264	418
Minority interest	6	115	–
		379	418
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY DURING THE YEAR			
– basic (cents per share)	7	84	–
– diluted basic (cents per share)	7	83	–
Maiden dividend declared per share (cents) in respect of this financial year	8	80	–

BALANCE SHEETS

as at 31 December 2006

		GROUP	COMPANY
		31 Dec	31 Dec
		2006	2006
	Notes	Rm	Rm
ASSETS			
Non-current assets			
Property, plant and equipment	9	3 864	–
Biological assets	10	7	–
Investments in associates and joint ventures	11	–	–
Investments in subsidiaries	12	–	3
Intercompany loans	13	–	14
Financial assets	14	150	458
Total non-current assets		4 021	475
Current assets			
Inventories	15	749	–
Trade and other receivables	16	1 005	2
Cash and cash equivalents		1 094	–
Total current assets		2 848	2
Total assets		6 869	477
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity holders of the company			
Share capital	17	3	3
Share premium	17	–	–
Non-distributable reserves		201	14
Distributable reserves		635	418
Ordinary shareholders' equity		839	435
Minority interest		216	
Total equity		1 055	435
LIABILITIES			
Non-current liabilities			
Interest-bearing borrowings	18	2 840	–
Deferred income tax liabilities	19	485	–
Non-current provisions	20	152	–
Total non-current liabilities		3 477	–
Current liabilities			
Trade and other payables	21	555	3
Current income tax liabilities		603	39
Interest-bearing borrowings	18	1 179	–
Total current liabilities		2 337	42
Total liabilities		5 814	42
Total equity and liabilities		6 869	477

CASH FLOW STATEMENTS

for the year ended 31 December 2006

		GROUP	COMPANY
		31 Dec	31 Dec
		2006	2006
	Notes	Rm	Rm
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash retained from operations	24.1	389	–
Net financing costs	24.2	(39)	–
Normal taxation paid	24.3	–	–
		350	–
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments to maintain operations	24.4	(87)	–
Investments to expand operations		(424)	–
Acquisition of subsidiary		(3)	(3)
Proceeds from disposal of assets		6	–
Increase in cash resources on acquisition of a controlling interest in subsidiaries	24.5	400	–
Foreign currency translation reserve	24.6	(35)	–
		(143)	(3)
Net cash inflow/(outflow)		207	(3)
CASH FLOWS FROM FINANCING ACTIVITIES			
Non-current interest-bearing borrowings raised		2 840	–
Current interest-bearing borrowings (repaid)		(1 956)	–
Proceed from issuance of share capital		3	3
		887	3
NET INCREASE IN CASH AND CASH EQUIVALENTS		1 094	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		–	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		1 094	–

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2006

	Share capital Rm	Share premium Rm	Non-distributable reserves		Equity-settled reserve Rm	Distributable reserves		Minority interest Rm	Total equity Rm	
			Foreign currency translation reserve Rm	Financial instruments revaluation reserve Rm		At acquisition reserve Rm	Retained income Rm			
OPENING BALANCE at 1 January 2006	–	–	–	–	–	–	–	–	–	
Acquisition of subsidiary	–	–	–	–	–	371	–	371	93	464
Net gains/(losses) not recognised in income statement	–	–	30	(6)	185	–	–	209	–	209
Currency translation differences	–	–	(40)	–	–	–	–	(40)	–	(40)
Share-based payments movement	–	–	–	–	185	–	–	185	–	185
Financial instruments fair value movements recognised in equity										
– current period	–	–	–	2	–	–	–	2	–	2
– reported in net profit	–	–	–	(8)	–	–	–	(8)	–	(8)
Deferred tax on items taken directly to equity	–	–	70	–	–	–	–	70	–	70
Net profit	–	–	–	–	–	–	264	264	115	379
Issue of share capital	3	–	–	–	–	–	–	3	–	3
Transferred to minority reserve	–	–	(6)	1	(3)	–	–	(8)	8	–
Balance at 31 December 2006	3	–	24	(5)	182	371	264	839	216	1 055

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities that are not integral to the operations of the group.

Financial instruments revaluation reserve

The financial instruments revaluation reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transaction has not yet occurred.

Equity-settled reserve

The equity-settled reserve represents the fair value of services received and settled by equity instruments granted.

Insurance reserve

The insurance reserve represents the unrealised portion of commission receivable from reinsurers.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2006

	Non-distributable reserves				Total Rm
	Share capital Rm	Share premium Rm	Equity settled reserve Rm	Retained income Rm	
BALANCE AT 1 JANUARY 2006	–	–	–	–	–
Share-based payment movement	–	–	14	–	14
Issue of share capital	3	–	–	–	3
Issue of share premium	–	–	–	–	–
Net profit	–	–	–	418	418
BALANCE AT 31 DECEMBER 2006	3	–	14	418	435

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2006

1. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation of financial results

The principal accounting policies of the group and company and the disclosures made in the annual financial statements conform to International Financial Reporting Standards effective for the group's financial year and the requirements of the South African Companies Act.

The financial statements are prepared using the historical cost convention except for specific financial instruments as set out in the notes to the financial statements, which are stated at fair value, as well as biological assets which are carried at fair value.

Basis of consolidation

The group annual financial statements present the consolidated financial position and changes therein, operating results and cash flow information of the company and its subsidiaries.

Subsidiaries are those entities in which the group has an interest of more than one half of the voting rights or the power to exercise control so as to obtain benefits from their activities.

Operating results of subsidiaries acquired or disposed of are included in the group statements from the effective dates on which control is obtained or excluded from such statements as from the date on which control ceases.

All inter-company transactions, balances and unrealised profits and losses between group companies are eliminated on consolidation. Where necessary, accounting policies for subsidiaries are changed to ensure consistency with the policies adopted by the group. If it is not practical to change the policies, the appropriate adjustments are made on consolidation to ensure consistency within the group.

The company carries its investments in subsidiaries at cost less accumulated impairment losses.

The results of special purpose entities that, in substance, are controlled by the group, are consolidated.

The purchase method of accounting is used to account for acquired subsidiaries.

On acquisition date, fair values are attributed to the identifiable assets, liabilities and contingent liabilities. Minority interest at acquisition date is determined as the minority shareholders' proportionate share of the fair value of the net assets of subsidiaries acquired.

Fair values of the identifiable assets and liabilities are determined by reference to market values of those or similar items, where available, or by discounting expected future cash flows using the discount rate to present values.

The cost of acquisition is the fair value of the group's contribution to the business combination in the form of assets transferred, shares issued or liabilities assumed at the acquisition date plus costs directly attributable to the acquisition.

Transactions and minority interests

The group applies a policy of treating transactions with minority interests as transactions with parties external to the group. Disposals to minority interests result in gains and losses for the group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Associates

The equity method of accounting is used for an investment over which the group exercises significant influence, but not control or joint control, and normally owns between 20 percent and 50 percent of the voting equity. Associates are equity accounted from the effective dates of acquisition to the effective dates of disposal.

Results of associates are equity accounted from their most recent audited annual financial statements or unaudited interim financial statements. Any losses of associates are brought to account in the consolidated financial statements until the investment in such associates is written down to a nominal amount. Thereafter, losses are accounted for only in so far as the group is committed to providing financial support to such associates.

The total carrying values of investments in associates represent the cost of each investment, including the carrying value of goodwill, the share of post-acquisition retained earnings, any other movements in reserves and any long-term debt interests which, in substance, form part of the group's net investment. The carrying values of associates are reviewed on a regular basis and if an impairment in value has occurred, it is written off in the period in which those circumstances are identified. The group's share of an associate's losses in excess of its interest in that associate is not recognised unless the group has an obligation to fund such losses.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2006

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Associates (continued)

Goodwill on the acquisition of associates is treated in accordance with the group's accounting policy for goodwill.

The company carries its investments in associates at cost less accumulated impairment losses.

Joint ventures

A joint venture is an entity jointly controlled by the group and one or more other venturers in terms of a contractual arrangement requiring unanimous consent for strategic financial and operating decisions. It may involve a corporation, partnership or other entity in which the group has an interest.

The group's share of the assets, liabilities, income, expenditure and cash flows of jointly controlled entities are accounted for using the proportionate consolidation method. Proportionate consolidation combines the group's share of the results of the joint venture entity on a line-by-line basis with similar items in the group's financial statements.

Where necessary, the results of joint ventures are restated to ensure consistency with group policies. Unrealised profits and losses are eliminated.

The company carries its investments in joint ventures at cost less accumulated impairment losses.

Goodwill on the acquisition of joint ventures is treated in accordance with the group's accounting policy for goodwill.

Goodwill

Goodwill is reflected at cost less accumulated impairment losses, if any. It represents the excess of the cost of a business combination over the fair value of the group's share of the identifiable net assets of the acquired entity at the date of acquisition. Goodwill is assessed for impairment on an annual basis. Once any impairment has occurred on a specific goodwill item, the impairment will not be reversed in future periods.

Negative goodwill arising on a business combination represents the fair value of the net identifiable assets and contingent liabilities of the entity acquired over the cost of acquisition, the negative goodwill is recognised immediately in the income statement.

The gain or loss on disposal of an entity includes the balance of goodwill relating to the entity.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Impairment of goodwill

Goodwill arising on business combinations is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination and represents the lowest level at which goodwill is monitored by the group's board of directors for internal management purposes, but not larger than a segment. The recoverable amount of the CGU or the group of CGUs to which goodwill has been allocated is tested for impairment annually on a consistent date during each financial year, or when such events or changes in circumstances indicate that it may be impaired. Any impairment is recognised immediately in the income statement. A recognised impairment loss is not reversed.

Property, plant and equipment

Land and extensions under construction are stated at cost less accumulated impairment and are not depreciated. Buildings, including certain non-mining residential buildings and all other items of property, plant and equipment, are reflected at cost less accumulated depreciation and accumulated impairment losses.

The cost of self-constructed assets includes expenditure on materials, direct labour and an allocated proportion of project overheads. Cost also includes the estimated costs of dismantling and removing the assets and site rehabilitation costs to the extent that they relate to the construction of the asset as well as gains or losses on qualifying cash flow hedges attributable to that asset.

Depreciation is charged on a systematic basis over the estimated useful lives of the assets after taking into account the estimated residual value of the assets. Useful life is either the period of time over which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of the asset.

