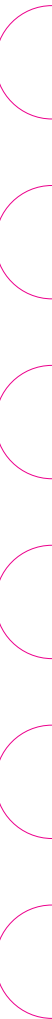


We see what *could* be

Iron ore is our single precious commodity.
From this source, we are able to enrich the lives of many,
providing skills and employment that looks to the future.

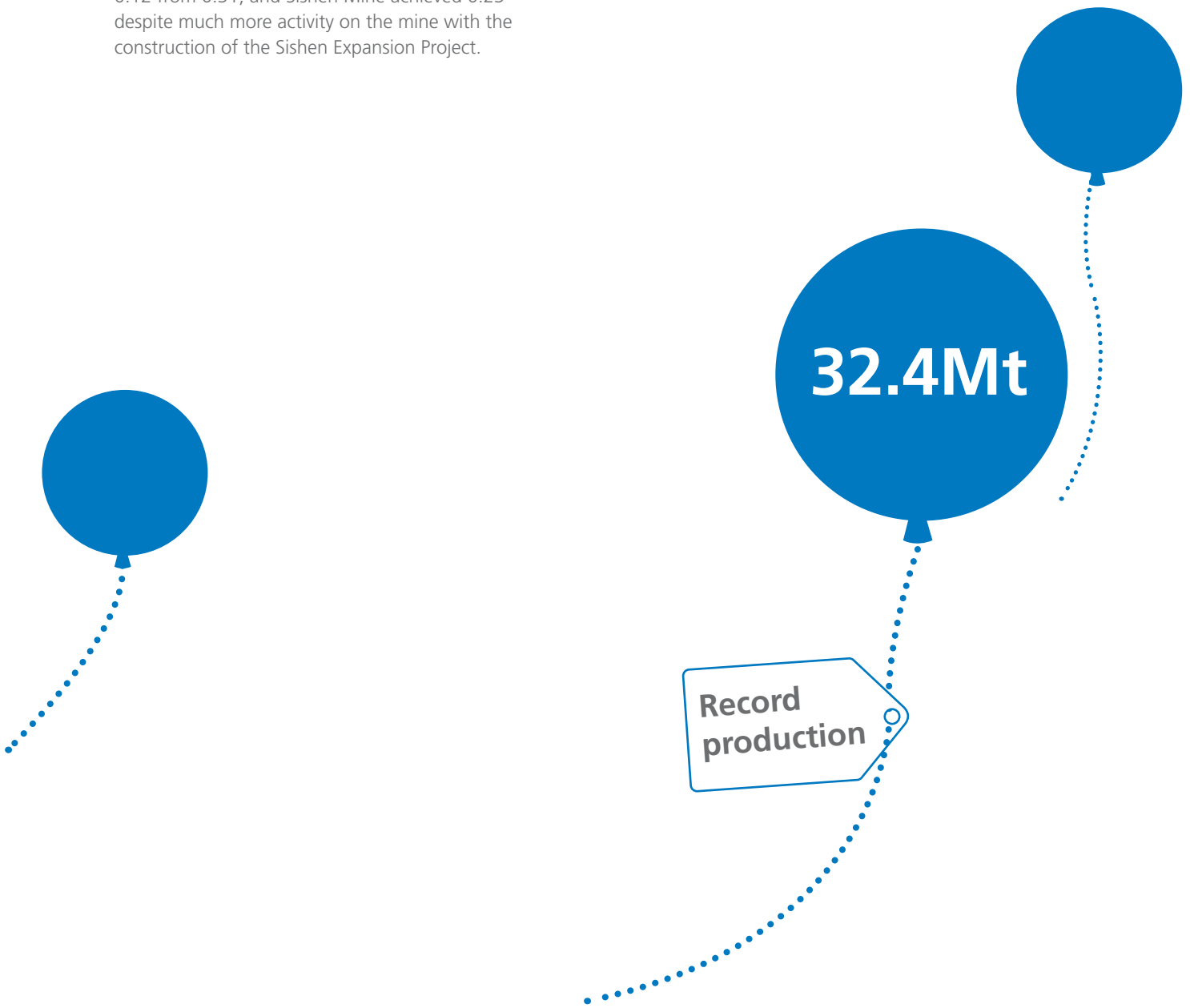
Connect the dots as we take you through
our performance in 2007.



Highlights

Kumba has been successful in many ways this year. All operating units retained their certification for ISO 14001 and OHSAS 18001 management systems for 2007.

In an improved safety performance Thabazimbi Mine's lost-time injury frequency rate dropped to 0.12 from 0.31, and Sishen Mine achieved 0.23 despite much more activity on the mine with the construction of the Sishen Expansion Project.



32.4Mt

Record
production

up **33%**
to **R11.5**
billion

Revenue

up **44%**
to **R3.1**
billion

Headline
earnings

974^c
per share

Headline
earnings

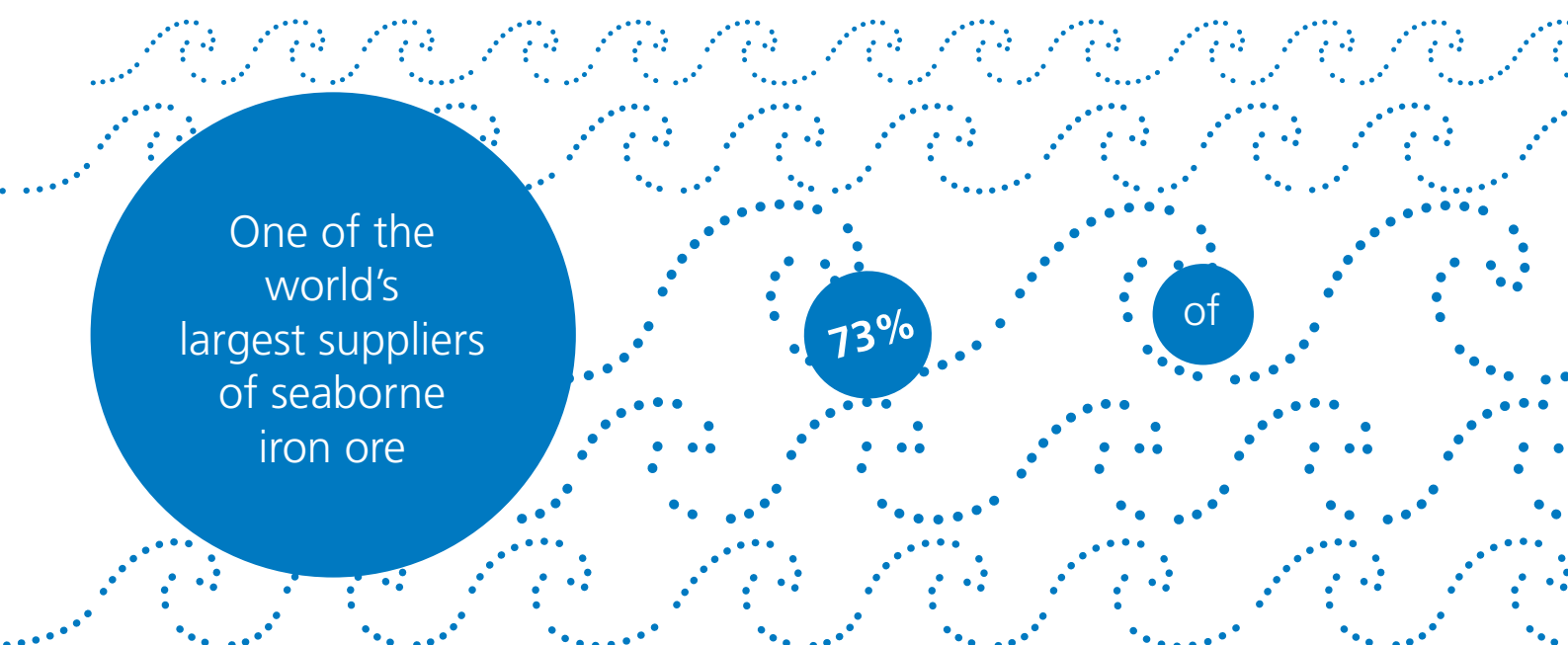
750^c
per share

Dividend

Geographical locations

Kumba is a major supplier of seaborne iron ore, exporting 73% of its 32.4Mtpa production to 30 global customers, mainly in Asia and Europe. Given that the seaborne market accounts for some 90% of group revenues, Kumba's established presence in this key market and world-class product portfolio will underpin sustainable growth.

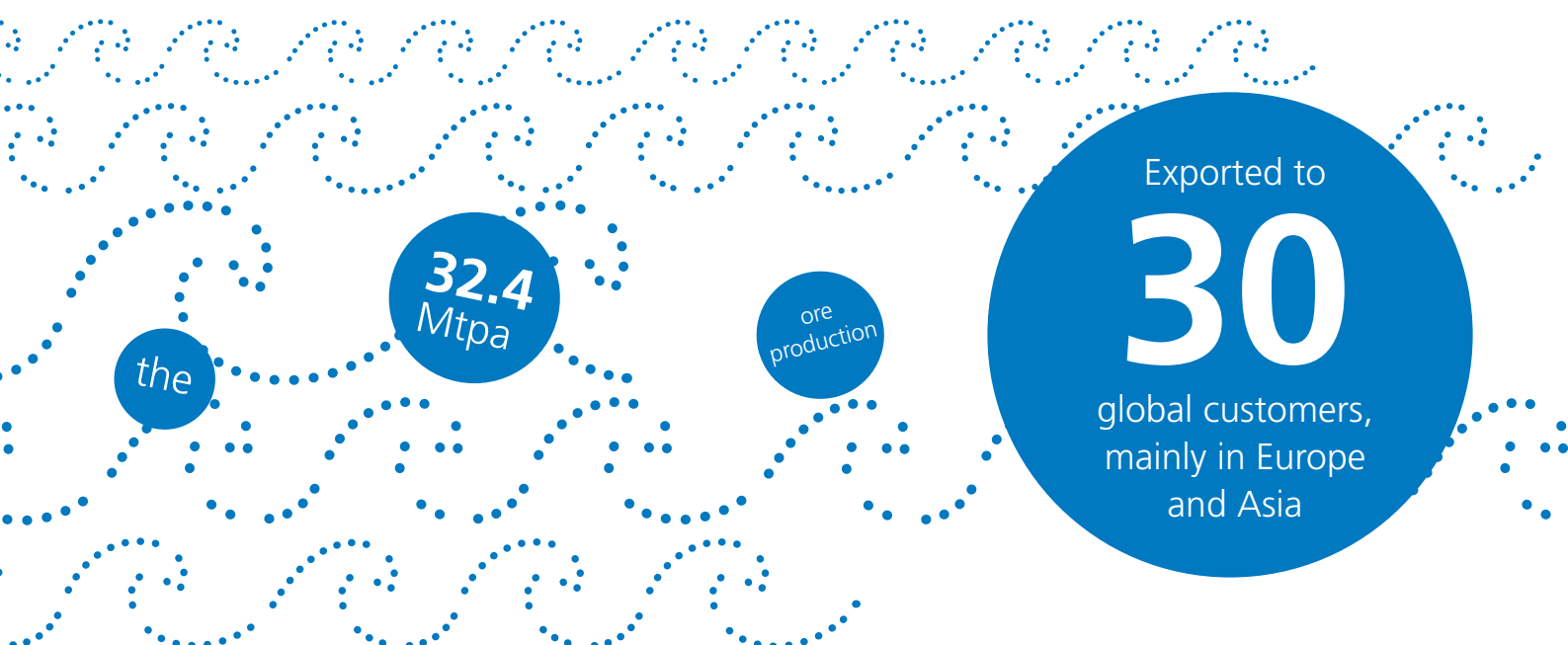
The focus of Kumba's business development will be to maximise its substantial brown and greenfields project pipeline, capitalising on current and expected strength in seaborne iron ore markets.