Items of property, plant and equipment are capitalised in components where components have a different useful life to the main item of property, plant and equipment to which the component can be logically assigned. Expenditure incurred to replace or modify a significant component of plant is capitalised and any remaining book value of the component replaced is written off in the income statement.

The estimated useful lives of assets and their residual values are reassessed annually, with any changes in such accounting estimates being adjusted in the current financial year of reassessment and applied prospectively.

The estimated useful lives of items of property, plant and equipment are:

○ Buildings and infrastructure (including residential buildings)	5 – 25 years
○ Mineral properties	10 – 25 years
○ Fixed plant and equipment	4 – 25 years
○ Mobile equipment, built-in process computers, underground mining equipment and reconditionable spares	2 – 25 years
○ Loose tools and computer equipment	5 years
○ Development costs	5 – 6 years
○ Site preparation, mining development and exploration	5 – 25 years

Maintenance and repairs which neither materially add to the value of assets nor appreciably prolong their useful lives are charged against income. Direct attributable expenses relating to mining and other major capital projects, site preparations and exploration are capitalised until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent that these are recognised as a provision.

Financing costs directly incurred for the construction or acquisition of qualifying assets are capitalised at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of borrowings is utilised. Capitalisation of borrowing costs ceases when 40% of design capacity has been reached.

Directly attributable costs associated with the acquisition, development and installation of certain software are capitalised. Such assets are depreciated using the amortisation methods and periods applicable to computer equipment.

Surpluses and deficits on the disposal of property, plant and equipment are taken to profit or loss.

Leases

Finance leases

Leases where the group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised as property, plant and equipment at the lower of fair value or the present value of the minimum lease payments at the inception of the lease with an equivalent amount being stated as a finance lease liability as part of debt.

The capitalised amount is depreciated over the asset's useful life or the lease period if shorter than the asset's useful life. Lease

payments are allocated between capital repayments and borrowing costs using the effective interest rate method.

The land and buildings elements of a lease are considered separately for the purpose of lease classification.

Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged against income on the straight-line basis over the period of the lease.

Biological assets

Biological assets are measured on initial recognition and at each balance sheet date at their fair value less estimated point-of-sale costs and any change in value is included in the net profit or loss for the period in which it arises. Livestock is measured at its fair value less estimated point-of-sale costs, fair value being determined by the age and size of the animals and market prices. Market price is determined on the basis that the animal is sold to be slaughtered. Livestock held for sale are classified as consumable biological assets. Game is measured at their fair value less estimated point-of-sale costs, fair value being determined at market price. Market price is determined using auction selling prices achieved for live game. Game held for sale is classified as consumable biological assets.

Intangible assets

An intangible asset is recognised at cost if it is probable that future economic benefits will flow to the enterprise. Amortisation is charged on a systematic basis over the estimated useful lives of the intangible asset. Intangible assets are carried at cost less accumulated amortisation and impairment charges.

The estimated maximum useful life of patents, licences and franchises is 20 years. Subsequent expenditure on capitalised intangible assets is capitalised only if it increases the future benefits embodied in the specific asset to which it relates.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash generating unit (CGU) to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2006

1. PRINCIPAL ACCOUNTING POLICIES (continued)

Tangible assets (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment is recognised immediately as an expense.

Where subsequently an impairment reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset (or CGU) in prior years. A reversal of an impairment is recognised as income immediately.

Research, development and exploration costs

Research, development and exploration costs are charged against income until they result in projects that are evaluated as being technically or commercially feasible, the group has sufficient resources to complete development and can demonstrate how the asset will generate future economic benefits, in which event these development costs are capitalised and amortised on the straight-line basis over the estimated useful life of the project or asset. The carrying amounts are reviewed at each balance sheet date to determine whether there is any indication of impairment.

Financial instruments

Measurement

Initially, financial instruments are measured at fair value, including transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Investments

Investments other than marketable securities, which are calculated by reference to stock exchange quoted prices at the close of business on the balance sheet date, are carried at fair value. Gains and losses are recognised in profit or loss.

Trade and other receivables

Trade and other receivables originated by the group are stated at amortised cost less impairment. Estimates are made for impairments based on a review of all outstanding amounts at year-end. Irrecoverable amounts are written off during the year in which they are identified.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying value which is deemed to be fair value. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the group unless otherwise stated.

Bank overdrafts are included within current liabilities on the balance sheet.

Financial liabilities

Financial liabilities are recognised at amortised cost, namely original debt less principal payments and amortisations, except for derivatives which are measured at fair value. If a financial liability is designated as a hedged item, it is subject to measurement under hedge accounting provisions.

Derivative instruments

Derivative instruments are measured at fair value.

Gains and losses on subsequent measurement are recognised as follows:

- Gains and losses arising from a change in the fair value of financial instruments that are not part of a hedging relationship are included in net profit or loss for the period in which they arise.
- Gains and losses from measuring fair value hedging instruments, including fair value hedges for foreign currency denominated transactions, are recognised immediately in net profit or loss.
- The effective portion of gains and losses from remeasuring cash flow hedging instruments, including cash flow hedges for forecast foreign currency denominated transactions and for interest rate swaps, are recognised directly in equity initially. Should the hedged firm commitment or forecast transaction result subsequently in the recognition of an asset or a liability, then the cumulative amount recognised in equity is adjusted against the initial measurement of the asset or liability. For other cash flow hedges, the cumulative amount recognised in equity is included in net profit or loss during the period when the commitment or forecast transaction affects profit or loss.
- When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative unrealised gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Offset

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

Inventories

Inventories are valued at the lower of cost, determined on the moving average basis, and net realisable value. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and fixed production overheads, but excludes interest charges. Fixed production overheads are allocated on the basis of normal capacity. Consumable stores are capitalised to the balance sheet and expensed to the income statement as they are utilised.

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Write-downs to net realisable value and inventory losses are expensed in the period in which the write-downs or losses occur.

Foreign currencies

Items included in the financial results of each entity are measured using the functional currency of that entity. The consolidated financial results are presented in rand, which is Kumba Iron Ore's functional and presentation currency.

Transactions and balances

Transactions denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the transaction date. Monetary items denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains or losses arising on translation are credited to or charged against income.

Foreign entities

The financial statements of foreign entities are translated into South African rand as follows:

- Assets and liabilities at rates of exchange ruling at balance sheet date.
- Income, expenditure and cash flow items at weighted average rates.
- Goodwill and fair value adjustments arising on acquisition at rates of exchange ruling at balance sheet date.

All resulting exchange differences are reflected as part of shareholders' equity. On disposal, such translation differences are recognised in the income statement as part of the cumulative gain or loss on disposal.

Foreign currency hedges

Foreign currency hedges are dealt with in the financial instruments accounting policy.

Revenue

Revenue is measured at the fair value of the consideration received or receivable, which excludes value-added tax, discounts, volume rebates and sales between group companies, and represents the gross value of goods invoiced.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Export revenues are recorded according to the relevant sales terms, when the risks and rewards of ownership are transferred.

Revenue arising from services and royalties is recognised on the accrual basis in accordance with the substance of the relevant agreements, based on the percentage of completion.

Revenue from the operation of bulk ships is recognised on the proportionate basis where voyages have not terminated at year-end.

Interest and dividend income

Interest is recognised on the time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the group.

Dividends are recognised when the right to receive payment is established.

Stripping costs

Stripping costs that are incurred in advance of mining in certain areas are expensed as the costs are incurred.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money, and where appropriate, the risk specific to the liability.

Decommissioning and environmental rehabilitation

Provision is made for environmental rehabilitation costs where either a legal or a constructive obligation arises as a result of past events. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2006

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Decommissioning and environmental rehabilitation *(continued)*

Where a provision is made for dismantling and site restoration costs, an asset of similar initial value is raised and depreciated in accordance with the group's accounting policy for property, plant and equipment.

Annual contributions are made to the group's Environmental Rehabilitation Trust Fund, created in accordance with statutory requirements, to provide for the funding of the estimated cost of pollution control and rehabilitation during, and at the end of, the life of mines. The assets and liabilities of the Environmental Rehabilitation Trust Fund are consolidated.

Expenditure on plant and equipment for pollution control is capitalised and depreciated over the useful lives of the assets, whilst the cost of ongoing current programmes to prevent and control pollution and to rehabilitate the environment, is charged against income as incurred.

Taxation

The tax expense represents the sum of the current tax charge and the movement in deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or an asset or liability in a transaction (other than in a business combination) that affects neither the tax profit nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries, joint ventures, and associates, except where the group is able to control the reversal of the temporary difference and it is

probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the group intends, and is able to, settle its current tax assets and liabilities on a net basis.

STC is recognised as part of the current tax charge in the income statement when the related dividend is declared. When dividends received in the current year can be offset against future dividend payments to reduce the STC liability, a deferred tax asset is recognised to the extent of the future reduction in STC.

Employee benefits

Post-employment benefits

The group provides defined contribution funds for the benefit of employees, the assets of which are held in separate funds. These funds are funded by payments from employees and the group. The group's contribution to the defined contribution fund is charged to the income statement in the year to which it relates.

The group is also a participating employer in two closed defined benefit funds for its pensioner members who retired before the unbundling in 2001. Kumba Iron Ore does not, however, provide employee benefits in defined benefit funds for any of its current employees.

Statutory actuarial valuations on the defined benefit plans are performed every three years. Interim valuations are also performed on an annual basis. Valuations are performed on a date which coincides with the balance sheet date. Consideration is given to any event that could impact the funds up to balance sheet date. The net surplus or deficit in the benefit obligation is the difference between the present value of the funded obligation and the fair value of plan assets. No actuarial surplus is recognised as the group's ability to assess the future economic

benefit is uncertain. Actuarial losses, if any, are recognised in income as and when they arise.

The group does not provide guarantees in respect of returns in the defined contribution funds.

Short and long-term benefits

The cost of all short-term employee benefits, such as salaries, bonuses, housing allowances, medical and other contributions, is recognised during the period in which the employee renders the related service.

The vesting portion of long-term benefits is recognised and provided for at balance sheet date, based on the current total cost to the company.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The group recognises termination benefits when it has demonstrated its commitment to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If the benefits are due more than twelve months after balance sheet date, they are discounted to present value.