One of the
world's
largest suppliers
of seaborne
iron ore

73%

of



the

32.4
Mtpa

ore
production

Exported to
30
global customers,
mainly in Europe
and Asia

Group at a glance

Our dream (vision)

"To define new frontiers of operational and people performance in the mining industry"

Our reason for existence (mission)

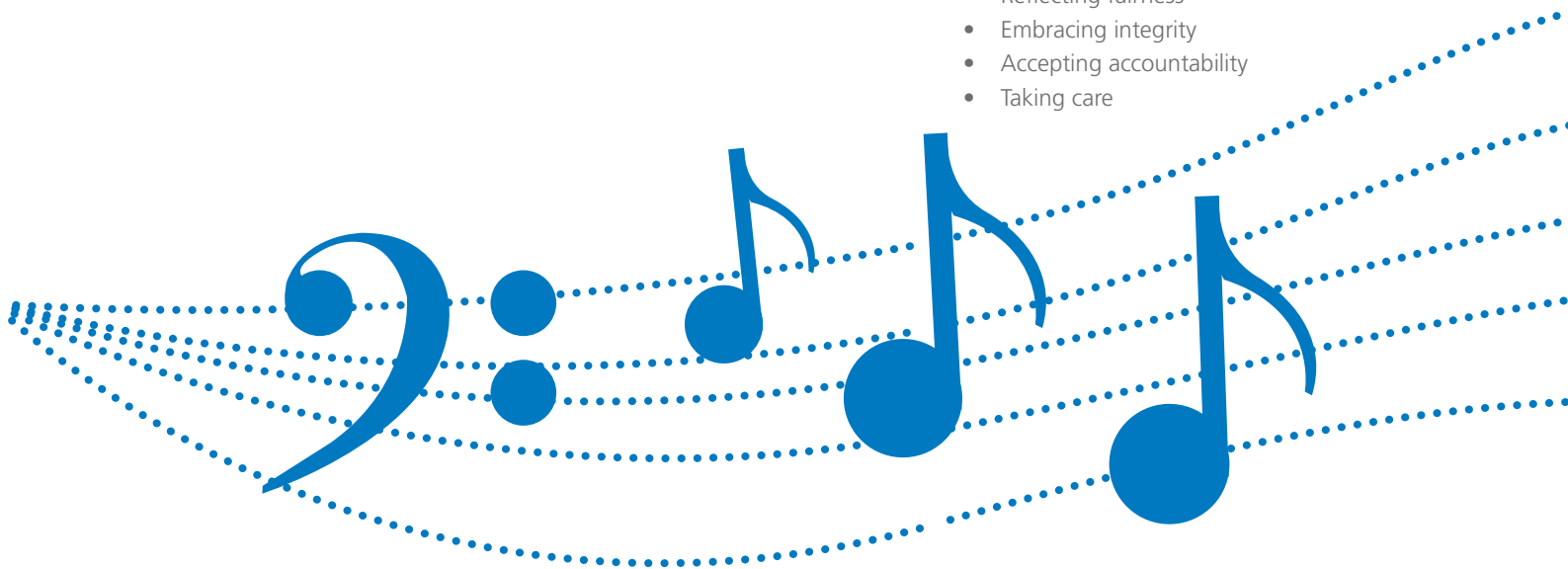
"To deliver outstanding, sustainable value to all our stakeholders"

Foundational values

- Granting respect
- Reflecting fairness
- Embracing integrity
- Accepting accountability
- Taking care

Motivational values

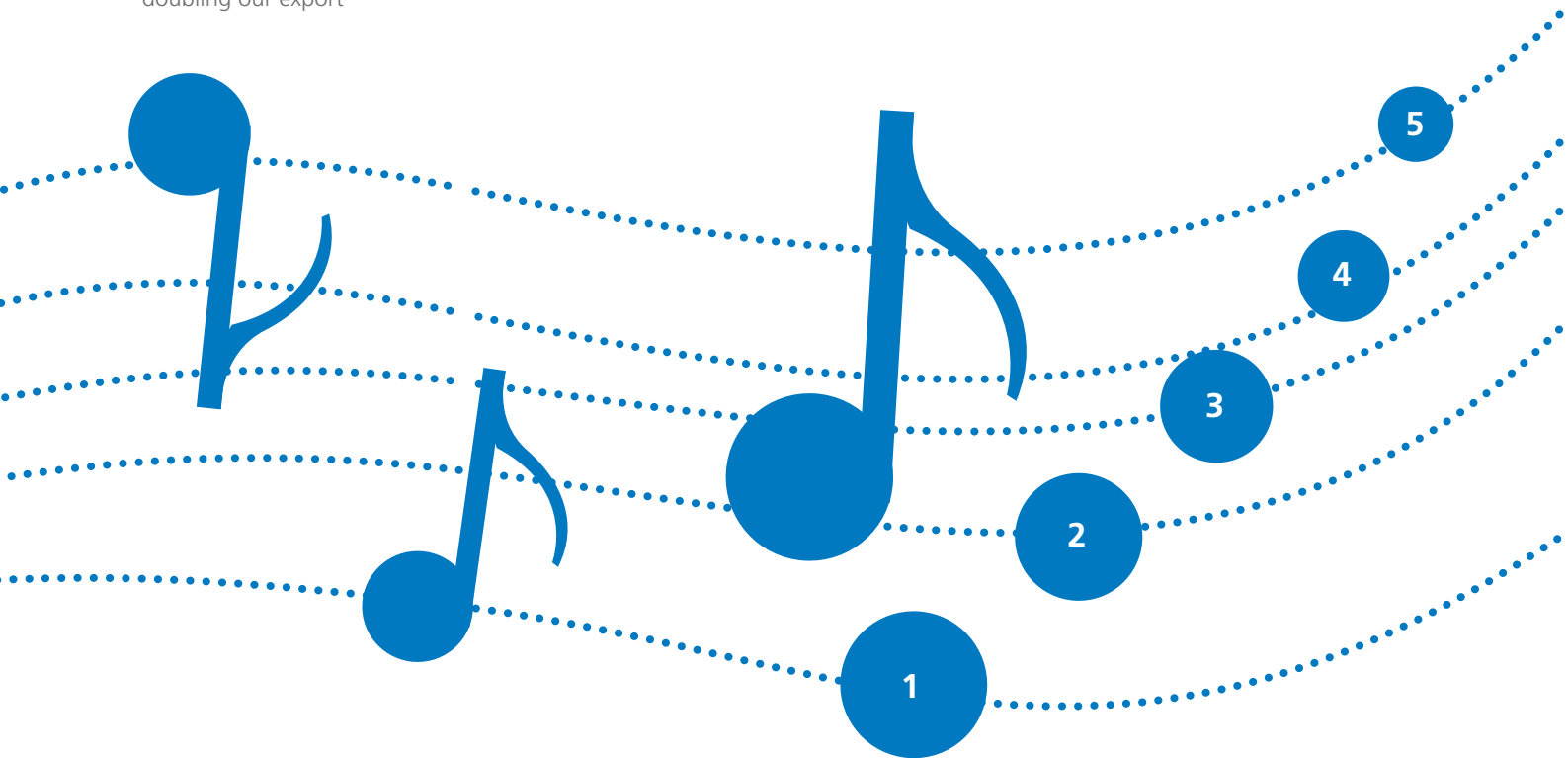
- Together we achieve
- Excellence is our aim
- Always can do
- Making our dream real through people



Strategy

With the seaborne iron ore market expected to remain attractive for some years, Kumba's secure access to quality reserves and existing infrastructure is the base for doubling our export

production capacity from the Northern Cape to more than 45Mtpa by 2013, with an extensive project pipeline to take us beyond 70Mtpa in future.



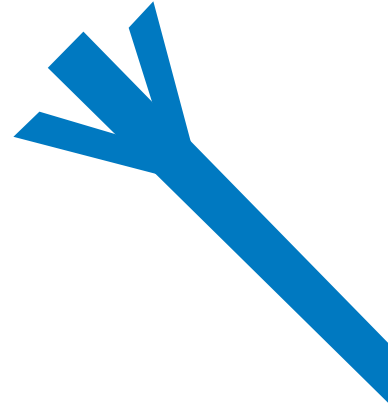
In creating shareholder wealth by defining new frontiers of operational and people performance in the mining industry, Kumba is pursuing five strategic thrusts (p28):

- 1 Customer relationships
- 2 Growth
- 3 Operational excellence
- 4 Sustainable development
- 5 Talent and performance management

People

Building on the solid foundations of its predecessor, while leveraging the advantages of being part of the Anglo American group, Kumba is structuring policies and practices to attract and retain the best talent in the industry and build a representative workforce.

Our approach is three-pronged: a stimulating and rewarding workplace, progressive training and development and ownership in the company through our employee share participation scheme, Envision.



1 A stimulating and rewarding workplace.

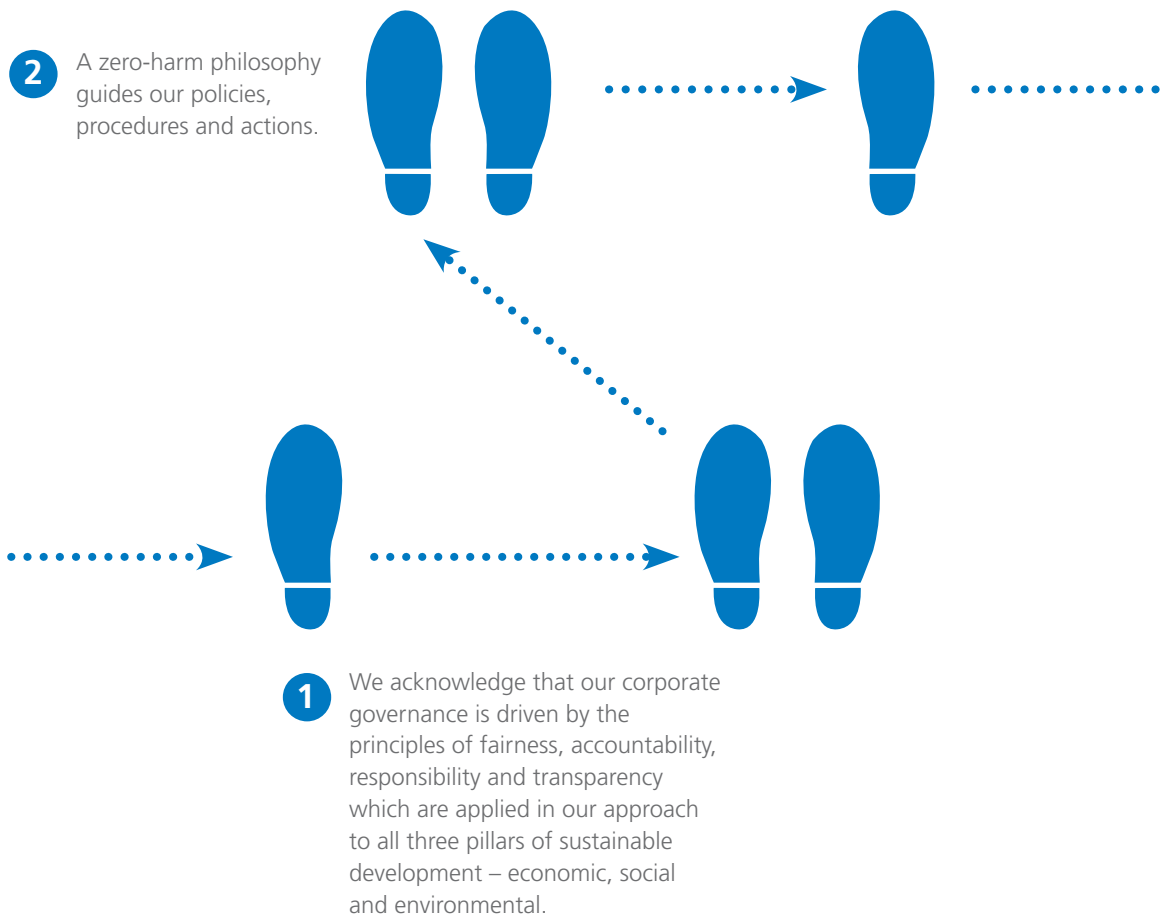
2 Progressive training and development.

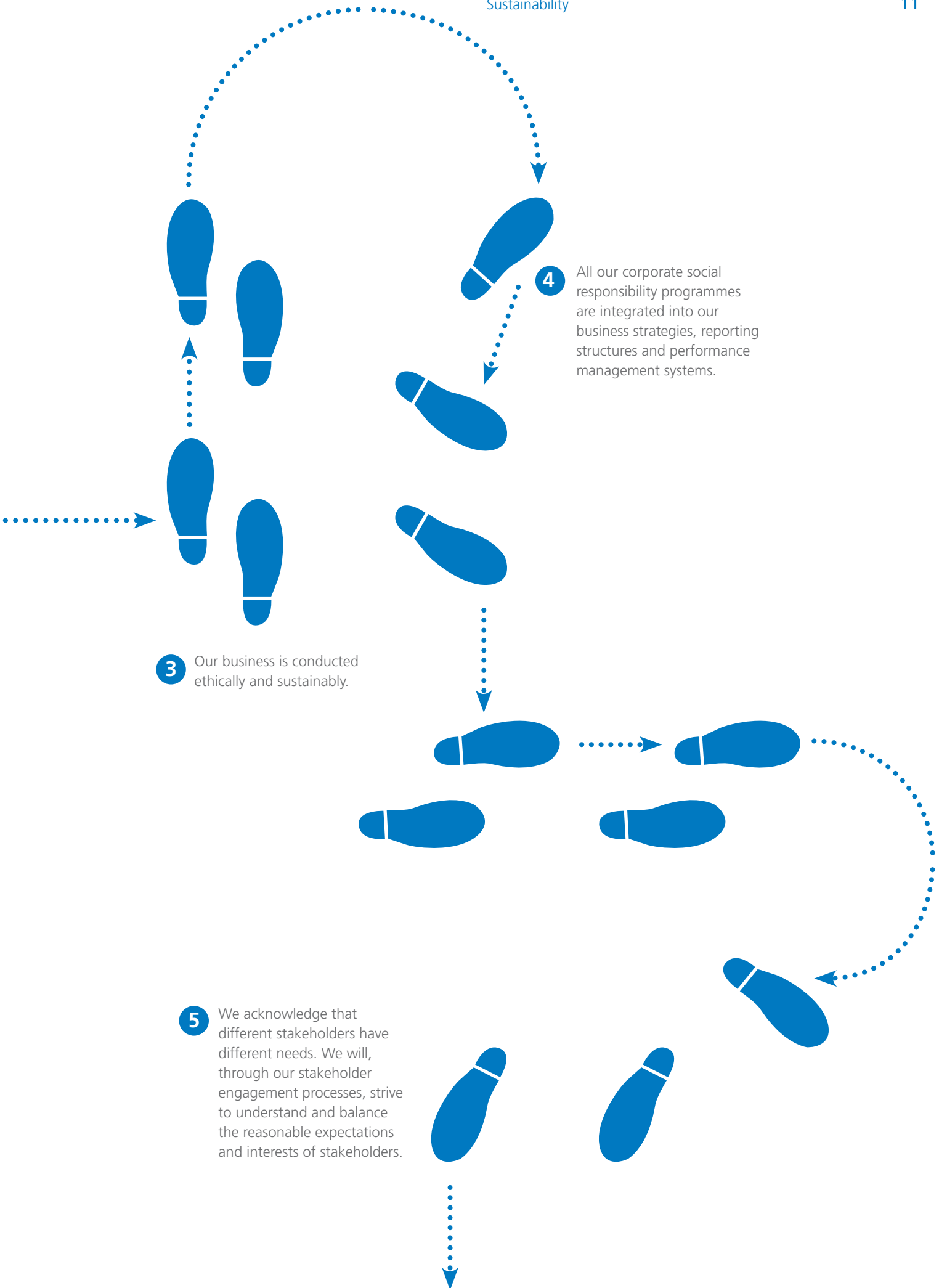
3 Ownership in the company through our employee share participation scheme, Envision.