Equity compensation benefits

Senior management, including executive directors, have been granted share options. Grants are based on existing ordinary shares and can be purchased or the purchase can be deferred. The option or purchase price equals market price on the date preceding the date of the grant.

When the options are exercised:

- they can either be purchased and, if vesting according to the rules of the scheme, recorded in share capital and share premium at the amount of the option price; or
- payment can be deferred, resulting in no increase in share capital or share premium until paid for and vesting according to the rules of the scheme.

The fair value of the options granted to senior management, including executive directors, is determined at grant date using a suitable option pricing model and is expensed over the vesting period of the options with a corresponding increase in equity.

Dividends

Dividends paid are recognised by the company when the dividend is declared. These dividends are recorded and disclosed as dividends paid in the statement of changes in equity. Dividends proposed or declared subsequently to the year-end are not recognised at the balance sheet date, but are disclosed in the notes to the financial statements.

Discontinuing operations and non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and their fair value less costs to sell. Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when it is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets are classified as held for sale from the date these conditions are met and are measured at the lower of their carrying amount and their fair value less costs to sell. Any resulting impairment is reported through the income statement.

On classification as held for sale the assets are no longer depreciated. Comparative amounts are not adjusted.

Discontinued operations are classified as held for sale and are either a separate major line of business or geographical area of operations that have been sold or are part of a single coordinated plan to be disposed of, or is a subsidiary acquired exclusively with a view to sale. Once an operation has been identified as discontinued, or is reclassified as continuing, the comparative information is restated.

Segment reporting

The business of the group represents the iron ore division that has been unbundled from Kumba Resources and as such is managed as a single business unit. The basis of segment reporting is illustrative of the internal structure used for management reporting.

Comparatives

The group was formed with the completion of the unbundling transaction with effect from 1 November 2006. Before this date, the holding company was dormant, with issued share capital to the value of R100 and a loan account of the same amount. No comparative information is therefore presented in these financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2006

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Judgements made by management

The following judgements, apart from those involving estimates (as mentioned below), have been made by management in the process of applying the group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

- The identification of special purpose entities controlled by the group which must be consolidated.
- In applying *IFRS 2, Share-based payments*, management had to make certain judgements in respect of the fair value models to be used in determining the various share-based arrangements in respect of employees and special purpose entities, as well as the variable elements used in these models.

Key estimates made by management in applying accounting policies

The following key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- Estimates made in determining the present obligation of environmental and decommissioning provisions, which includes the discount rate used in determining the present value of environmental and decommissioning provisions.
- Estimates made in determining the probability of future taxable income, thereby justifying the recognition of a deferred tax asset.

	GROUP 2006 Rm	COMPANY 2006 Rm
2. REVENUE		
Sale of iron ore	2 171	–
	2 171	–
3. OPERATING EXPENSES/(INCOME)		
Cost by type		
– Raw materials and consumables	99	–
– Staff costs		
– salaries and wages	127	3
– share-based payments	32	–
– pension and medical costs	14	–
– General charges	377	–
– Net profit on sale of investment	–	(458)
– Railage and transport	166	–
– Repairs and maintenance	75	–
– Energy	8	–
– Depreciation of property, plant and equipment	43	–
– Movement in inventories	71	–
– Shipping charter hire costs	479	–
– Own work capitalised	(7)	–
– Cost recoveries	4	(2)
– Sublease received	(1)	–
	1 487	(457)
Cost by function		
– Costs of goods sold/services rendered	1 316	(457)
– Selling and distribution costs	172	–
– Sublease rent received	(1)	–
	1 487	(457)
The above costs are stated after including:		
Depreciation and amortisation		
– mineral properties	4	–
– buildings and infrastructure	2	–
– machinery, plant and equipment	34	–
– site preparation, mining development, exploration and rehabilitation	3	–
Reconditionable spares usage	2	–
Share-based payments	32	–
Consultancy fees	26	–
Operating lease rental expenses		
– property	2	–
– equipment	10	–
Operating sublease rentals received		
– property	(1)	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2006

	GROUP 2006 Rm	COMPANY 2006 Rm
3. OPERATING EXPENSES/(INCOME) (continued)		
Net profit on disposal or scrapping of property, plant and equipment	(4)	–
Net profit on disposal of investment	–	(458)
Sale of 3% of the issued shares in SIOC which Kumba Iron Ore sold to the SIOC community development trust as part of the conditions of the Kumba Resources Empowerment transaction	153	–
Auditors' remuneration		
– audit fees	3	–
– other services	–	–
Fair value gain on financial assets	(5)	–
Net realised losses on currency exchange differences	54	–
Net unrealised losses on currency exchange differences	31	–
Net realised gains on the revaluation of derivative instruments	(36)	–
Directors' emoluments (refer to the directors' remuneration report on page 66)		
– executive directors		
– remuneration received as directors of the company		1
– bonuses and cash incentives		1
– non-executive directors		
– remuneration received as directors of the company		1
4. NET FINANCING COSTS		
Interest expense and loan costs	46	–
Interest income	(7)	–
Net interest expense	39	–
Interest adjustment on non-current provisions (note 20)	(3)	–
	36	–
5. TAXATION		
Charge to income		
South African normal taxation		
– Current	210	–
– Deferred	20	–
Capital gains taxation	39	39
Total	269	39
Reconciliation of taxation rates	%	%
Taxation as a percentage of profit before taxation	41,5	(8,5)
Taxation effect of		
– Capital profits	(6,0)	8,5
– Receipts/accruals of a capital nature	0,1	29,0
– Disallowable expenditure ¹	(8,3)	–
– Exempt income	1,7	–
– Capital expenditure/losses	0,2	–
– Translation difference	(0,4)	–
– Exchange rate difference on tax rate	0,1	–
– Other	0,1	–
Standard tax rate	29,0	29,0

¹ Included in disallowable expenditure is an IFRS 2 charge of R153 million relating to the sale of a 3% interest in SIOC to the SIOC Community Share Trust as part of the conditions of the Kumba Resources empowerment transaction.

	GROUP	COMPANY
	2006	2006
	Rm	Rm
6. MINORITY INTEREST		
<p>The minority interest holders' share in the result for the period is effectively 30,3%, compared to the actual minority interest shareholding of 26%. An accounting charge of R153 million arises from the sale of 3% of the issued shares in SIOC which Kumba Iron Ore sold to the SIOC community development trust as part of the conditions of the Kumba Resources empowerment transaction. In terms of IFRS 2 the difference between the offer price and the fair value is charged to the income statement and is not shared by minority shareholders.</p>		
Reconciliation of profit for the year to attributable profit to minorities:		
Profit for the year	379	–
Add back:		
IFRS 2 charge	153	–
CGT on the sale of 3% of the issued shares in SIOC which Kumba Iron Ore sold to the SIOC Community Development Trust	41	–
Attributable profits	573	–
Attributable to minorities – 20%	115	–
<p>The difference between the 20% minority interest accounted for on consolidation as shown above and the actual minority interest shareholding of 26% relates to the SPEs (SIOC community development trust and SIOC ESPS) which are consolidated into Kumba Iron Ore's results in accordance with the company's accounting policies.</p>		
7. EARNINGS PER SHARE		
Basic earnings per share		
<p>Basic earnings per share is calculated by dividing the net income attributable to shareholders by the weighted average number of ordinary shares in issue during the year.</p>		
Net income attributable to ordinary shareholders (Rm)	264	–
Weighted average number of ordinary shares in issue ('000)	313 594	–
Basic earnings per share (cents)	84	–
Fully diluted earnings per share		
<p>For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares as a result of share options granted to employees under the share option schemes and warrants in issue. A calculation is performed to determine the number of shares that could have been acquired at fair value, determined as the average annual market share price of the company's shares based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and warrants.</p>		
Weighted average number of ordinary shares in issue ('000)	313 594	–
Adjustments for share options ('000)	5 409	–
Weighted average number of ordinary shares for fully diluted earnings per share ('000)	319 003	–
Diluted earnings per share (cents)	83	–
Headline earnings per share (cents)		
<p>The calculation of headline earnings per share is based on the basic earnings per share calculation adjusted for the following items:</p>		
Net income attributable to ordinary shareholders	264	–
Net profit on disposal or scrapping of property, plant and equipment	(4)	–
Transfer to minority interest	1	–
Taxation effect of adjustments	1	–
Headline earnings	262	–
Basic headline earnings per share (cents)	83	–
Fully diluted headline earnings per share (cents)	82	–
8. DIVIDEND		
<p>No interim dividend was declared during 2006.</p> <p>A maiden dividend in respect of the year ended 31 December 2006 of 80c per share, amounting to a total dividend of R251 million, was declared by the board of directors on 14 February 2007. These financial statements do not reflect this dividend payable.</p>		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2006

GROUP	Land and extensions Rm	Mineral properties Rm	Residential land and buildings Rm	Buildings and infrastructure Rm	Machinery, plant and equipment Rm	Site preparation, mining, development, exploration and re-habilitation Rm	Extensions under construction Rm	Total Rm
9. PROPERTY, PLANT AND EQUIPMENT 2006								
Cost								
At beginning of year	–	–	–	–	–	–	–	–
Acquisition of subsidiary	35	621	46	218	2 732	325	1 544	5 521
Additions	1	–	–	4	96	–	410	511
Changes in decommissioning assets	–	–	–	–	(1)	–	–	(1)
Disposals	–	–	–	–	(7)	–	–	(7)
At 31 December 2006	36	621	46	222	2 820	325	1 954	6 024
Accumulated depreciation								
At beginning of year	–	–	–	–	–	–	–	–
Acquisition of subsidiary	–	132	37	95	1 594	264	–	2 122
Depreciation charges	–	4	–	2	34	3	–	43
Disposals	–	–	–	–	(5)	–	–	(5)
At 31 December 2006	–	136	37	97	1 623	267	–	2 160
Net carrying amount at 31 December 2006	36	485	9	125	1 197	58	1 954	3 864

The replacement value of assets for insurance purposes amounts to R5,9 billion.

A register of land and buildings is available for inspection at the registered office of the company.

	Livestock Rm	Game Rm	Total Rm
10. BIOLOGICAL ASSETS			
The fair value of biological assets comprises of mature animals on 31 December 2006	3	4	7
Livestock consists of cattle, sheep and goats.			
Game consists of giraffe, ostrich and a variety of antelope.			