Attract and retain the best talent in the industry.
Build a representative workforce.

Sustainability

Sustainability depends on partnerships that are able to move through challenges together, guiding one another. Kumba has five guiding principles for sustainable development, spanning our economic, social and environmental performance.





3 Our business is conducted ethically and sustainably.

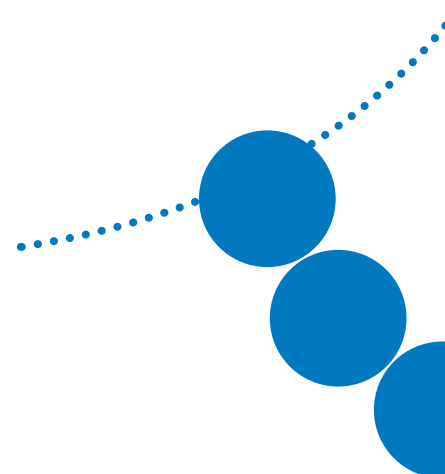
4 All our corporate social responsibility programmes are integrated into our business strategies, reporting structures and performance management systems.

5 We acknowledge that different stakeholders have different needs. We will, through our stakeholder engagement processes, strive to understand and balance the reasonable expectations and interests of stakeholders.

Unique investment proposition

Kumba is one of the few pure-play iron ore investments in the world. The grade of beneficiated iron ore from Sishen Mine has made Kumba a preferred supplier to many customers worldwide given the combination of consistent quality, high iron content, resistance to physical degradation during transportation and handling, and low moisture content.

Capitalising on an extensive base of quality resources and in-house expertise in meeting market demands through innovative beneficiation, Kumba aims to double export production capacity over the next six years while reducing real unit operating costs through continuous improvement.



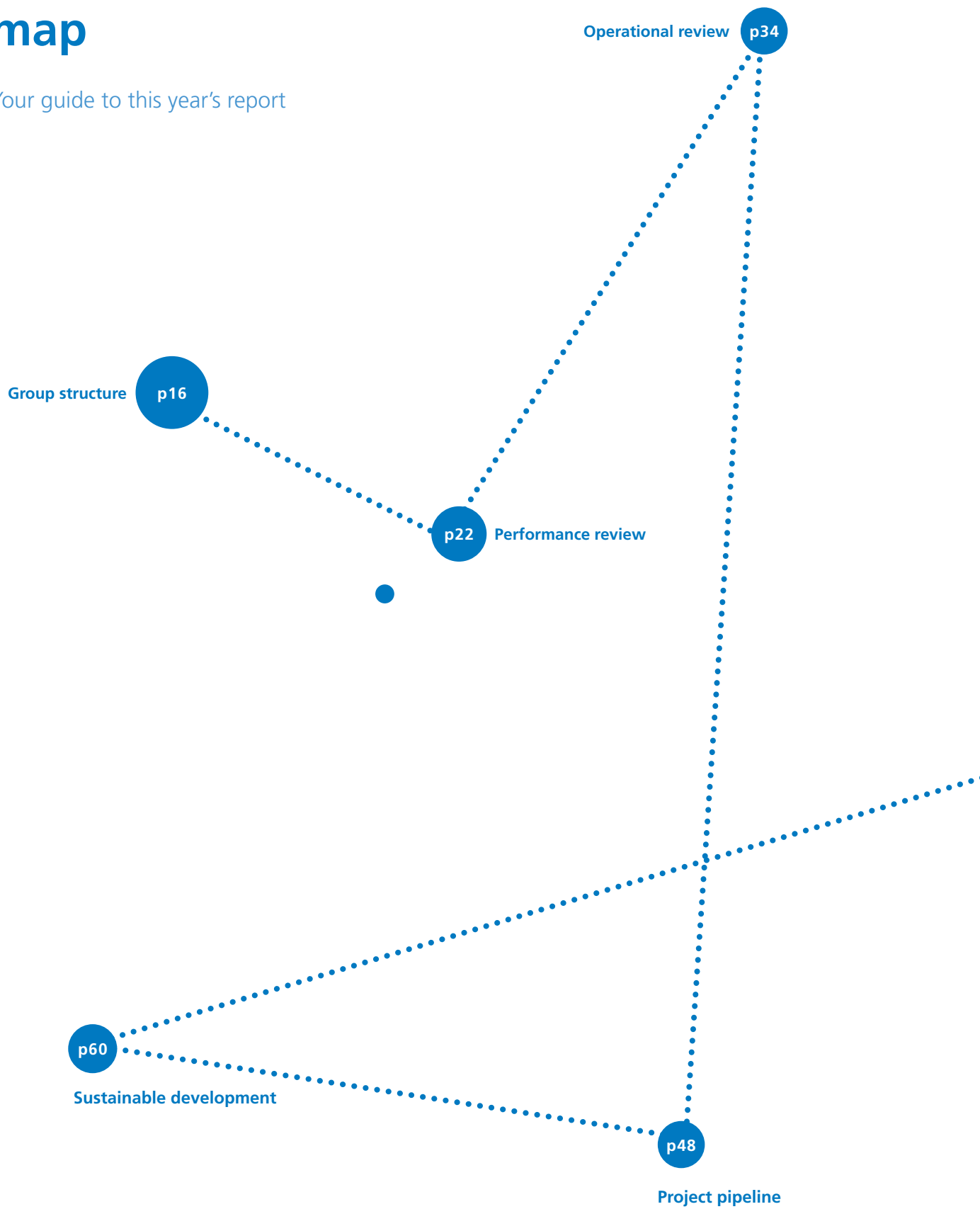


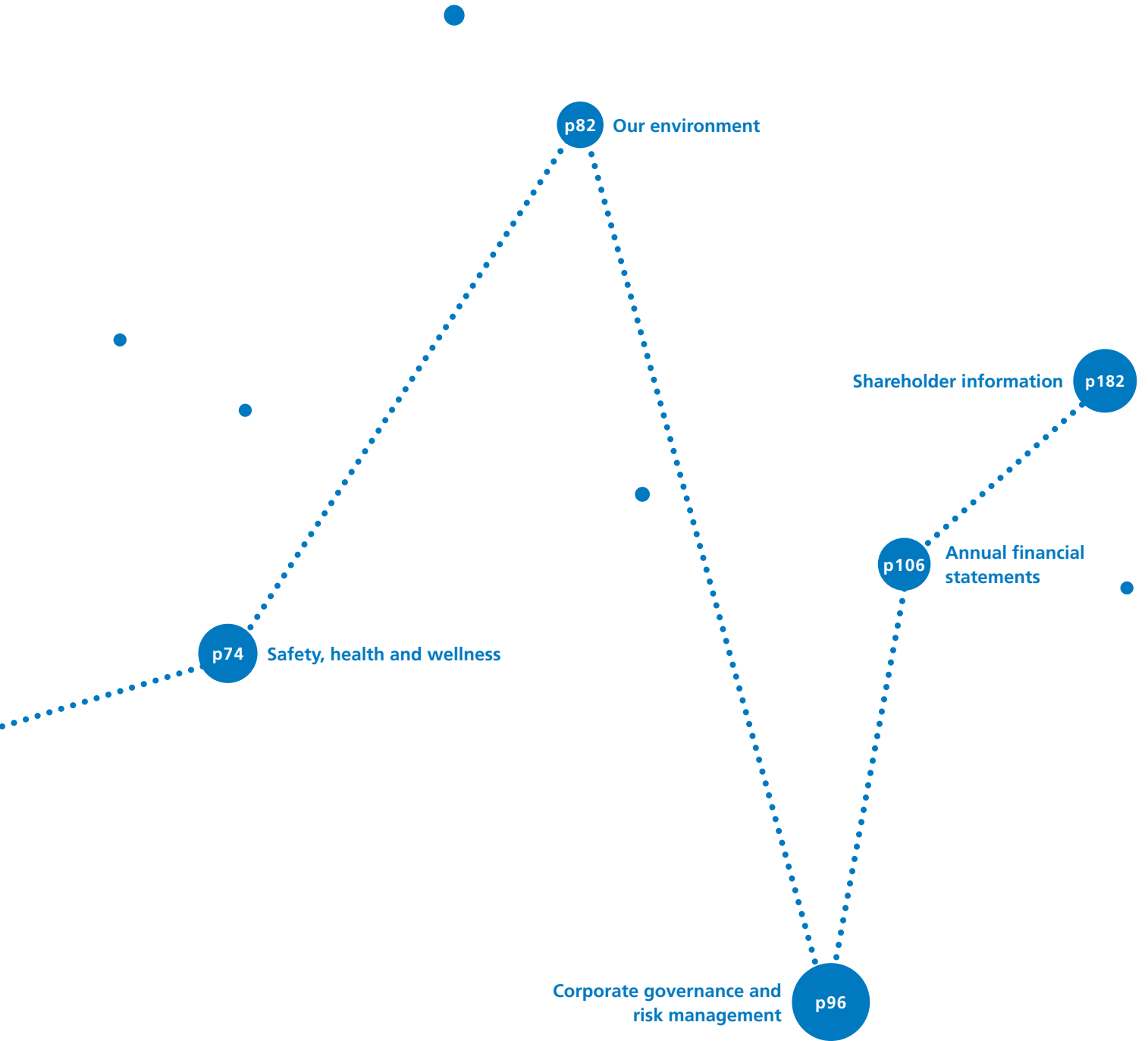
Unique investment proposition

- 1 Pure-play iron ore investment
- 2 Consistent quality
- 3 High iron content
- 4 Resistance to physical degradation during transportation and handling
- 5 Low moisture content

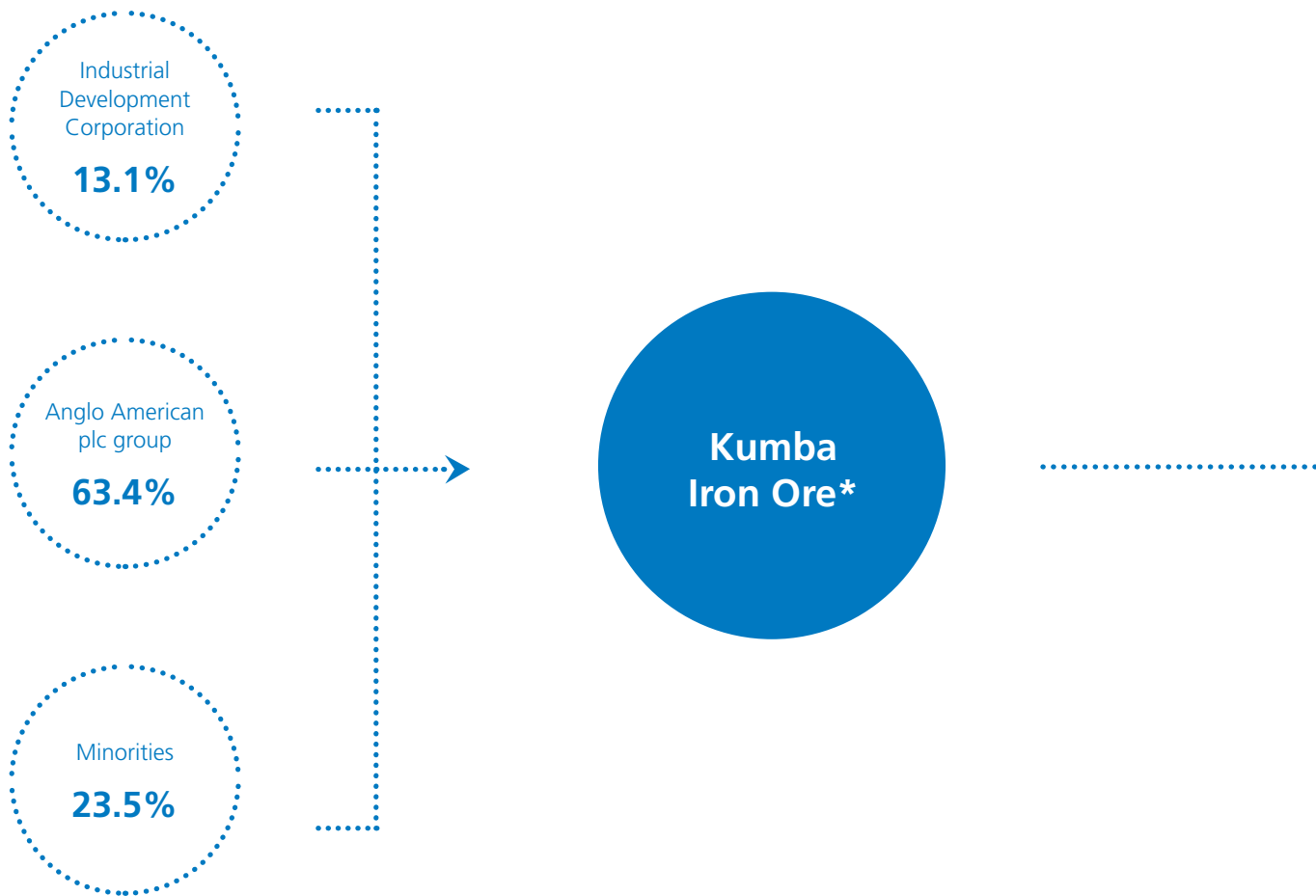
Contents map

Your guide to this year's report

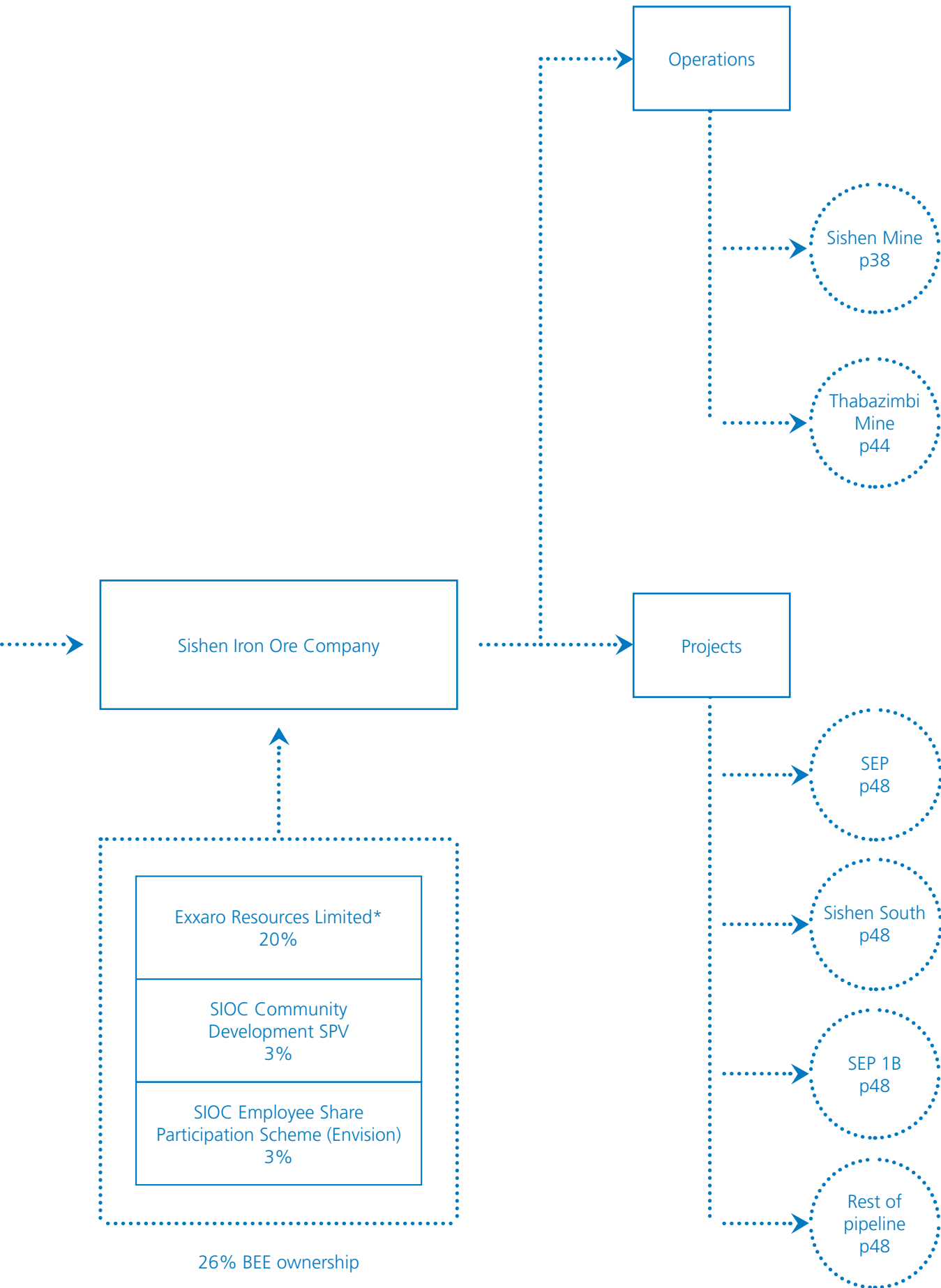




Group structure



*Listed on the JSE



Board of directors



1 Lazarus Zim

Chairman (47)

MCom, DCom (hc)

Lazarus Zim is the chairman of Mvelaphanda Resources, Northern Platinum and Afripalm Resources. Previously, Lazarus was chief executive of Anglo American South Africa and managing director of MTN International. He is the immediate past president of the Chamber of Mines.

3 Vincent Uren

Chief financial officer (46)

BCom, CTA, CA(SA)

Vincent has almost 20 years' experience in corporate finance, many of these gained with the Anglo American plc group where he was involved in a number of diverse and complex local and international transactions.

2 Ras Myburgh

Chief executive officer (49)

BEng (Elec), BSc (hons) (Energy Studies), MBA

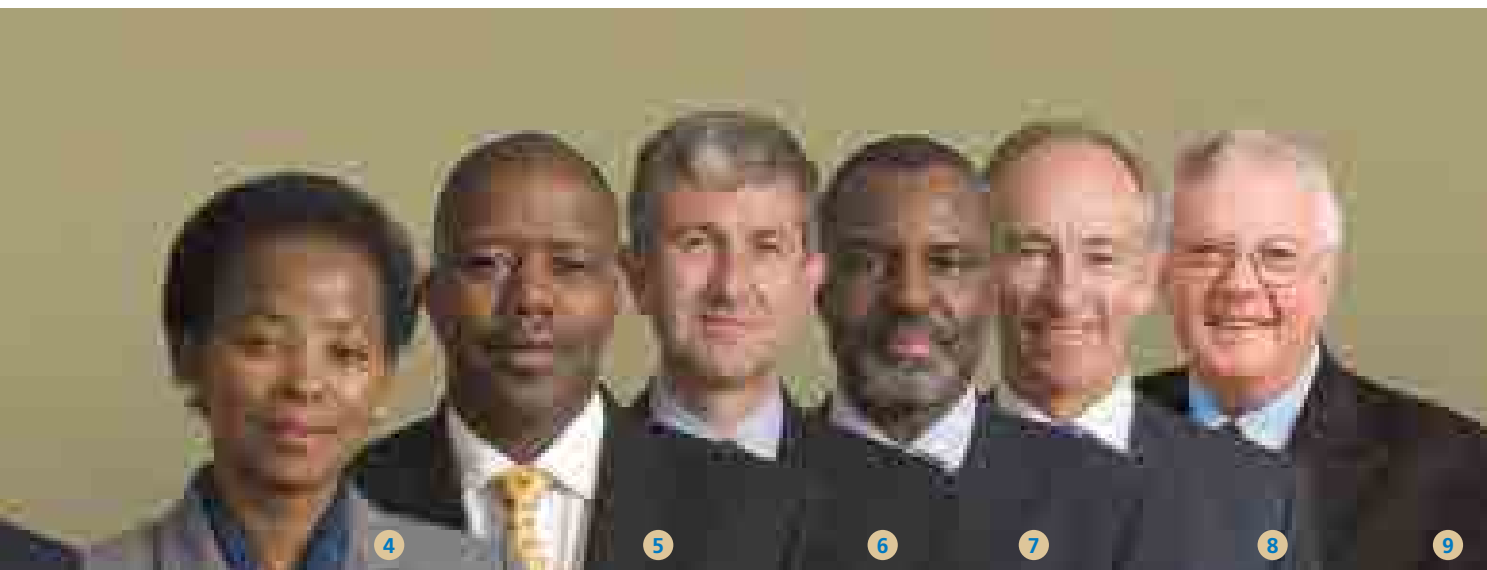
Ras has extensive engineering and management experience in the mining and power industries. During his tenure with the previous Kumba Resources, he headed Sishen Iron Ore Company and the group's coal division, and chaired two Kumba Resources subsidiary boards.

4 Dolly Mokgatle

Independent non-executive director (51)

BProc, LLB, HDip Tax Law

Dolly is an executive director of the Peotona group. She is chairman of EDI Holdings and deputy chairman of the National Electricity Regulator of South Africa (NERSA). She also holds several other corporate directorships. She was the chief executive officer of Spoorntek and managing director of transmission at Eskom.



5 Peter Matlare

Independent non-executive director (48)

BSc (hons) (Political Science), Masters (Southern African studies)

Peter is chief executive officer of Tiger Brands. He was chief strategy and business development director in the Vodacom Group. His previous positions include commercial director of Vodacom South Africa, and chief executive officer of the SABC.

6 Gert Gouws

Non-executive director (49)

BCom (Law), BCom (hons), CA(SA), FCMA

Gert is the chief financial officer and alternate director of the Industrial Development Corporation. He is also a director of Herculite Ferrochrome, Algorax and Umicore Autocat South Africa.

7 Nkosana Moyo*

Independent non-executive director (56)

PhD (Physics), MBA

Nkosana is a managing partner at Actis Capital IIP – Africa. He also worked for the International Finance Corporation in Washington DC and served as Zimbabwe’s minister for industry and trade.

* Zimbabwean

8 Philip Baum

Non-executive director (53)

BCom, LLB, HDip Tax Law

Philip is chief executive officer of Anglo American’s Ferrous Metals and Industries division, and acting chief executive of Anglo American South Africa. He is a member of Anglo American plc’s executive committee. Other directorships include Anglo Platinum, Exxaro Resources, Minas RIO, Tongaat-Hulett, Hulamin and Samancor Manganese.

9 Allen Morgan

Independent non-executive director (61)

BSc, BEng (Elect), Pr Eng

Allen is a non-executive director of Eskom Holdings, and served as the power utility’s chief executive between 1994 and 2000. He previously served as the chairman of Kumba Resources.

Executive committee



1 Ras Myburgh

Chief executive officer (49)

BEng (Elec), BSc (hons) (Energy Studies), MBA

See page 18

2 Vincent Uren

Chief financial officer (46)

BCom, CTA, CA(SA)

See page 18

3 Francois Louw

Head, projects (48)

BEng (Mech), MBA

Francois has experience in various operational and engineering roles in the mining industry, with particular expertise in strategic projects.

4 Retief Louw

Acting general manager,
Sishen Mine (44)

BEng (Elec), Diploma Datametrie (Information Systems),
MEM (Masters in Engineering Management)

Retief acted as mine manager until the end of 2007. He combines a strong and broad engineering background with management disciplines in a career spanning 18 years and several commodities.

5 Emmy Leeka

Head, strategic affairs (38)

BSc Eng (Metallurgy)

Emmy combines a strong project management and engineering background with various senior positions in the mining industry.

6 Timo Smit

Head, commercial (39)

MSc (Applied Physics), PhD (Materials Science and
Engineering)

Timo was previously country director SA for TechnoServe. His academic background and industry experience adds international depth to the Kumba team.



7 Vusani Malie

Company secretary (33)

BA (Law), LLB

Vusani, an admitted attorney, was previously corporate services manager for AVI Limited and group company secretary for Santam Limited.

8 Christo van Loggerenberg

Head, technology and business development (50)

BEng (hons) (Metallurgy), MBA

Christo was the business development manager of Kumba Resources' iron ore interests. Other senior posts include metallurgy and various engineering and operational positions in the industry.

9 Fergus Marupen

Head, human resources (43)

BA (hons), BEd, HDip HRM, MBA

Fergus was previously head of human resources at Kumba Resources. He has in-depth experience of managing human resources in the mining industry.