	GROUP 2006 R'000	COMPANY 2006 R'000
11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES		
Associated companies		
– Listed	–	–
– Unlisted	50	–
	50	–
Joint ventures (Unlisted)		
– Incorporated	337	–
Total	387	–

Refer to annexure 2 for detail of associated companies and joint ventures and directors' valuations.

GROUP	Associate companies			Joint ventures		
	Investments	Loans	Total	Investments	Loans	Total
	2006 R'000	2006 R'000	2006 R'000	2006 R'000	2006 R'000	2006 R'000
2006						
At beginning of year	–	–	–	–	–	–
Interests acquired	50	–	50	–	337	337
Net share of results*	–	–	–	–	–	–
– share of results after taxation	–	–	–	–	–	–
– share of exceptional items	–	–	–	–	–	–
– share of goodwill	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–
Exchange difference adjustments	–	–	–	–	–	–
Impairment charges	–	–	–	–	–	–
At end of year (annexure 2)	50	–	50	–	337	337

* Income from equity accounted investments, as disclosed in the income statement, amounted to R nil.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2006

	GROUP 2006 Rm	COMPANY 2006 Rm
12. INVESTMENTS IN SUBSIDIARIES		
Shares at cost less impairment losses	–	3
Aggregate attributable after tax profits and losses of subsidiaries:		
– Profits	419	–
– Losses	–	–
13. LOANS TO SUBSIDIARY COMPANIES		
Non-interest-bearing loans	–	14
	–	14
The above loan is to Sishen Iron Ore Company (Pty) Limited. It is interest free with no fixed terms of repayment.		
14. FINANCIAL ASSETS		
Environmental Rehabilitation Trust Asset	147	–
Long-term receivables	3	–
Investments (refer to annexure 2)	–	458
	150	458
Maturity profile of financial assets		
0 – 12 months	–	–
1 – 2 years	3	–
3 – 5 years	45	–
> 5 years	102	458
Total	150	458
15. INVENTORIES		
Finished products	285	–
Work-in-progress	353	–
Plant spares and stores	108	–
Merchandise	3	–
	749	–
16. TRADE AND OTHER RECEIVABLES		
Trade receivables	905	–
Other receivables	100	2
	1 005	2

	GROUP 2006 Rm	COMPANY 2006 Rm
16. TRADE AND OTHER RECEIVABLES <i>(continued)</i>		
The fair values of trade and other receivables are not materially different to the carrying values presented.		
Trade credit risk exposure per geographical area		
South Africa	148	–
Europe	262	–
Asia	495	–
	905	–

All credit risk exposures relate to the steel manufacturing industry.

17. SHARE CAPITAL AND SHARE PREMIUM

Share capital

Authorised

500 000 000 shares of 1 cent each	5	5
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Issued

313 594 471 ordinary shares of 1 cent each	3	3
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Share premium	–	–
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The unissued shares are under the control of the directors of the company until the next annual general meeting.

18. INTEREST-BEARING BORROWINGS

Non-current borrowings

Summary of loans by financial year of redemption

2007	34	–
2009	2 840	–

Total non-current borrowings	2 874	–
Current portion included in current borrowings	(34)	–

Total non-current borrowings	2 840	–
-------------------------------------	-------	---

Current borrowings

Short-term borrowings	1 145	–
Current portion of non-current borrowings	34	–

Total short-term borrowings	1 179	–
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Total debt	4 019	–
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Details of loans are included in annexure 1.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2006

	GROUP 2006 Rm	COMPANY 2006 Rm
19. DEFERRED INCOME TAX LIABILITIES		
The movement on the deferred taxation account is as follows:		
At beginning of year	–	–
Acquisition of subsidiary	535	–
Non-distributable reserve movement	(70)	–
Income statement charge	–	–
– current (note 5)	20	–
At end of year	485	–
Comprising:		
Deferred taxation		
Environmental rehabilitation asset	43	–
Leave pay accrual	(20)	–
Property, plant and equipment	576	–
Decommissioning provision	(12)	–
Restoration provision	(102)	–
Total deferred taxation liability	485	–

	Environmental rehabilitation Rm	Decommissioning Rm	Total Rm
20. NON-CURRENT PROVISIONS			
Group			
For the year ended 31 December 2006			
At beginning of year	–	–	–
Charge to income statement	–	–	–
Interest adjustment	(3)	–	(3)
Provisions capitalised to property, plant and equipment	–	(2)	(2)
Acquisition of subsidiary	115	42	157
At end of year	112	40	152
Current portion included in current liabilities	–	–	–
Total non-current provisions	112	40	152

Environmental rehabilitation

Provision is made for environmental rehabilitation costs where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are reviewed regularly and adjusted as appropriate for new circumstances.

Decommissioning

The decommissioning provision relates to decommissioning of property, plant and equipment where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances.

	GROUP 2006 Rm	COMPANY 2006 Rm
20. NON-CURRENT PROVISIONS <i>(continued)</i>		
Funding of environmental rehabilitation and decommissioning		
Contributions towards the cost of mine closure are also made to the Kumba Rehabilitation Trust Fund and the balance of the fund amounted to R150 million at year-end. This amount is included in the financial assets of the group. Cash flows will take place when the mines are rehabilitated.		
21. TRADE AND OTHER PAYABLES		
Trade payables	413	–
Other payables	71	2
Leave pay accrual	67	1
Derivative instruments	4	–
	555	3
Fair value of trade and other payables	555	3
22. CONTINGENT LIABILITIES		
Contingent liabilities at balance sheet date, not otherwise provided for in these annual financial statements, arising from:		
Bank guarantee for low cost housing development	10	–
Guarantee for environmental trust closure liability	13	–
	23	–
These include the group's share of contingent liabilities of associates and joint ventures of R nil. These contingent liabilities have no tax impact. The timing and occurrence of any possible outflows are uncertain.		
23. COMMITMENTS		
Capital commitments		
Capital expenditure contracted for plant and equipment	2 477	–
Capital expenditure authorised for plant and equipment, but not contracted	3 176	–
Capital expenditure will be financed from available cash resources, funds generated from operations and available borrowing facilities.		
Capital expenditure contracted relating to captive mine (Thabazimbi), which will be financed by Mittal	1	–
Capital expenditure authorised but not contracted relating to captive mine (Thabazimbi), which will be financed by Mittal	2	–
Operating lease commitments		
The future minimum lease payments under non-cancellable operating leases are as follows:		
Property		
– Less than one year	5	–
– More than one year and less than five years	19	–
– More than five years	4	–
Total	28	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2006

	GROUP 2006 Rm	COMPANY 2006 Rm
23. COMMITMENTS <i>(continued)</i>		
Plant and equipment		
– Less than one year	21	–
– More than one year and less than five years	7	–
– More than five years	–	–
Total	28	–
Total operating lease commitments	56	–
24. NOTES TO THE CASH FLOW STATEMENT		
24.1 Cash retained from operations		
Net operating income	684	457
Adjusted for non-cash movements		
– Depreciation	43	–
– Foreign currency revaluations and fair value adjustments	26	–
– Reconditionable spares usage	2	–
– Proceeds on disposal of property, plant and equipment	(6)	–
– Net profit on disposal of investments	–	(458)
– Share-based payment expenses	32	
– IFRS 2 charge of R153 million relating to the sale of a 3% interest in SIOC to the SIOC community development trust as part of the conditions of the Kumba Resources empowerment transaction	153	
Cash generated/(utilised) by operations	934	(1)
Working capital movements		
– decrease in inventories	27	–
– increase in trade and other receivables	(159)	(2)
– decrease in financial assets	2	–
– (decrease)/increase in trade and other payables	(415)	3
	389	–
24.2 Net financing costs		
Net financing costs as per income statement	(36)	–
Less: Interest adjustment on non-current provisions	(3)	–
	(39)	–
24.3 Normal taxation paid		
At acquisition of subsidiary	(358)	–
Amounts charged to the income statements	(249)	(39)
Arising on translation of foreign entities	4	–
Amounts unpaid at end of year	603	39
	–	–
24.4 Investments to maintain operations		
Replacement of property, plant and equipment	(85)	–
Reconditionable spares	(2)	–
	(87)	–

	GROUP 2006 Rm	COMPANY 2006 Rm
24. NOTES TO THE CASH FLOW STATEMENT <i>(continued)</i>		
24.5 Increase in cash resources on acquisition of a controlling interest in subsidiaries		
Details of assets acquired are as follows:		
Fair value of assets acquired	374	–
Less: Cash paid on acquisition of subsidiaries	(3)	–
Transferred to pre-acquisition reserves	371	–
The assets and liabilities arising from the acquisition are as follows:		
Property, plant and equipment	3 399	–
Investments in joint ventures and associates	1	–
Financial assets	150	–
Biological assets	4	–
Cash and cash equivalents	403	–
Inventories	785	–
Trade and other receivables	912	–
Non-current provisions	(157)	–
Deferred taxation	(535)	–
Receiver of Revenue	(358)	–
Trade and other payables	(1 023)	–
Short-term borrowings	(3 114)	–
Minority	(93)	–
Fair value of net assets	374	–
Total purchase consideration	(3)	–
Less: Cash and cash equivalents in subsidiary acquired	403	–
Net cash inflow	400	–
No fair value adjustments were made to the book value of net assets acquired and no plant closure or other restructuring provisions were created.		
24.6 Foreign currency translation reserve		
At acquisition of subsidiary	31	–
Closing balance	23	–
Movement	(8)	–
Unrealised losses in relation to foreign transactions	(5)	–
Revaluation of foreign assets to spot rate in subsidiary	221	–
Less: Arising on translation of foreign entities:	(243)	–
– inventories	(6)	–
– accounts receivable	(68)	–
– financial assets	–	–
– derivatives	–	–
– accounts payable	55	–
– utilisation of provisions	–	–
– taxation paid	3	–
– investments acquired	(1)	–
– long-term loans	260	–
	(35)	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2006

25. FINANCIAL INSTRUMENTS

SIOC provides a treasury function to the group, coordinates access to domestic and international financial markets, and manages the financial risks relating to the group's operations.

The group's objective in using financial instruments is to reduce the uncertainty over future cash flows arising from movements in currency, and interest rates. Currency and interest rate exposure is managed within board-approved policies and guidelines, which restrict the use of derivatives to the hedging of specific underlying currency, and interest rate exposures. Compliance with group policies and exposure limits is reviewed by the internal auditors on a continuous basis and they report the results to the board's audit and risk committee.

25.1 Foreign currency risk management

The group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising FECs.

The group maintains a fully covered exchange rate position in respect of foreign currency borrowings and imported capital equipment resulting in these exposures being fully converted to rand. Trade-related import exposures are managed through the use of natural hedges arising from export revenue as well as through FECs. Trade-related export exposures are hedged using FECs with specific focus on short-term receivables.

There were no material FECs that relate to specific balance sheet items which do not form part of a hedging relationship or for which hedge accounting was not applied at 31 December 2006.

The group has entered into certain forward exchange contracts. Details of the contracts at 31 December 2006 are as follows:

FOREIGN CURRENCY	Foreign amount	Market-related value	Contract value	Recognised fair value in equity
2006	m	Rm	Rm	Rm
Imports				
United States dollar – FECs	10	70	72	2
Euro – FECs	4	40	42	2
Japanese yen – FECs	262	15	17	2
Great British pounds – FECs	–	2	2	–

25.2 Interest rate risk management

The group is exposed to interest rate risk as it borrows and deposits funds at floating interest rates. The risk is managed by taking into account future interest rate expectations.

A proportion of term borrowings were entered into at floating interest rates in anticipation of a decrease in the interest rate cycle. The interest rate profile is summarised below:

	1 – 6 months	7 – 12 months	Beyond 1 year	Total borrowings
At 31 December 2006	Rm	Rm	Rm	Rm
Term borrowings	511	668	2 840	4 019
Percentage of total borrowings (%)	13	16	71	100

25. FINANCIAL INSTRUMENTS *(continued)*

Group

25.3 Maturity profile of financial instruments

The maturity profiles of financial assets and liabilities at 31 December 2006 are summarised as follows:

(The derivative instruments reflect the contract amounts)

At 31 December 2006	0 – 12 months Rm	1 – 2 years Rm	3 – 5 years Rm	>5 years Rm	Total Rm
Assets					
Financial assets	–	3	45	102	150
Cash and cash equivalents	1 094	–	–	–	1 094
Trade and other receivables	1 005	–	–	–	1 005
Liabilities					
Interest-bearing borrowings	1 179	–	2 840	–	4 019
Trade and other payables	555	–	–	–	555
Total	365	3	(2 795)	102	(2 325)
Percentage profile (%)	(16)	–	120	(4)	100
Derivative instruments at 31 December 2006 (included in the above)					
Recognised transactions					
– Buy	–	–	–	–	–
– Sell	–	–	–	–	–
Forecast transactions					
– Buy	133	–	–	–	133
– Sell	–	–	–	–	–

25.4 Fair value of financial instruments

At 31 December 2006 the carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximated their fair values due to the short-term maturities of these assets and liabilities.

	Carrying value 2006 Rm	Fair value 2006 Rm
<i>Assets</i>		
Financial assets	150	150
Cash and cash equivalents	1 094	1 094
Trade and other receivables	1 005	1 005
<i>Liabilities</i>		
Non-current interest-bearing borrowings	2 840	2 840
Current interest-bearing borrowings	1 179	1 179
Trade and other payables	555	555

Liabilities

The fair value of long and medium-term borrowings is calculated using quoted prices, or where such prices are not available, discounted cash flow analyses, using the applicable yield curve for the duration of the borrowing.

Derivative instruments

These comprise forward exchange contracts. The fair value of derivative instruments, included in hedging assets and liabilities is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analyses, using the applicable yield curve for the duration of the instruments.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2006

31 Dec
2006
Rm

25. FINANCIAL INSTRUMENTS (continued)

Group

25.4 Fair value of financial instruments (continued)

At 31 December 2006, the negative R4 million fair value of instruments was made up of:

– Favourable contracts	–
– Unfavourable contracts	(4)

When an anticipated future transaction has been hedged and the underlying position has not been recognised in the financial statements, any change in fair value of the hedging instrument is recognised directly in equity.

25.5 Credit risk management

Credit risk relates to potential exposure on cash and cash equivalents, investments, trade receivables and hedged positions. The group limits its counterparty exposure arising from money market and derivative instruments by dealing only with well-established financial institutions of high credit standing. The group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the board annually.

Trade debtors consist of a number of customers with whom SIOC has longstanding relationships. A large number of term supply arrangements exist with such clients resulting in limited credit exposure. Where dictated by customer credit worthiness or country risk, assessment is further mitigated through a combination of confirmed letters of credit and credit risk insurance.

Detail of the credit risk exposure above 5%

2006
%

By industry

Manufacturing (including structural metal)	100
--	-----

By geographical area

South Africa	16
Asia	55
Europe	29

100

26. BUSINESS COMBINATION

As part of the unbundling of Kumba Resources Limited, the Kumba Iron Ore group was formed in November 2006. The unbundling of Kumba Iron Ore was effected by way of a distribution of Kumba Iron Ore distribution shares (in specie) in terms of section 90 of the Companies Act and in accordance with section 46 of the Income Tax Act in the ratio of one Kumba Iron Ore distribution share for every one Kumba Resources Limited share held at the close of business on the record date.

The result of the unbundling was that Kumba Iron Ore acquired a 74% shareholding in SIOC. The remaining shares in SIOC are held by Exxaro (20%), SIOC community development trust (3%) and SIOC employee share purchase scheme (ESPS) (3%). As part of the various agreements put in place to arrange the sale of the shares to the SIOC community development trust and the SIOC ESPS, Kumba Iron Ore has accepted terms which resulted in the majority of the risk not being transferred away from Kumba Iron Ore. Based on accounting rules governing the accounting for SPEs, it is required that Kumba Iron Ore consolidate these entities and therefore the total liabilities and the total assets are accounted for on the consolidated balance sheet, as these entities are deemed to form part of the Kumba Iron Ore group.

For accounting purposes, the unbundling transaction was treated as a transaction between commonly controlled entities, and therefore all assets and liabilities were included at their respective book values at the unbundling date.

The aggregate book values of the acquisition are set out in note 24.5

27. RELATED PARTY TRANSACTIONS

During the year the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with associated companies and joint ventures. These transactions occurred under terms that are no less favourable than those arranged with third parties.

Associates and joint ventures

Details of investments in associates and joint ventures are disclosed in note 11 and annexure 2, whilst income is disclosed in note 11.

The group purchased goods and services to the value of R7 million from, and sold goods to to value of R nil to associates and joint ventures.

The outstanding balances at year-end were as follows:

- Included in trade and other payables (note 21) R1 million
- Included in cash and cash equivalents R31 million

Subsidiaries

Details of income from, and investments in, subsidiaries are disclosed in notes 12 and 13 respectively, and in annexure 3.

Special purpose entities

The group has an interest in the following special purpose entities which are consolidated unless otherwise indicated:

Entity	Nature of business
SIOC Community Development Trust	Investment vehicle
Sishen Iron Ore Employee Share Purchase Scheme	Investment vehicle
Kumba Iron Ore Rehabilitation Trust	Trust fund for mine closure

Directors

Details relating to directors' emoluments and shareholdings (including options) in the company are disclosed in the directors' remuneration report (see page 68).

Senior employees

Details relating to option and share transactions are disclosed in note 29.

Key management personnel

For the group, the directors of Kumba Iron Ore and the major subsidiary SIOC, as well as the people listed below have been identified as being key management personnel.

- Peet Kotze
- Francois Louw
- Christo van Loggerenberg
- Fergus Marupen
- Aart van den Brink

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2006

	Rm
27. RELATED PARTY TRANSACTIONS <i>(continued)</i>	
Compensation to key management personnel	
Short-term employee benefits	5
Post-employment pension/provident and medical benefits	–
Termination benefits	–
Share-based payments – related expenses	2
Total compensation to key management personnel	7

Anglo group

Kumba Iron Ore's direct majority shareholder and parent is Anglo American Capital Limited, with the ultimate beneficial shareholder being Anglo American plc group.

The Kumba Iron Ore group purchased goods and services to the value of R1 million from, and sold goods to the value of R1 million to fellow subsidiaries of the Anglo American plc group.

The outstanding balances at year-end were as follows:

- Included in trade and other payables (note 21) R1 million

Shareholders

The principal shareholders of the company are detailed in the shareholders' analysis schedule on pages 43 – 45 of this annual report.

Contingent liabilities

Details are disclosed in note 22.

28. SEGMENT REPORTING

The group's primary reporting format is business segments. As there is only one business segment, being mining, extraction and production of iron ore, the relevant disclosure has been given in the financial statements. The secondary reporting format is geographical segments by origin. The business is managed and organised according to the nature of the products and services provided, with the segment representing a strategic business unit that offers a specific product and service to a specific market.

The group's geographical segments are determined by location of the group's assets and operations.

Secondary reporting format – geographical segments

The following table presents revenue and certain asset information regarding the group's geographical segments for the year ended 31 December 2006:

	South Africa Rm	Europe Rm	Asia Rm	Other Rm	Total Rm
Revenue					
– Sales to external customers	178	507	1 486	–	2 171
Other segment information					
Segment assets	5 679	324	814	52	6 869
Segment liabilities	5 745	55	14	–	5 814
Capital expenditure	511	–	–	–	511

28. SEGMENT REPORTING *(continued)*

Total segment revenue, which excludes value-added tax and sales between group companies, represents the gross value of goods invoiced. Export revenue is recorded according to the relevant sales terms, when the risks and rewards of ownership are transferred.

Total segment revenue further includes operating revenues that can be allocated directly and reasonably to the segments. Segment revenue includes sales made between segments. These sales are made on a commercial basis.

Segment assets and liabilities include operating assets, investments in associates and joint ventures and liabilities which can be directly allocated on a reasonable basis.

29. EQUITY COMPENSATION BENEFITS

Employee benefits

Retirement fund

Independent funds provide retirement and other benefits for all permanent employees, retired employees and their dependants. At the end of 2006 the following funds were in existence:

- Mittal Steel South Africa Pensioenfonds (formerly the Iscor Pension Fund), operating as a defined benefit fund. This fund is now closed to new entrants.
- Iscor Retirement Fund, operating as a defined benefit fund. This fund is now closed to new entrants.
- Kumba Iron Ore Selector Pension Fund and Kumba Iron Ore Selector Provident Fund, both operating as defined contribution funds.
- Iscor Employees' Provident Fund, operating as a defined contribution fund.