10 Aart van den Brink

General manager, Thabazimbi Mine (46)

MEng (Mining)

Aart has extensive experience in underground and open-cast mining and was appointed mine manager of Thabazimbi in 2006.

11 Tebello Chabana

Head, public affairs (36)

BA (Law), LLB

Tebello joined Kumba after serving as head of regulatory affairs for Anglo American South Africa. In this role he built strong working relationships with key regulatory authorities.



Performance review



Kumba's safety performance showed continued improvement during 2007 thanks to the dedication of our employees

World-class safety performance from Thabazimbi Mine's workforce.

Chairman's statement

Lazarus Zim



Kumba's first full year of operation was extremely successful, with record production of 32.4 million tonnes and revenue up 33% to R11.5 billion.

The company faced several challenges during the year, chief among these the delay of two sizeable expansion projects for reasons ranging from labour shortages in the construction and engineering fields to the finalisation of commercial arrangements for expanding the export channel rail capacity.

The company began trading on the JSE Limited (JSE) in November 2006 following the successful unbundling of Kumba Resources into two listed vehicles, Kumba Iron Ore Limited and Exxaro Resources Limited, to facilitate South Africa's largest mining empowerment transaction. The value of Kumba as a long-term pure-play iron ore investment was amply demonstrated in the strong growth of the share price.

Business environment

At 5%, South African economic growth in the review period was stronger than world gross domestic product (GDP) growth, which slowed slightly to 3.8%. This is still healthy and was driven in part by the strong performance of emerging market economies, particularly China.

In South Africa, the year was characterised by consumer price inflation rising beyond the South African Reserve Bank's 3-6% target range, leading to credit-tightening measures. In addition, the weakening of the Rand against the US Dollar boosted the export earnings of the mining industry, supported by strong commodity prices.

Coupled with acute skills shortages, infrastructural constraints – from electricity supply to transport facilities – run the very real risk of curtailing the economic growth potential of this country. This will be exacerbated by any negative developments internationally, such as a recession in the United States.

The iron ore market has had five years of annual benchmark price increases, with record increases in 2004/5 (71.5%) and 2005/6 (19.5%). The iron ore market is expected to remain buoyant in 2008, with spot prices into China still much higher than contract prices.

Market fundamentals support a significant price increase in excess of 65% for the 2008/9 iron ore year.

Again, this has been driven primarily by demand from China for iron ore which has more than quadrupled from 92Mt in 2001 to 387Mt in 2007. This country now consumes over 45% of global seaborne iron ore and major capacity expansions have been announced to meet growing demand in the Chinese economy.

Regulatory environment

We welcome the imminent finalisation of the minerals and petroleum royalty bill. The third draft of the bill included substantial changes. It confirmed gross sales as the tax base, but accounted for the process of beneficiation in a different manner. While the second draft attempted to account for beneficiation activities by way of dual rates (differential rates for refined and unrefined minerals), this draft moves from a dual-rate system to an allowance for deductions of beneficiation-related expenses. The proposed revised tax base is based on gross revenue less allowable beneficiation-related expenses and transport expenses. The new royalty rate structure is also based on a formula that considers the profitability of a company. We have considered these proposals in our submission to the authorities.

Amendments are also being drafted to the principal governing legislation for our industry, the Mineral and Petroleum Resources Development Act. This 2004 act requires mining companies to reapply for their licences and comply with the targets of the mining charter and its attendant scorecard.

Kumba has made good progress in its endeavour to convert its mining licences. To date we have submitted two applications to convert old-order rights; one to convert prospecting rights; and one each for new mining rights and new prospecting rights. Subsequent to the year end, the Department of Minerals and Energy announced it had reached agreement with the Anglo American plc group on all remaining mining rights conversions, subject to outstanding documentation being completed. In effect, Kumba's conversions to new-order mining rights are expected to be granted shortly.

The 2007 financial year was an important period for Kumba in which we delivered on most of our pre-listing forecasts amid buoyant commodity markets. Importantly, our longer-term strategy for growth is unfolding as we move towards our target of doubling export production capacity by 2013.

Strategic direction

Kumba's strategy has been clearly defined and endorsed by the board to realise the group's longer-term sustainability and full potential.

Accordingly, to reach the target of doubling our export production capacity by 2013 the focus for Kumba in the next five years will be on developing the iron ore export channel further in partnership with Transnet and other stakeholders, securing regulatory approval for the South African expansion projects, such as Sishen South, and a first-stage development outside South Africa, such as the exploration under way in Guinea.

Our people

Kumba has a workforce numbering over 4,600. Acknowledging the importance of retaining these skills, several innovative initiatives have been implemented – such as Envision, an employee share participation scheme to incentivise employees, but also to serve as a retention mechanism, and ensure market-related remuneration.

During 2007, R11 million was paid to employees of Sishen Iron Ore Company through the dividend received by Envision and R7 million to the SIOC Community Development Trust through its interest in the SIOC Community Development SPV. The remaining dividend received by Envision and the SIOC Community Development SPV is used to reduce the funding put in place to acquire the underlying interest in Sishen Iron Ore Company. In addition to the dividends paid to employees, there has been significant growth in the value of the Sishen Iron Ore Company shares held by Envision since the inception of the scheme.

The company enjoys good relations with bargaining-unit employees and their representative labour unions, and wage agreements for 2008 were settled amicably. We have also had an excellent response to wellness and awareness campaigns focused on combating the scourge of HIV and Aids in South Africa, and 3,624 permanent employees were tested during the year. A new wellness clinic (p81) in the town of Kathu, opened in December 2007, will provide an important service to the community and accelerate the testing drive.

Corporate governance

From a very early stage in the unbundling process, we concentrated on assembling a competent and representative board of directors who would establish the governance systems under which Kumba now operates.

These systems were designed to ensure that the group complies with the provisions of the King II report on corporate governance, the provisions of the Corporate Laws Amendment Act and the international governance standards of our major shareholder.

In its first year, the company has proved its ability to meet legislative compliance and governance standards. As a board, we are confident that Kumba will continue to be a responsible custodian of its natural resources and a significant contributor to the nation's prosperity and growth.

Thanks

Kumba is led by a competent and experienced management team, headed by Ras Myburgh, and our people have proven their mettle in a challenging but rewarding first year. Ambitious targets have been set for 2008 and beyond, and we are confident of both the ability and willingness of this new company to achieve these goals.



Lazarus Zim
Chairman

13 February 2008

Chief executive officer's review

Ras Myburgh



Introduction

Kumba's first full year as a pure-play iron ore business and as a listed group was marked by record production of 32.4Mt, a strong financial performance with operating profit up 52% year on year (before the effect of once-off items) and a 156% increase in our share price. There were many milestones in the 12 months to 31 December 2007, perhaps the most important of these being first production from the 13Mtpa Sishen Expansion Project jig plants. Commendably, Sishen Mine's unit cost was contained despite inflationary pressures and increased activity and, accordingly, the group's operating margin rose from 45% to 52%.

Kumba's 33% increase in revenue reflects not only record production, but higher sales volumes, increased benchmark prices and quality premia on certain products.

Iron ore is a critical input of the global steel industry. As such, the seaborne market for iron ore has grown at a compound annual rate of 8.1% from 454Mtpa in 2000 to 782Mtpa in 2007, primarily because of demand growth in China. Consensus expectations are that China will continue being the main driver of global steel production growth, with current forecasts suggesting that China will increase production from 420Mtpa in 2006 to 750Mtpa by 2012, requiring iron ore imports of over 730Mtpa.

The rise in maintenance-related activities and external contractor mining as a result of increasing mining activities at Sishen Mine affected the cost of production for the period. While we are satisfied that unit cost increases at the mine were contained to 2.5% for the year, maintaining this level will be more challenging given the inflationary pressures affecting the broader mining industry.

Equally, South Africa's power shortages have adversely affected Kumba's operations. Given that a 10% reduction in electricity use is required nationally to restore integrity of the energy supply, we have taken a number of steps to achieve this target, including a decision to cease all electricity power-assisted trucking (pantograph system) in the short term.

Our group's use of diesel will, therefore, increase and the efficiencies of the pantograph systems will be lost while the power reduction continues. Consequently, a rise in unit costs is likely and a reduction in output is possible if the crisis deepens.

Safety

Caring for our people, our environment and communities where we operate is part of the value system of Kumba.

In our commitment to safety and as a member of the Anglo America plc group (AA plc) we take our lead from its chief executive officer, Cynthia Carroll. Like her, Kumba is passionate about safety. We also believe that it is simply unacceptable for any of our employees to be injured in any way. On the road to safety maturity and in our quest for zero harm we continued to improve our safety performance over the year and safety will remain a top priority.

Sishen Mine maintained its lost-time injury frequency rate (LTIFR) at 0.23, achieving four separate periods of three to four million man-hours without a lost-time injury. The Sishen Expansion Project achieved an LTIFR of 0.24 at the end of December 2007.

Most commendably, by year end, Thabazimbi Mine had worked for more than five years without a fatality and recorded only two lost-time injuries in 2007.

Regrettably we had one fatality in February 2007, and we extend our deepest condolences to the family, friends and colleagues of Mr Samuel Marutle who died in a heavy vehicle incident.

Numerous safety initiatives (p74) are under way to improve awareness and performance in this area, focused on:

- Risk and change management – with a strong focus on principal hazards such as contractor management, lifting and material handling, transport management and implementation of group-wide fatal risk standards
- Culture, leadership and communication
- Training and competency
- Empowerment of first-line management.

Our first year as a pure-play iron ore business saw several records broken, most notably a production high of 32.4Mt and the first output from our R5 billion Sishen Expansion Project, which contributes significantly to skills development in the Northern Cape.

Our renewed safety improvement plans will be rolled out over three years and their success relies heavily on the support of every leader, employee and contractor in our group.

People

Kumba has a strong base of competent people, characterised by a positive attitude. Retaining these skills, attracting new skills and building a pool of talent for the future are our focus areas. Acknowledging the shortage of talent, especially scarce technical skills in disciplines such as engineering and geology, we have a comprehensive plan in place to ensure we have the skills to deal with our challenges (p70). We are committed to personal development and almost 600 young people are currently involved in some form of Kumba training, learnerships or bursaries. The group spends over 5% of payroll on skills development – well above the national average of some 3%.

We had good responses to employee wellness and awareness campaigns during the year. Over 75% of employees participated in the 2007 voluntary counselling and testing for HIV/Aids, and 92 employees are enrolled on the antiretroviral treatment programme, while some 300 are on the wellness programme. The success of these initiatives is partly reflected in a prevalence rate that has dropped to 6% from 11% in 2004. In December 2007, we also opened the first privately sponsored HIV and Aids treatment clinic in the Northern Cape in partnership with the local municipality and provincial department of health. This wellness clinic will provide services to the entire community, complementing current local private and public health services.

To effectively manage our expansions and the re-allocation of responsibilities, the executive team was strengthened during the year by the appointment of Timo Smit as head of commercial, Francois Louw as head of projects and Tebello Chabana as head of public affairs.

Transformation

Transformation is under way at many levels within Kumba.

During the year, we held a workshop with the Department of Minerals and Energy to verify our black economic empowerment shareholding of 26%. We await the department's confirmation of our ownership status.

We met our internal preferential procurement target of 30% (p63) and remain committed to continual improvement in this area, aided by supplier development programmes.

Employees are now shareholders in the group (p90) and we continue to make progress in building a representative workforce (p72).

Strategic aspirations and focus

Kumba's business planning process crystallises targets and responsibilities across our operations and business units, culminating in group goals:

- We have demanding aspirations for **safety** performance goals; we know these can only be reached through leadership, systems and procedures and by demonstrating our values in every action and decision to create a culture that will continually influence safe behaviour.
- To reach our goal of **maximising revenue**, we need to enhance credibility further by achieving our volume commitments, and demonstrate our marketing expertise by achieving quality premia for our niche products.
- **Business improvement** will be another priority area for the year, focused on rolling out value-based management, refining asset management and reducing costs of production and corporate costs.
- We will also focus on **value growth**, primarily by resolving the challenges of expansion and cost around the export channel and securing new-order rights for Sishen South.
- **Longer-term value growth** issues such as the Northern Cape growth pipeline, opportunities outside South Africa and adding value to our products and customers will also receive attention.

Operational performance

Kumba's first year culminated in good production results, even though our key expansion project was not yet fully operational. Tonnes produced set a new record of 32.4 million and the increase in unit costs was restricted to under 2.5% despite our current expansionary phase.

Sishen Mine achieved record production of 29.3Mt from the dense medium separation plant for 2007 and other production initiatives added 200,000 tonnes. Production from the newly operational jig plant contributed 173,000 tonnes although this was significantly lower than expected due to delays in commissioning the project. The 15% increase in total tonnes mined to 104.4Mt reflects higher mining activity because of the increased pit size and additional run-of-mine production in preparation for the expansion. This run-of-mine production includes 9.3Mt of B-grade material stockpiled as feedstock for the jig plant.

Thabazimbi Mine sustained production and sales were in line with ArcelorMittal's requirements. The life-of-mine has been extended to 2014 by including reserves now considered economical to mine given the change in iron ore prices.

Project pipeline and growth

Kumba's immediate plan is to double export capacity by 2013 to just over 45Mt. The first product from the 13Mt Sishen Expansion Project jig plant has already been shipped to customers, and we expect 8Mt in 2008 and 13Mt in 2009 from the jig plant. Some 400,000tpa will be added to this phase of Sishen Mine expansion in 2010 with the installation of a fines beneficiation circuit in the Sishen Expansion Project.

The next significant expansion is 9Mt/tpa from Sishen South with first production anticipated in 2012. When domestic sales of some 9Mt/tpa are added, Kumba will exceed production capacity of 50Mt/tpa by 2013.

These Northern Cape projects, however, depend on economically competitive expansions of the Sishen-Saldanha export channel. Kumba is actively engaged in discussions with state-owned utility, Transnet, which owns and operates the logistical infrastructure, and other industry participants in developing economically viable long-term solutions.

Sishen Expansion Project (SEP) jig plant: By end 2007, four of the eight jig modules were successfully commissioned and two of the four tertiary crushers brought into production. The primary and secondary crushers were successfully commissioned in late January 2008. Plant commissioning was affected by the late delivery of the primary and secondary crushers and delays due to a shortage of skills and resources caused by constraints in the construction industry.

Sishen South Project: This project involves developing a new opencast operation some 80km south of Sishen Mine and is currently being considered for development. However, this decision primarily depends on finalising commercial arrangements for the expansion of the Sishen-Saldanha export channel and mining rights being granted. Certain orders for long-lead items have been placed and product acceptance through letters from customers has been obtained. The Sishen South feasibility study was completed according to plan and cost estimates refined.

SEP II: A pre-feasibility study to increase production at Sishen Mine by 5-10Mt/tpa in addition to the jig plant is due to be completed in 2008. An evaluation of the product strategy of the mine is part of the pre-feasibility study to ensure it is aligned with future market developments as well as the mining resource and production facilities at the operation.

Beyond SEP and Sishen South

Our project pipeline is healthy and balanced, with projects in the Northern Cape, elsewhere in South Africa and in Africa offering the potential to grow towards 70Mtpa and beyond. This pipeline is constantly reviewed to consider operating and market conditions.

Guinea

In Guinea, Kumba owns a controlling stake in a company that has an exploration project some 300km north of the capital Conakry. Exploratory drilling began in April 2008 which could lead to the development of an iron ore mine as part of our growth strategy in West Africa.

IMBS

Kumba also entered into a venture with Jonah Capital's Iron Mineral Beneficiation Services (IMBS) to convert superfine iron ore tailings – currently considered waste – into metallic iron using ground-breaking technology. The venture is funded by the Industrial Development Corporation of South Africa (IDC) and offers the potential to transform large tonnages of superfine ore lying on tailings dumps into saleable product.

Legal proceedings

Falémé

Kumba has initiated arbitration proceedings against La Societe Des Mines De Fer Du Senegal Oriental (Miferso) and the Republic of Senegal under the rules of arbitration of the International Chamber of Commerce. This process is confidential and further disclosure will only be made once the final outcome is known.

ArcelorMittal

Kumba and ArcelorMittal have agreed to an arbitration process to resolve key differences of interpretation of the Sishen supply agreement. Arbitration proceedings were initiated in 2007 by Kumba. These proceedings are confidential and further disclosure will only be made once the final outcome is known.

Sustainability

Sustainability is a key element of all we do. We know Kumba's continued existence must contribute to economic and social development and environmental preservation – at local, provincial and national levels. To ensure that our sustainable development programmes are truly effective we align them with national priorities and initiatives.

Based on internationally recognised practices, our sustainable development report (from p60) sets out our progress in weaving sustainability into the fabric of our business.

Prospects

Global economic growth is expected to slow in the year ahead as domestic housing finance problems in the United States affect that country's economic growth and the ripple effect spreads.

However, the global market for iron ore is forecast to remain buoyant in the short to medium term. The economies of China and the rest of Asia are expected to continue growing on the back of strong domestic demand and high levels of domestic fixed investment, providing continued strong growth in demand for iron ore. Major suppliers, however, are still struggling to bring new production in on time to meet rising demand due to the global shortage in engineering and construction resources.

In addition, logistical constraints associated with rail and port capacity and periodic shortages in dry bulk vessel capacity are expected to affect the supply side of the seaborne iron ore market. As a result, prices are expected to remain firm in the medium term.

Operating expenses will remain under pressure, possibly exacerbated by energy shortages and the need to use higher-cost options to maintain production. Production from the jig plant is expected to ramp up in 2008, reaching 13Mt in 2009, with most of this additional production destined for markets in China.

Thanks

It is my privilege to head a team of people that has so convincingly proved its worth in the past year. Just as importantly, as a team we have agreed on the way forward for our group with the full support of a formidable board of directors under the chairmanship of Lazarus Zim. I have every confidence that, together, we will attain all our goals.



Ras Myburgh

Chief executive officer

13 February 2008

Financial review

Kumba continued to generate superior returns for shareholders, with significant growth in its share price and a substantial dividend.

Introduction

This review compares the Kumba group's financial performance for 2007 to 2006 (a pro forma 12-month comparative consolidated income statement for the Kumba group is provided in annexure 3 of the annual financial statements (p178)). The purpose of this review is to provide further insight into the financial performance and position of Kumba as at 31 December 2007.

Operating results

The key indicators of our operating results during the past year are:

Rand million	2007	2006	% change
Revenue	11,497	8,654	33
Operating expenditure*	(5,519)	(4,719)	(17)
Operating profit*	5,978	3,935	52
Operating margin (%) (EBIT)*	52	45	–
Headline earnings	3,062	2,125	44
Cash from operations	5,805	4,277	36
Capital expenditure	2,119	1,718	23

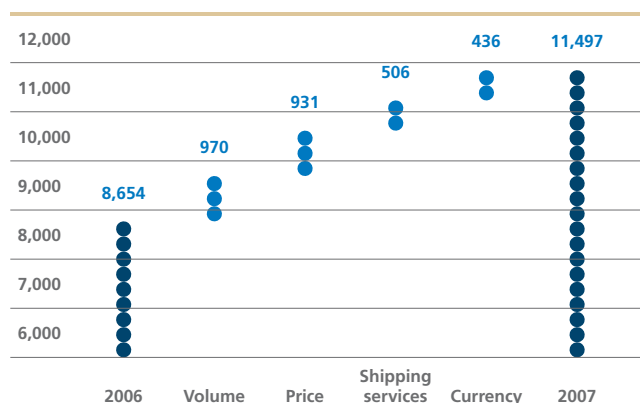
* 31 December 2006 results have been adjusted for the once-off net surplus on the sale of non-iron ore assets of R1,571 million and share-based payment expense – SIOC Community Development SPV of (R153 million).

Revenue

Kumba increased revenue by 33% on the back of record production, higher sales volumes, increased benchmark prices and quality premia on certain products.

Revenue generated from the sale of iron ore and the provision of shipping services increased 33% from R8.7 billion to R11.5 billion.

Revenue variance (Rand million)



This increase was principally a result of:

- An increase of 10% in sales volumes from 29.8Mt to 32.9Mt which added R970 million. Export sales volumes from Sishen Mine increased by 12% from 21.5Mt in 2006 to 24.0Mt. Overall sales volumes increased on the back of record production at Sishen Mine and the sale in the first quarter of 2007 of finished product inventory that had built up at the Saldanha port as a result of an equipment breakdown at the port in September 2006. Domestic sales volumes were 7% higher at 8.9Mt due to increased demand from ArcelorMittal.
- The year-on-year weighted average prices from export sale volumes increased by 12% from US\$47.97 per tonne to US\$53.83 per tonne in 2007, which buoyed export revenue by R931 million. Export sales for the first three months of 2007 were based on the 19.0% increase in the iron ore benchmark price for 2006/2007. An increase of 9.5% in the benchmark price for the 2007/2008 iron ore year applied from 1 April 2007, before accounting for quality premia on small volumes.

- Increased revenue from shipping services of R506 million. The 87% rise in shipping revenue from R579 million in 2006 to R1.1 billion in 2007 is principally the result of a 92% increase in the average freight rate per tonne and an increase in volumes shipped on a cost insurance freight (CIF) basis.
- The weakening of the average exchange rate of the Rand to the US Dollar (average spot exchange rates R7.03/US\$1.00 in 2007 compared with R6.73/US\$1.00 in 2006) contributed R436 million to revenue.

Operating expenditure

Operating expenses remained under pressure with an increase of 17% year on year:

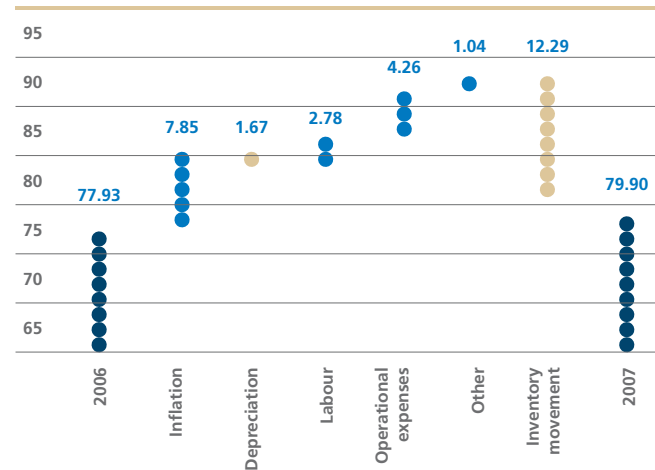
Rand million	2007	2006	% change
Cost of goods sold	3,338	3,094	(8)
Production costs	3,740	3,143	(19)
Inventory movements	(402)	(49)	
Expenditure – shipping services	887	479	(85)
Selling, rail and port costs	1,300	1,151	(13)
Sublease rent received	(6)	(5)	20
Operating expenditure	5,519	4,719	(17)

The cost of goods sold increased 8% from R3.1 billion to R3.3 billion in 2007. The increase in production costs of R597 million was tempered by the rise of R353 million in the movement in inventory balances from one period to the next. During the year approximately 9.3Mt of B-grade material (with an iron content of between 50% and 60%) mined at Sishen Mine with a cost of R440 million was stockpiled ahead of the full commissioning and ramp-up of SEP. Expenditure arising from shipping services increased 85% due to higher average freight rates. A similar increase was achieved in revenue from these operations. Selling, rail and port costs increased 13% year on year due to increases in rail and port tariffs, a higher load factor as the export channel is ramped up for increased volumes from SEP, and an increase in the volumes railed and shipped during 2007.

Sishen Mine unit cost

Sishen Mine saw record production of 29.7Mt – an increase of 4% from 28.7Mt in 2006. Total tonnes mined at Sishen Mine increased 15% from 90.5Mt in 2006 to 104.5Mt. Inflationary pressures and a rise in maintenance-related activities and external contractor mining as a result of increasing mining activities at the mine affected the cost of production. After taking into account the capitalisation of the costs associated with 9.3Mt of B-grade material, Sishen Mine’s unit cost increase of 2.5% was contained at R79.90 per tonne compared to R77.93 per tonne in 2006, despite increased mining activities and inflationary pressures.

Sishen Mine unit cost (Rand per tonne)



Operating profit

Although operating expenses remained under pressure, Kumba’s operating margin increased from 45% (before once-off items) to 52% in 2007.

Capital expenditure

Kumba incurred capital expenditure of R2.1 billion in 2007, some R401 million more than the R1.7 billion spent in 2006. This increase was principally incurred on SEP as activities on the project increased during the year – with expansion capital expenditure increasing from R1.4 billion to R1.8 billion.

Aggregate capital expenditure on SEP to 31 December 2007 totalled R3.3 billion, with approximately R1.0 billion expected to be incurred in 2008 and R0.6 billion in 2009.

Cash flows

Cash flows of R5.8 billion were generated by operations, an increase of 36% on the R4.3 billion generated in 2006.

The cash generated by Kumba was used to pay interest of R300 million, taxation of R1.3 billion and dividends of R1.7 billion (R1.4 billion to shareholders of Kumba and R392 million to minority shareholders of Sishen Iron Ore Company) during the year. Bank facilities were used to fund R2.1 billion of capital expenditure for SEP and to maintain operations. Certain interest-bearing borrowings were repaid with cash flows generated during the year.

Rand million	2007	2006	% change
Cash generated by operations	5,805	4,277	36
Capital expenditure	2,119	1,462	45
Net decrease in debt	(489)	(939)	(48)
Dividends paid	1,745	–	–
Dividends to Kumba shareholders	1,353	–	–
Dividends to minority shareholders	392	–	–

Net debt

Kumba's net debt position at 31 December was as follows:

Rand million	2007	2006
Long-term interest-bearing borrowings	1,040	2,840
Short-term interest-bearing borrowings	2,490	1,179
Total	3,530	4,019
Cash and cash equivalents	(952)	(1,094)
Net debt	2,578	2,925
Total equity	3,295	1,055

Through strong cash flow generation, the net debt position of Kumba has reduced from R2.9 billion in 2006 to R2.6 billion in 2007.