In compliance with the Pension Fund Act, after the unbundling of Kumba Resources Limited, members' funds of SIOC employees will be transferred to the newly created funds from the Kumba Iron Ore Pension and Provident Fund, once all regulatory approvals have been obtained.

Members pay contributions of 7%, and an employers' contribution of 10% is expensed as incurred.

All funds are governed by the South African Pension Funds Act of 1956.

Defined contribution funds

Membership of each fund and employer contributions to each fund were as follows:

	Working members (number) 2006	Employer contributions Rm 2006
Kumba Iron Ore Selector Funds	1 559	4,3
Iscor Employees' Provident Fund	3 122	3,7
Other funds	7	–
Total	4 688	8,0

Due to the nature of these funds, the accrued liabilities definition equates to the total assets under control of these funds.

Defined benefit funds

Statutory actuarial valuations are performed at intervals of not more than three years. The valuations are performed as at the financial period-end of the funds in question, which is 31 December. At the last statutory valuation of the funds (Mittal Steel South Africa Pension Fund at 31 December 2004, the Iscor Retirement Fund at 31 December 2005 and at the interim valuation of the Mittal Steel South Africa Pension Fund at 31 December 2005), the actuaries were of the opinion that the funds were adequately funded. The surplus apportionment schemes of both the defined benefit funds have been recorded as a nil scheme by the Registrar of Pension Funds.

KUMBA IRON ORE NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2006

29. EQUITY COMPENSATION BENEFITS (continued)

Funded status

The funded status of the two defined retirement benefit funds (Mittal Steel South Africa Pensioenfonds and Iscor Retirement Fund) for the members and pensioners of Mittal Steel, and pensioners of Kumba Resources, as at their last year of valuation were as follows:

	Mittal Steel South Africa Pensioenfonds 2005 Rm	Iscor Retirement Fund 2005 Rm
Fair value of plan assets	6 593	350
Present value of funded obligation	(6 593)	(350)
Net assets	–	–
Surplus not recognised	–	–
Unrecognised actuarial losses	–	–
Net liability as per balance sheet	–	–

The pension plan assets consist primarily of equity (local and offshore), interest-bearing stock and property.

The actual return on the assets in the Mittal Steel South Africa Pensioenfonds at 31 December 2005 amounted to R579 million and in the Iscor Retirement Fund to R137 million at 31 December 2005.

Principal actuarial assumptions (expressed as weighted averages) at 31 December 2005 and 2004 respectively were as follows:

	Mittal Steel South Pensioenfonds		Iscor Retirement Fund – Statutory valuation
	Interim valuation 2005 (%)	Statutory valuation 2005 (%)	2005 (%)
Pre-retirement discount rate	7,5	10	10
Post-retirement discount rate	5,0	5,0	4,5
Expected real after tax return on funds assets	3,5	3,5	n/a
Future general and merit salary increases (excluding merit increases according to age)	8,5	8,5	n/a

Future pension increases were allowed to the extent that the investment return exceeded the post-retirement discount rate.

Medical fund

The group contributes to defined benefit medical aid schemes for the benefit of permanent employees and their dependants. The contributions charged against income amounted to R6,5 million. Kumba Iron Ore has no obligation to fund post-retirement medical aid contributions for current or retired employees.

Equity compensation benefits

The shareholders of Kumba Resources approved on 2 November 2006 an empowerment transaction which in essence entailed:

- Kumba Iron Ore owning a 74 percent interest in SIOC. Kumba Iron Ore was listed on 20 November 2006. Kumba Resources was renamed Exxaro Resources on 27 November 2006.
- As SIOC was a wholly owned subsidiary of Kumba Resources, senior employees and directors of SIOC were eligible to participate in the Kumba Resources management share incentive plans.
- Kumba Resources' management share incentive plans consisted of the Management Share Option Scheme.

29. EQUITY COMPENSATION BENEFITS *(continued)*

Management Share Option Scheme

In order to place, as far as possible, all participants in the Kumba Resources Management Share Option Scheme in the position they would have been, if they were shareholders of Kumba Resources at the time of the implementation of the empowerment transaction, the schemes continued in Kumba Iron Ore and in Exxaro, subject to certain amendments that were made to the Kumba Resources Management Share Option of which a replica was adopted by Kumba Iron Ore. The senior employees and directors of SIOC that participated in the Kumba Resources' management share incentive plans prior to the implementation of the empowerment transaction subsequently became participants of the Kumba Iron Ore management share incentive plans.

Under the Management Share Option Scheme, share options in Kumba Resources were granted, at the grant date market value, to eligible employees. These options were treated as equity settled share-based payments. Although some options granted in 2005 could be exercised in multiples of 33,3 percent per year over a three-year period commencing on the first anniversary of the offer date, most of the options granted could only be exercised over five years commencing on the first anniversary of the offer date. The vesting periods of these options were as follows:

- 10 percent after first anniversary of offer date
- Additional 20 percent after second anniversary of offer date
- Additional 20 percent after third anniversary of offer date
- Additional 25 percent after fourth anniversary of offer date
- Additional 25 percent after fifth anniversary of offer date

The options not exercised lapsed by the seventh anniversary of the offer date.

Participants of the Kumba Iron Ore and Exxaro Management Share Option schemes exchanged each of their Kumba Resources options for a Kumba Iron Ore option and an Exxaro option. The strike price of each Kumba Resources option was apportioned between the Kumba Iron Ore option and the Exxaro option with reference to the volume weighted average price (VWAP) at which Kumba Iron Ore and Exxaro traded for the first 22 days post the implementation of the empowerment transaction. The VWAP was calculated as 67,19 percent for Kumba Iron Ore and 32,81 percent for Exxaro.

The Kumba Iron Ore employees' options in the Kumba Management Share Option schemes are released on the dates that the original options would have vested. Their options relating to Exxaro are released on the earlier of:

- the date that the original options would have vested; or
- 24 months from the date of unbundling.

The Exxaro options lapse 42 months after the date of unbundling.

Participants in the Kumba Iron Ore and Exxaro Management Deferred Purchase schemes who have been granted deferred purchase shares received an Exxaro share and a Kumba Iron Ore share for every deferred purchase share held under the original purchase agreement.

The above change was treated as a modification. The services received were measured at the grant date fair value of the original equity instruments granted. Any incremental increase in the fair value of the equity instruments granted is recognised over the revised vesting period.

The fair value of the options issued under the Management Share Option Scheme was determined immediately before and after the modification using the Black-Scholes option pricing model. The weighted average incremental fair value granted per option as a result of the modification amounted to R13,42.

KUMBA IRON ORE NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2006

	Before unbundling	After unbundling	
		Kumba	Exxaro
29. EQUITY COMPENSATION BENEFITS (continued)			
The inputs to the model are as follows:			
Share price – rands	142	110	49
Weighted average exercise price – rands	58,78	39,49	19,28
Annualised expected volatility (%) ¹	37,90	37,90	37,90
Expected option life (years)	4,34	4,34	3,08
Expected dividend yield (%)	4	4	4
Risk-free interest rate (%)	8,24	8,24	8,24
Expected employee attrition	9,42	9,42	9,42

¹ The expected volatility was determined based on statistical analysis of daily share prices of Kumba Resources Limited over the last five years.

Details of the option schemes are:

	Options December 2006 Million
Outstanding at beginning of the year	–
Issued	8,7
Exercised	(0,1)
Outstanding at end of the year	8,6

Details of issues during the period are as follows:

Share options held by Kumba Iron Ore employees in Kumba	Expiry date	Exercise price R	Options outstanding Rm
	2007	7,89	10
	2008	17,37 – 18,85	424
	2009	7,85 – 32,99	265
	2010	14,15 – 25,20	56
	2011	20,69 – 28,89	386
	2012	30,91 – 67,26	487
	2013	68,53 – 97,74	630
			2 258

Total proceeds if options are exercised immediately are R97,7 million.

Share options held by Kumba Iron Ore employees in Exxaro	Expiry date	Exercise price R	Options outstanding Rm
	2007	3,86	10
	2008	8,48 – 9,20	424
	2009	3,84 – 16,11	265
	2010	6,91 – 47,73	1 560
			2 259

Total proceeds if options are exercised immediately are R47,7 million.

29. EQUITY COMPENSATION BENEFITS *(continued)*

Directors' interests in share options

For details, refer to the directors' remuneration report on page 66.

Phantom Share Scheme

As a result of restrictions related to the empowerment transaction of Kumba Resources, certain executives and senior managers who participated in the Kumba Resources Management Share Option Scheme have not been able to receive certain grants of options which would have been made in the ordinary course of operations. The human resources and remuneration committee of Kumba Resources consequently awarded "phantom options" to the affected participants within the following framework:

- Awards of "phantom options" were made, with the grant price, vesting dates and lapse periods set to be the same as those of the options awardable.
- On exercise, the participants are paid (in cash) the difference between the market price (volume weighted average price on the day preceding exercise) and the grant price.
- All other rules and arrangements in respect of the amended Kumba Resources Management Share Option Scheme were replicated for the Kumba Resources Phantom Share Option Scheme.
- The Kumba Resources Phantom Share Option Scheme was replicated for Kumba Iron Ore. The senior employees and directors of SIOC that participated in the Kumba Resources Phantom Option Scheme prior to the implementation of the empowerment transaction subsequently became participants of the Kumba Iron Ore Phantom Share Option Scheme.
- Exxaro and Kumba Iron Ore entered into an agreement that facilitated the settlement of obligations towards participants of the Phantom Option Schemes.

The accounting costs of the Kumba Iron Ore Phantom Option Scheme require recognition under IFRS 2 using the treatment for cash settled share-based payments. This treatment is more volatile than that of the conventional (equity settled) scheme and the liability will require marking to market at each reporting period.

Phantom share options held by Kumba Iron Ore employees in Kumba Iron Ore:

Offer date	Offer price R	Options outstanding R'000
22/04/05	59,8	16,800
		16,800

Phantom share options held by Exxaro employees in Kumba Iron Ore:

Offer date	Offer price R	Options outstanding R'000
22/04/05	59,8	102,970
06/01/05	64,8	29,470
07/01/05	56	16,420
12/01/05	100,1	51,240
		200,100

No new options have been granted to management or senior staff following unbundling.

ANNEXURE 1

INTEREST-BEARING BORROWINGS

	Final repayment date	Rate of interest per year Floating %	GROUP 2006 Rm	COMPANY 2006 Rm
LOCAL UNSECURED LOANS	2007	9,1966 ¹	477	–
	2007	9,5710 ²	668	–
	2007	9,8710 ³	34	–
	2009	9,8710 ⁴	2 840	–
			4 019	–
Total current interest-bearing borrowings (note 18)			1 179	–
Total non-current interest-bearing borrowings (note 18)			2 840	–

¹ Call loan facility – portion utilised at 31 December 2006.

² Revolving facility "A" at a floating interest rate of three month Libor + 70 basis points, reset quarterly but payable semi-annually, maturity date being 28 November 2007.

³ Interest payable on revolving facility "B" – payable semi-annually. Maturity date being 31 May 2007.

⁴ Revolving facility "B" at a floating interest rate of three month Libor + 100 basis points, reset quarterly but payable semi-annually, maturity date being 30 November 2009.

ANNEXURE 2

INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS

	Nature of business ¹	Number of shares held	Percentage holding 2006 %	GROUP	COMPANY	Year-end other than 31 Dec
				Loan balance 2006 R'000	Loan balance 2006 R'000	
ASSOCIATED COMPANIES						
Unlisted						
Manganore Iron Mining Limited ³	A	25 000	50	50	–	30 June
Total associated companies				50	–	
JOINT VENTURES						
Incorporated unlisted						
Pietersburg Iron Company (Pty) Limited	A	4 000	50	(316)	–	
Safore (Pty) Limited ³	B	400	40	–	–	
Sishen Shipping (Pty) Limited ³	B	400	40	–	–	
Trans Orient Ore Supplies (Pty) Limited	C	2 000	50	–	–	
Sibelo Resources Development (Pty) Limited	D	1	50	653	–	30 June
Total joint ventures (note 11)				337	–	
OTHER INVESTMENTS						
SOIC Community Development SPV (Pty) Limited ²	E	458	100	–	458 000	
Total investment				387	458 000	
The investments are valued at balance sheet date.						
Unlisted investments in associates						
– directors' valuation				50	–	
Unlisted investments in joint ventures						
– directors' valuation				337	–	
Unlisted other investments						
– directors' valuation				–	458 000	

Where the above entities' financial year-ends are not co-terminous with that of the company, financial information has been obtained from published information or management accounts, as appropriate.

¹ A – Mining, B – Shipping charter, C – Iron ore merchant, D – Exploration, E – Community trust

² Fully paid up redeemable preference shares at the option of the issuer.

³ Dormant

All the above entities are incorporated in South Africa except Trans Orient Ore Supplies (Pty) Limited, which is incorporated in Hong Kong.

ANNEXURE 2 CONTINUED

INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS

The group's effective share of balance sheet, income statement and cash flow items in respect of associated companies and joint ventures are as follows:

	Associated companies 2006 R'000	Joint ventures 2006 R'000
INCOME STATEMENTS		
Revenue	–	7 107
Operating expenses	–	(1 110)
Net operating profit	–	5 997
Net financing costs	–	305
Income from investments	–	–
Income from equity accounted investments	–	–
Profit before taxation	–	6 302
Taxation	–	94
Profit after taxation	–	6 396
Outside shareholder's interests	–	–
Net profit attributable to ordinary shareholders	–	6 396
BALANCE SHEETS		
Non-current assets	2 628	5 100
Current assets	50	31 223
Total assets	2 678	36 323
EQUITY AND LIABILITIES		
Ordinary shareholder's equity	2 632	5 226
Minority interest	–	–
Non-current liabilities		
Interest-bearing borrowings	–	–
Non-current provisions	–	–
Deferred taxation and other	–	–
Current liabilities		
Interest-bearing borrowings	–	–
Other 46	31 097	–
Total equity and liabilities	2 678	36 323
CASH FLOW STATEMENTS		
Net cash flows from operating activities	–	8 081
Net cash flows from investing activities	–	7
Net cash flows from financing activities	–	–
Foreign currency translations	–	(2 076)
Net increase in cash and cash equivalents	–	6 012

ANNEXURE 3

INVESTMENTS IN SUBSIDIARIES – Shown in R

	Country of incorporation ¹	Nature of business ²	% interest	Issued capital – unlisted ordinary	Investment in shares	Indebtedness by/(to) subsidiaries
Direct investments						
Sishen Iron Ore Company (Pty) Limited	RSA	A	74	100	3 008 810	14 130 748
Indirect investments						
Sishen South Mining (Pty) Limited	RSA	A	100	1	–	–
Kumba International BV	NE	B	100	10 806 511	–	–
Kumba International Trading BV	NE	B	100	142 487	–	–
Kumba Hong Kong Limited	HK	B	100	832	–	–
Kumba Hong Kong Shipping Limited	HK	B	100	816	–	–
Merill Lynch Insurance PCC Limited	ILE	C		9	–	–
Mineco Limited	MAU	D	100	21	–	–
Oreco Leasing Limited	MAU	D	75	17	–	–
Vulcan Leasing Limited	MAU	D	100	19	–	–
Downs Holding BV	NE	A	100	119 209	–	–
Handlon BV	NE	E	100	151 511	–	–
Kumba Iron Ore Holdings BV	NE	E	100	154 654	–	–
Groler Investments Limited	SWL	E	100	258 958	–	–
Total investments in subsidiaries					3 008 810	14 130 748

¹ RSA – South Africa, NE – Netherlands, HK – Hong Kong, SWL – Switzerland, MAU – Mauritius, ILE – Isle of Man

² A – Mining, B – Shipping charter, C – Insurance, D –leasing, E – Holding,

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the first annual general meeting of members of Kumba Iron Ore Limited which will be held at the Johannesburg Country Club, at 12:00 on Thursday, 24 May 2007, to consider, and if deemed fit, to pass the following resolutions with or without modifications:

1. ORDINARY RESOLUTION NUMBER 1

Approval of annual financial statements

To receive and adopt the annual financial statements of the company for the year ended 31 December 2006, including the directors' report and the report of the auditors thereon and to confirm all matters and things undertaken and discharged by the directors on behalf of the company.

2. ORDINARY RESOLUTION NUMBER 2

Re-election of directors

To re-elect the following directors who retire by rotation in terms of clause 15.2 of the articles of association of the company and who are eligible for re-election:

- 2.1 PM Baum
- 2.2 GS Gouws
- 2.3 PB Matlare
- 2.4 DD Mokgatle
- 2.5 AJ Morgan
- 2.6 N Moyo
- 2.7 PL Zim

Such re-elections are to be voted on individually.

An abbreviated curriculum vitae in respect of each director offering themselves for re-election is set out on pages 6 and 7 of the annual report.

3. ORDINARY RESOLUTION NUMBER 3

Remuneration of non-executive directors

To approve the proposed remuneration of the non-executive directors for the period 1 January 2007 to 31 December 2007:

Chairman:	R240 000
Director:	R120 000
Audit committee chairman:	R90 000
Audit committee member:	R45 000
Board committee chairman:	R70 000
Board committee member:	R35 000

4. ORDINARY RESOLUTION NUMBER 4

General authority to issue shares

To RESOLVE that subject to the provisions of the Companies Act, 61 of 1973, as amended (the Act), and the Listings Requirements of the JSE, the directors are authorised until the next annual general meeting of the company to allot and issue the authorised but unissued ordinary shares of one cent each in the capital of the company up to a maximum of 5% (five percent) of the number of shares of the company's issued ordinary share capital, after setting aside so many shares as may be required to be allotted and issued by the company pursuant to the company's approved employee share incentive schemes (the schemes).

5. ORDINARY RESOLUTION NUMBER 5

Authority to issue shares for cash

To RESOLVE that in terms of the Listings Requirements of the JSE, the directors are authorised to issue the unissued ordinary shares of one

cent each in the capital of the company (after setting aside so many shares as may be required to be allotted and issued by the company pursuant to the schemes) for cash, as defined by the JSE Listings Requirements, as and when suitable opportunities arise, subject to the following conditions:

- 5.1 this authority shall only be valid until the next annual general meeting of the company but shall not extend beyond 15 months from the date of this meeting;
- 5.2 that a paid press announcement giving full details, including the impact on net asset value and earnings per share, be published after any issue representing, on a cumulative basis within one financial year, 5% or more of the number of shares in issue prior to the issue concerned;
- 5.3 that the issues in aggregate in any one financial year shall not exceed 5% of the number of shares of the company's issued ordinary share capital; and
- 5.4 that in determining the price at which an issue of shares for cash will be made in terms of this authority, the maximum discount permitted shall be 10% of the weighted average traded price of the ordinary shares on the JSE, (adjusted for any dividend declared but not yet paid or for any capitalisation award made to shareholders) over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors of the company.
- 5.5 any such issue will only be made to public shareholders as defined in the Listings Requirements of the JSE.

Please note that in terms of the JSE Listings Requirements a 75% majority of votes of those present or represented at the meeting is required for the approval of the above resolution.

6. SPECIAL RESOLUTION 1: BUY BACK OF SHARES

To RESOLVE that by way of a general authority, the company and any of its subsidiaries from time to time, being authorised thereto in terms of the articles of the company and the subsidiaries respectively, be authorised in terms of sections 85 and 89 of the Companies Act 61 of 1973, as amended (the Act) and the Listings Requirements of the JSE to acquire from time to time shares issued by the company, provided that:

- 6.1 any such acquisition of shares shall be implemented on the JSE (the open market) and without any prior understanding or arrangement between the company and counterparty;
- 6.2 this approval shall be valid only until the next annual general meeting of the company and shall not extend beyond 15 months from the date of this meeting and may be varied or revoked by special resolution by any general meeting of the company at any time prior to such annual general meeting;
- 6.3 an announcement will be published as soon as the company or the subsidiaries collectively, shall have acquired shares issued by the company constituting, on a cumulative basis, not less than 3% of the number of shares in the company in issue as at the date of this approval, containing full details of such acquisition;
- 6.4 the company and its subsidiaries collectively shall not be entitled to acquire shares issued by the company constituting, on a cumulative basis, more than 10% of the number of shares in the company in issue as at the date of this approval;
- 6.5 shares issued by the company may not be acquired at a price greater than 10% above the weighted average traded price of

- the company's shares for the five business days immediately preceding the date of the relevant acquisition;
- 6.6 at any point in time, the company may only appoint one agent to effect any repurchase;
 - 6.7 such repurchases may only be effected if, thereafter, the company still complies with the spread requirements of the JSE;
 - 6.8 no repurchase may take place during prohibited periods stipulated by the Listings Requirements of the JSE.