It is the intention of management to fund Kumba's capital expansion projects through debt financing. At 31 December 2007 Kumba was revolving certain of its debt facilities and, for this reason, a significant portion of the interest-bearing borrowings are considered short term. However, as debt is used to finance Kumba's expansion, the debt profile will return to a longer-term profile. The maximum debt in terms of current covenants is R4.5 billion. Kumba was not in breach of any of its covenants during the year, with interest cover at a healthy 19 times earnings.

Shareholder returns

Kumba continued to generate a superior return for its shareholders during the year, with significant growth in its share price and a substantial dividend.

Share price

Calendar 2007 marks the first full year of Kumba as a pure-play iron ore business listed on the main board of the JSE Limited and saw the Kumba share price close at R285 per share, up 156% for the year, creating an increased market capitalisation of R55.5 billion over the period.

Kumba share price performance (Rand)



Dividends

Attributable and headline earnings for the year were 985 cents and 974 cents per share respectively, on which a final dividend of 400 cents per share has been declared and an interim dividend of 350 cents per share was paid. This brings the total dividend for the year to 750 cents per share.

Kumba's policy is to pay a dividend to its shareholders twice a year (interim and final), with a goal of reducing the cover to 1 times earnings (inclusive of STC) over the long term. The dividend is determined after taking into account the available cash of Sishen Iron Ore Company.

Empowerment

As part of the unbundling, Kumba implemented various transactions in which 26% ownership in Sishen Iron Ore Company was transferred to Exxaro Resources (20%), SIOC Community Development SPV (3%) and Envision (3%).

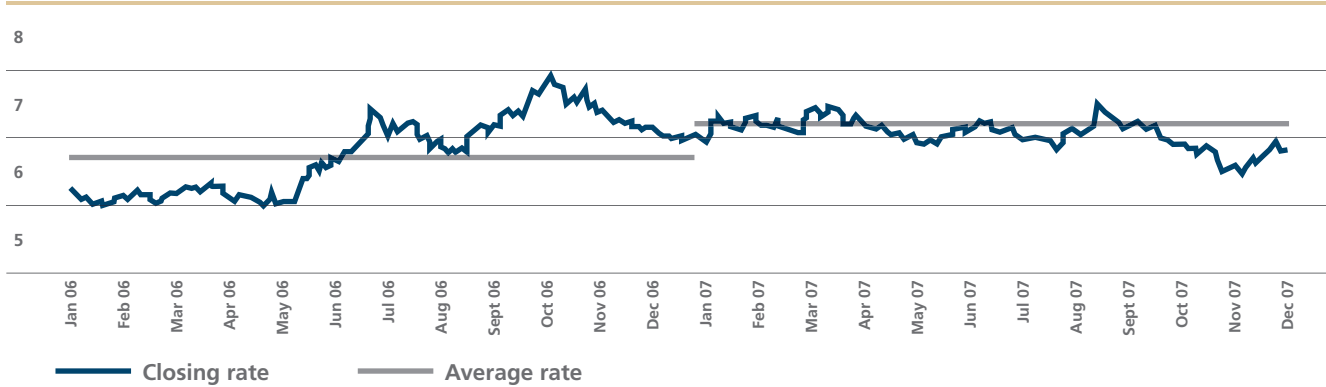
In preparing the condensed consolidated financial report, SIOC Community Development SPV and Envision are considered special purpose entities and are consolidated for accounting purposes. These entities will be consolidated while the funding structures remain (approximately four more years).

These parties along with Kumba participate in the dividend declared by Sishen Iron Ore Company. The following dividends were declared during the year:

Rand million	Total dividend 2007	Final dividend 31 Dec 2007	Interim dividend 30 Jun 2007
Dividend declared by Sishen Iron Ore Company	3,266	1,755	1,511
– Kumba	2,417	1,298	1,119
– Exxaro Resources	653	351	302
– SIOC Community Development SPV	98	53	45
– Envision	98	53	45

During 2007, R11 million was paid to employees of Sishen Iron Ore Company through the dividend received by Envision and R7 million to the SIOC Community Development Trust through its interest in the SIOC Community Development SPV. The remaining dividend received by Envision and the SIOC Community Development SPV is used to reduce the funding put in place to acquire the underlying interest in Sishen Iron Ore Company.

Rand/US Dollar exchange rate



Key factors affecting future operating results

Export iron ore price

Iron ore is a critical input of the global steel industry, with world crude steel production increasing 7.5% in 2007. The seaborne market for iron ore has grown from 454Mtpa in 2000 to 782Mtpa at the end of 2007.

Higher demand for iron ore and continued difficulties by suppliers in bringing on new production to meet this demand, coupled with logistical constraints, have underpinned a significant increase in the benchmark iron ore price in recent years.

Exchange rate

Kumba's revenue generated from the export of iron ore and shipping services, which represents some 88% of revenue generated, and a significant portion of Kumba's capital expenditure is affected by the Rand/US Dollar exchange rate. Therefore, the average exchange rate for the year has a significant effect on revenue and operating profit.

In 2008 the Rand/US Dollar exchange rate has already exceeded R8.00/US\$1.00. This weakness in the Rand will have a positive impact on operating profit assuming the average exchange rate for 2008 exceeds the average rate of R7.03/US\$1.00 in 2007. (See graph at top of page).

Energy

As explained by the CEO (p26), Kumba is managing this crisis actively to minimise the impact.

Changes in accounting estimates

The provision for environmental rehabilitation and decommissioning recognised by Kumba is based on management's best estimate of the cost to be incurred. The actual liability for rehabilitation and decommissioning that may arise on closure of the mines can vary from our estimate. As a result, the liabilities we report can vary if our assessment of expenditures changes.

The estimated closure cost for rehabilitation and decommissioning at Sishen Mine and Thabazimbi Mine has been revised during the year to take into account the results of experiments undertaken over recent years for Sishen Mine, an escalation in the cost of rehabilitation and the timing of cash flows.

Rand million	Environmental rehabilitation	Decommissioning	Total
The effect of these changes is detailed below:	140	8	148
Discount rate	50	11	61
Amount of the closure cost	168	12	180
Expected timing	(78)	(15)	(93)

Changes in accounting policies

Kumba adopted IFRS 7, Financial Instruments: Disclosures (IFRS 7) and the related amendments to IAS 1, Presentation of Financial Statements and IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (IFRIC 11) with effect from 1 January 2007.

IFRS 7 requires that every business disclose information on the significance of financial instruments and the nature and extent of risks arising from these financial instruments. The disclosure requirements of IFRS 7 have been applied retrospectively.

The amendment to IAS 1 requires disclosure of the objectives, policies and processes for managing capital. IFRIC 11 provides guidance on applying IFRS 2, Share-Based Payment in circumstances where an entity chooses or is required to buy its own equity instruments (treasury shares) to settle the share-based payment obligation.

The adoption of this standard, the related amendment and interpretation has had no effect on the financial results and financial position of Kumba.

New production records set in 2007, and safety performance improved despite increased levels of activity.

Operational review

A nighttime photograph of an industrial facility, likely an iron ore processing plant. The scene is illuminated by numerous warm-toned lights, creating a complex network of structures, pipes, and scaffolding. In the background, a large, brightly lit building or structure is visible against the dark sky. The overall atmosphere is one of active industrial operations.



The jig plant at Sishen Mine represents a R5.1 billion investment.



Operational review

We are entrenching our status as a preferred supplier of premium products and a diversified portfolio through a careful and dynamic balance between optimal use of our resources and cost-effective operating processes.

This is a challenge best met by continual innovation and a firm commitment to meeting the changing needs of our global customers.

Market review

The iron ore market has had five years of annual benchmark price rises, with increases of 71.5% and 19.5% in the years ending in March 2004 and 2005 respectively and a further 9.5% increase in the year ending March 2007. Underpinning this has been high Chinese demand for iron ore, which has risen from over 92Mt in 2001 to 326Mt in 2006 and 387Mt in 2007.

China has become a major consumer, accounting for over 45% of global seaborne iron ore. China's continued growth has, however, not been matched by growth in supply capacity, leading to tightening supply: major capacity expansions and new capacity have been announced to meet this growing demand. The outlook is positive as China continues to grow and positions itself to remain a major consumer and exporter of steel.

The industry expects the seaborne iron ore trade to grow by an additional 200-250Mt by 2011. In addition, the consolidation of the Chinese steel industry will facilitate the movement to higher-value flat product exports to the USA, Europe, the Middle East and the rest of Asia as well as for domestic consumption in durable goods.

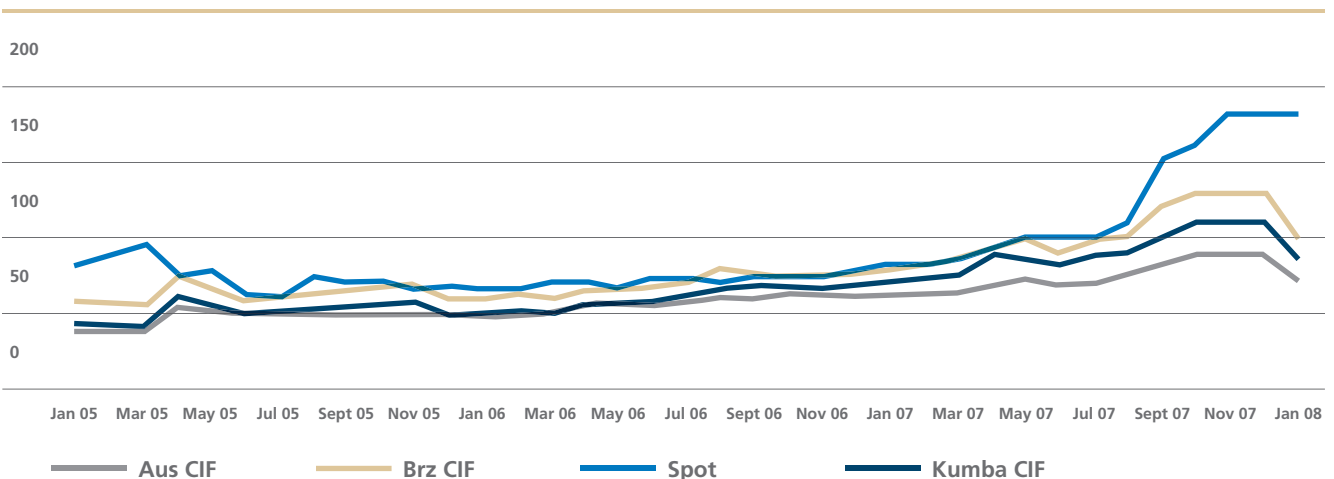
These developments will bode well for price increases as steel mills become more profitable and are able to absorb higher raw material costs.

Uncertainty remains about a possible mismatch in timing between demand growth and the rate at which new projects come online, given rising costs and a shortage of the required skills to deliver projects on time. The balance of risk is, however, believed to be on the upside and the market is likely to remain tight in the short to medium term.

Preferred product

Iron ore is used to produce pig iron and direct reduced iron, the primary raw materials in producing steel. Steel, in turn, is the primary component in structural engineering, vehicles, machinery and countless household items used daily. Steel is as much a mainstay of progress and development today as it was when the first ironworks were established at the turn of the 19th century.

Export iron ore price (US\$ per tonne)





In 2007, 24Mt was exported through the port of Saldanha.

Kumba has become a preferred supplier to many customers worldwide because of its beneficiated Sishen Mine ore – the combination of consistent quality, high iron content, resistance to physical degradation during transportation and handling, and very low moisture content has made this ore a sought-after product around the world.

While Kumba's production is at a relatively higher cost, largely due to rail transport costs, its high proportion of premium lump ore provides competitive margins relative to other producers.

Preferred supplier

Kumba aims to be a preferred supplier through long-term relationships that add value to its stakeholders. Central to this aspiration is a product and marketing strategy that ensures Kumba fulfils changing customer needs through a portfolio ranging from low-grade products with an iron content of 60% to the current high-grade products of 66% iron content.

Offering a multi-product portfolio requires a careful and dynamic balance between optimal resource utilisation and cost-effective operating processes. Achieving this balance in turn enables Kumba to market niche products at a premium, given the flexibility these products introduce to the manufacturing process for steel producers.

Logistics

Total throughput for Kumba on the Sishen-Saldanha rail line was marginally higher than the previous year but lower than anticipated, given slower-than-expected ramp-up of production from the jig plant. Accordingly, utilisation of the rail line was 87% compared to 94% in 2006 measured against guaranteed tonnage from Transnet Freight Rail.

Saldanha Port Operations

Kumba Port Operations Saldanha is a division of Kumba, located on South Africa's west coast (Western Cape province), 120km north-west of Cape Town. Its primary function is to arrange and monitor the orderly receipt of iron ore at the bulk terminal (Saldanha Bay); monitor loading of ore vessels; optimise blending through efficient stacking procedures; manage iron ore reclamation and provide a consistent homogeneous product.