The reason for and effect of this special resolution number 1 is to enable the company to buy back its shares as and when required within the terms and conditions of the approval.

At the present time the directors have no specific intention with regard to the utilisation of this authority, which will only be used if the circumstances are appropriate. The company wishes to confirm that any buy back of shares, if implemented, will only be dealt with via the formal JSE trading system.

BUY BACK DISCLOSURE REQUIRED IN TERMS OF THE LISTINGS REQUIREMENTS OF THE JSE

In terms of the Listings Requirements of the JSE, the following disclosures are required when requiring shareholders' approval to authorise the company, or any of its subsidiaries, to buy back any of its shares as set out in special resolution number 1 above.

Working capital statement

The directors of the company agree that they will not undertake any repurchase unless:

- the company and the group will be able, in the ordinary course of business, to pay its debts;
- the assets of the company and the group will be in excess of the liabilities of the company and the group, recognised and measured in accordance with the accounting policies used in the latest annual financial statements;
- the share capital and reserves of the company and the group will be adequate for ordinary business purposes; and
- the working capital resources of the company and the group will be adequate for ordinary business purposes.

No acquisitions shall be effected in terms of special resolution number 1 unless the sponsor of the company provides a letter to the JSE on the adequacy of the company's working capital in terms of the Listings Requirements of the JSE.

OTHER DISCLOSURES REQUIRED IN TERMS OF THE LISTING REQUIREMENTS OF THE JSE

Litigation statement

Other than disclosed or accounted for in these annual financial statements, the directors of the company, whose names are given on pages 6 and 7 of these annual financial statements, are not aware of any legal or arbitration proceedings, pending or threatened against the group, which may have or have had a material effect on the group's financial position in the 12 months preceding the date of this notice of annual general meeting.

Material changes

Other than the facts and developments reported on in these annual financial statements, there have been no material changes in the

affairs, financial or trading position of the group since the signature date of this annual report and the posting date thereof.

The following further disclosures required in terms of the Listings Requirements of the JSE are set out in accordance with the reference pages in these annual financial statements of which this notice forms part:

- Directors and management – pages 6 – 7 and 22 – 23
- Major shareholders of the company – page 44
- Directors' interest in the company's shares – page 46 and page 69
- Share capital of the company – page 66

Directors' responsibility

The directors whose names appear on pages 6 and 7 of the annual report, collectively and individually accept full responsibility for the accuracy of the information set out above for the purposes of considering special resolution number 1 and certify that, to the best of their knowledge and belief, there are no facts which have been omitted which will make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the information referred to above contains all the information required by law and the Listings Requirements of the JSE.

Proxies

Shareholders who have not dematerialised their ordinary shares or who have dematerialised their shares with "own name" registration are entitled to attend and vote at the annual general meeting and may, in terms of section 189 of the Act, appoint a proxy or proxies to attend the annual general meeting, speak and, on a poll, vote in their stead. A proxy need not be a shareholder of the company. A proxy form is enclosed but is also obtainable from the registered office of Kumba Iron Ore at the address set out on the inside back cover.

Proxies must be received by Computershare Investor Services 2004 (Pty) Limited by not later than 12:00 on Tuesday, 22 May 2007.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own name" registration, should contact their Central Securities Depository Participant (CSDP) or broker in the manner and time stipulated in the relevant agreement to furnish them with voting instructions and, in the event that they wish to attend the annual general meeting, to obtain the necessary authority to do so.

By order of the board



A van der Merwe
Company secretary

Sishen Mine
5 March 2007

FORM OF PROXY

KUMBA IRON ORE LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2005/015852/06)
("Kumba Iron Ore" or "the company")
JSE share code: KIO
ISIN code: ZAE 000085346

TO BE COMPLETED BY CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WITH "OWN NAME" REGISTRATION ONLY

For completion by registered members of Kumba Iron Ore who are unable to attend the annual general meeting of the company to be held at 12:00 on Thursday, 24 May 2007, at the Johannesburg Country Club or at any adjournment thereof.

I/We _____
of _____ (address)

being the holder/s of _____ shares in the company, do hereby appoint:

1 _____ or, failing him/her

2 _____ or, failing him/her

the chairman of the annual general meeting, as my/our proxy to attend, speak and, on a poll, vote on my/our behalf at the annual general meeting of members to be held at the Johannesburg Country Club at 12:00 on Thursday, 24 May 2007 at or at any adjournment thereof, and to vote or abstain from voting as follows on the ordinary and special resolutions to be proposed at such meeting:

	For	Against	Abstain
Ordinary business			
1. Resolution to adopt the audited 2006 annual group financial statements			
2. Resolution to re-elect the directors required to retire in terms of Article 15.2 of the articles of association			
2.1 PM Baum			
2.2 GS Gouws			
2.3 PB Matlare			
2.4 DD Mokgatle			
2.5 AJ Morgan			
2.6 N Moyo			
2.7 PL Zim			
3. Resolution to approve the non-executive directors' remuneration for the period 1 January 2007 to 31 December 2007			
4. Resolution to authorise directors to allot and issue unissued ordinary shares			
5. Resolution to authorise directors to allot and issue ordinary shares for cash			
Special business			
1. Special resolution to authorise directors to buy back company shares			

Please indicate with an "X" in the appropriate spaces provided above how you wish your vote to be cast. If no indication is given, the proxy may vote or abstain as he/she sees fit.

Signed at _____ this _____ day of _____ 2007

Signature _____

Assisted by me, where applicable (name and signature) _____

Please read the notes on the reverse side hereof.

NOTES TO FORM OF PROXY

1. A form of proxy is only to be completed by those ordinary shareholders who are:
 - 1.1 holding ordinary shares in certificated form; or
 - 1.2 recorded on subregister electronic form in "own name".
2. If you have already dematerialised your ordinary shares through a Central Securities Depository Participant (CSDP) or broker and wish to attend the annual general meeting, you must request your CSDP or broker to provide you with a Letter of Representation or you must instruct your CSDP or broker to vote by proxy on your behalf in terms of the agreement entered into between you and your CSDP or broker.
3. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space. The person whose name stands first on the form of proxy and who is present at the annual general meeting of shareholders will be entitled to act to the exclusion of those whose names follow.
4. On a show of hands a member of the company present in person or by proxy shall have one (1) vote irrespective of the number of shares he/she holds or represents, provided that a proxy shall, irrespective of the number of members he/she represents, have only one (1) vote. On a poll a member who is present in person or represented by proxy shall be entitled to that proportion of the total votes in the company, which the aggregate amount of the nominal value of the shares held by him/her bears to the aggregate amount of the nominal value of all the shares issued by the company.
5. A member's instructions to the proxy must be indicated by the insertion of the relevant numbers of votes exercisable by the member in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the member's votes exercisable thereat. A member or the proxy is not obliged to use all the votes exercisable by the member or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the member or by the proxy.
6. Forms of proxy must be lodged at, or posted to Computershare Investor Services 2004 (Pty) Limited, to be received not later than 48 hours before the time fixed for the meeting (excluding Saturdays, Sundays and public holidays).

For shareholders on the South African register:
Computershare Investor Services 2004 (Pty) Limited
Ground Floor, 70 Marshall Street
Johannesburg, 2001
PO Box 61051
Marshalltown
2107
www.computershare.com
Tel: +27 11 370 5000

Over-the-counter American Depository Receipt (ADR) holders:
Kumba Iron Ore has an ADR facility with the Bank of New York (BoNY) under a deposit agreement. ADR holders may instruct BoNY as to how the shares represented by their ADRs should be voted.

American Depository Receipt Facility
Bank of New York
101 Barclay Street,
New York, NY 10286
www.adrbny.com
shareowners@bankofny.com
(00-1) 888 815 5133
7. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity or other legal capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.
9. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
10. Notwithstanding the foregoing, the chairman of the annual general meeting may waive any formalities that would otherwise be a prerequisite for a valid proxy.
11. If any shares are jointly held, all joint members must sign this form of proxy. If more than one of those members is present at the annual general meeting either in person or by proxy, the person whose name appears first in the register shall be entitled to vote.

Kumba Iron Ore administration

Secretary and registered office

Annamarie van der Merwe, Bluris, LLB, LLM
Lakefield Office Park
Corner West and Lenchen Roads
Centurion, Pretoria, 0046
Republic of South Africa
Tel: +27 12 683 7000
Fax: +27 12 683 7009

Company registration number: 2005/015852/06

JSE share code: KIO

ISIN code: ZAE000085346

Auditors

Deloitte & Touche
Chartered Accountants (SA)
Registered Auditors
Deloitte Place, The Woodlands
20 Woodlands Drive, Woodmead, 2146
South Africa
Private Bag X46, Gallo Manor, 2052

Sponsor

Deutsche Securities (SA) (Pty) Limited
Registration number 1995/011798/07
3rd Floor, 3 Exchange Square
87 Maude Street, Sandton, 2196
South Africa
Private Bag X9933, Sandton, 2146

Corporate law advisers

Deneys Reitz Inc.
82 Maude Street
Sandton, 2196
South Africa
PO Box 784903, Sandton, 2146

United States ADR Depository

The Bank of New York
ADR Department, 101 Barclay Street
New York, NY 10286
United States of America

Transfer secretaries

Computershare Investor Services 2004 (Pty) Limited
70 Marshall Street
Johannesburg, 2001
South Africa
PO Box 61051, Marshalltown, 2107

Shareholders' diary

FINANCIAL YEAR-END

31 December 2007

ANNUAL GENERAL MEETING

24 May 2007

REPORTS AND ACCOUNTS

Interim report for the half-year ending 30 June
Announcement of annual results
Annual report

Published

August 2007

15 February 2007

May 2007

DISTRIBUTION

Final dividend declaration
Payment
Interim dividend declaration
Payment

15 February 2007

26 March 2007

August 2007

September 2007



KUMBA IRON ORE

www.kumba.co.za

A member of the Anglo American plc group