Sishen Mine



(Mt)	2007	2006	2005
Production	29.7	28.7	28.5
Overburden mined	65.5	59.3	58.6
Run-of-mine pit production	39.0	31.2	31.7
Stripping ratio (times)	1.68	1.90	1.85
Run-of-mine plant feed	34.5	32.4	31.8
Plant yield (%)	86.0	87.1	89.4
Cost per tonne			
Total cost (R)	79.9	77.9	76.9
Cash cost (R)	74.3	69.9	68.8
Sales			
Export	24.2	21.5	22.1
Local	6.5	5.9	6.6
Total sales	30.7	27.4	28.75
Safety			
Lost-time injury frequency rate per 200,000 hours	0.23	0.22	0.29
Fatalities	1	1	–

Operational activities

For the year to 31 December 2007 Sishen Mine recorded 29.7Mt of final product, breaking the record it set in 2006 of 28.7Mt.

Corrective action to address the unusual number of injuries in the first quarter paid off and the mine maintained its lost-time injury frequency rate (LTIFR) at 0.23 in 2007. Most regrettably, there was one fatality in a heavy vehicle incident at the mine in February 2007. We extend our deepest condolences to the family and friends of Mr Samuel Marutle, and reaffirm our commitment to reach our target of a zero-injury workplace.

The drive to improve performance and achieve real cost savings across the value chain continued during the year, with notable results. Best practices were established in tyre management, fuel and lubrication management and explosives. In addition, Kumba capitalised on shared purchasing opportunities with its major shareholder and spearheaded an initiative on optimising the use of fuels and lubricants. These and other initiatives resulted in savings of R199.6 million for the year, bringing Sishen Mine's unit cost of production to R79.90 per tonne compared to R77.93 per tonne in 2006, an increase of just 2.5% despite inflationary pressures and considerably more mining activity in a larger pit and in preparation for expansion.

In 2007, prudent use of contractor capacity enabled Sishen Mine to manage longer travel distances, a deeper ore body and increased production volumes. Some 39.6Mt of waste was handled by contractors during the review period, 41% above 2006 following the creation of additional facilities to manage the rising waste volumes generated by a deepening ore body. Snowden Mining Consultants carried out a study to determine the most cost-efficient method of removing waste from the pit. In-pit crushing and conveying systems were evaluated against the current mining fleet and a fleet of larger mining equipment. The outcome of the study will become part of Sishen Mine's future equipment plan.

The ongoing focus on continuous improvement and "lean production" principles remains an important management tool to improve efficiencies and margins. Material efficiency improvements were again achieved in a number of areas, notably in selective mining, where an increased plant yield of 5% reflected improved use of the ore body. With selective mining, the most appropriate equipment is used to supply the optimum volumes and quality of feedstock to the beneficiation plant. Correctly managed, this is an efficient means of producing run-of-mine material by eliminating waste.



Continuous improvement initiatives include reducing scheduled maintenance stoppages, while increasing the availability of the total production line. This improved maintenance planning process created additional production capacity of 386,154 tonnes during the year without incurring any capital costs. The maintenance teams continually examine routine work management, and review the maintenance strategy of critical equipment and related spare parts to optimise equipment availability.

Despite all the initiatives to improve efficiencies and margins, production costs remained under pressure as discussed in the financial review (p30).

Undoubtedly, for Sishen Mine, the major highlight and challenge of the period was the R5.1 billion Sishen Expansion Project (SEP)

that will produce 13Mtpa at full capacity to increase annual production from Sishen Mine to 42Mtpa and lower overall unit cost. Importantly, from a sustainability perspective, much of SEP's production will be in beneficiating product that was previously considered waste.

While the mechanical aspects of SEP were substantially complete by 30 June 2007, the start of production was behind schedule due to earlier engineering difficulties caused by skills shortages, capacity constraints and late deliveries by suppliers. There have been other delays caused by industrial action and critical mechanical failure in the crushers. Full ramp-up to design capacity is expected during 2008.

Management team

1 Christine de Beer
Supply manager (47)
BCom (Strategic Management)

2 Chris Minnie
Manager plant (40)
B(Eng)(Ind), MBL

3 Hannes Cronje
Manager mining (34)
BEng (Mining)

4 Marthina Alchin
Manager business improvement (49)
MSc (Min Engineering), MBA

5 Paul Hibbert
Manager finance (42)
CA(SA)

6 Retief Louw
Acting general manager (44)
BEng (Elec), Diploma Datametrie (Information Systems), MEM (Masters in Engineering Management)

7 Anisaan Naidoo
Acting resident engineer (29)
BSc Eng (Mech)

8 Kobus Meyer
Manager human resources (52)
MCom (Human Resources Management)

9 Theo Kleinhans
Operations manager (57)
MSc (Chemical)

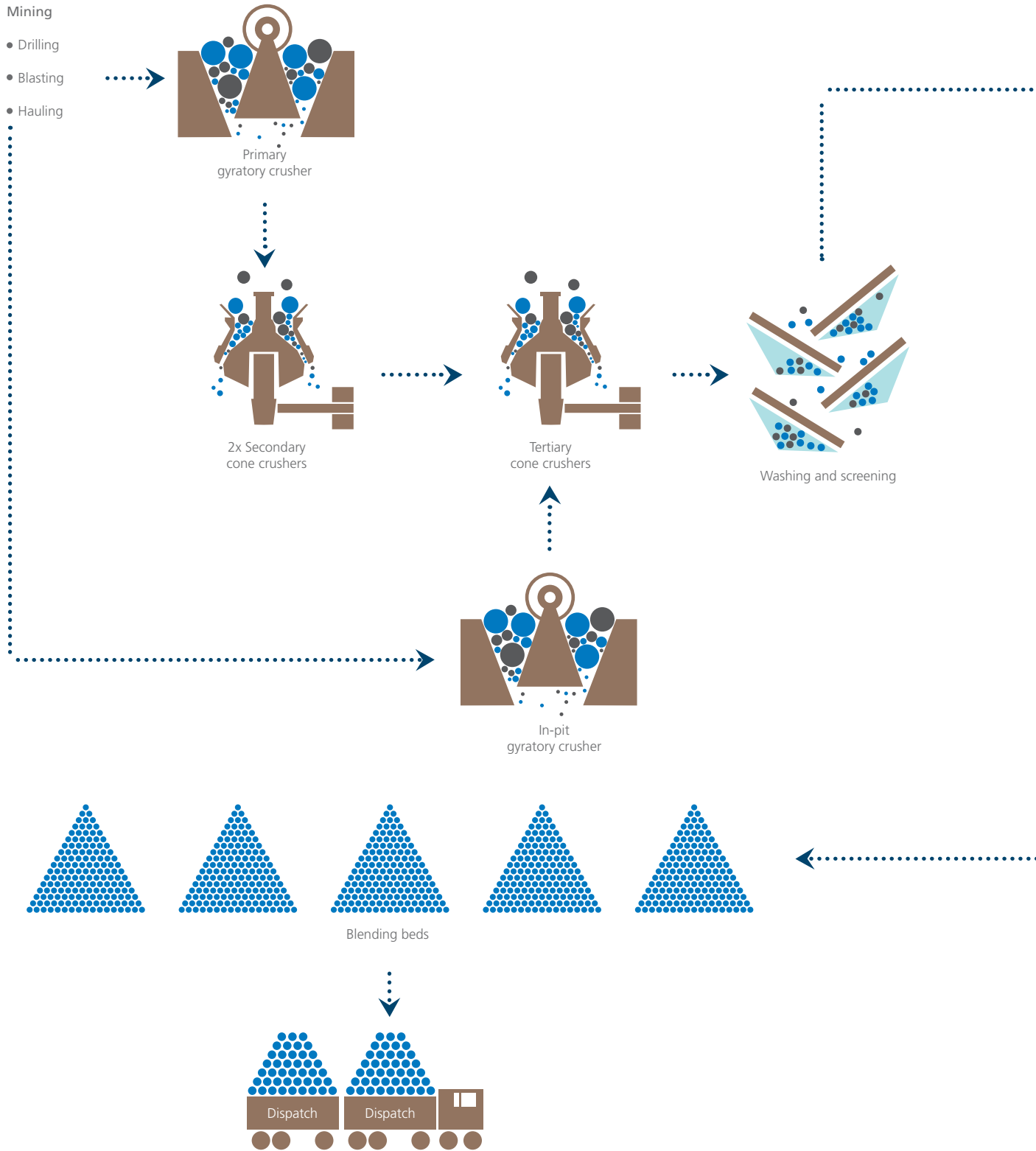
10 Witness Kwaza
Manager safety, health and environment (48)
Dip (Modern Safety Management), Management Dip

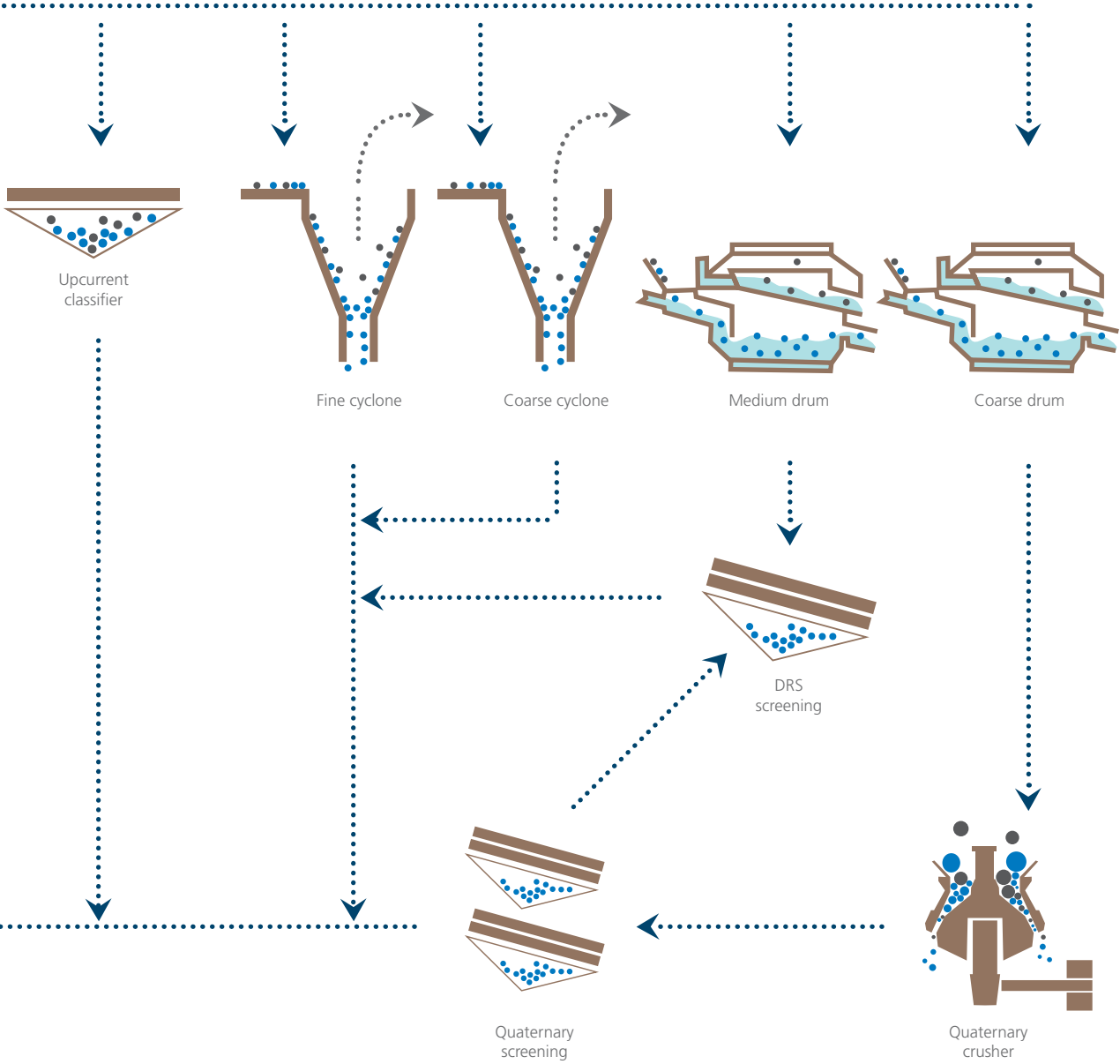
11 Anel Marais
Manager sustainable development (35)
BPrim Ed

Sishen Mine's beneficiation process flow

Mining

- Drilling
- Blasting
- Hauling





Sustainability

Two features of Sishen Mine stand out: firstly, its physical size and secondly the impact – socially, environmentally, economically – of this mine.

From an environmental perspective, the scale of this footprint has consequences on land management, especially rehabilitation and biodiversity, groundwater management and the efficient use of resources in terms of mining and processing.

Socially and economically, the mine's impact is significant. It is the Northern Cape's largest employer and a major trainer of artisans in the country; it uses 75% of the dedicated 861km-long Sishen-Saldanha railway line and export facilities.

Challenges	Management intervention
Environmental:	
Rehabilitation	Studies and experiments to determine the best rehabilitation technique for mine rock waste dumps have been running for the past four years and were completed at the end of 2007. Consultation with the Department of Minerals and Energy (DME) on approval of the preferred option and updated mine closure cost estimates related to the physical environment have begun. Socio-economic and bio-physical components will be completed in 2008.
Dust	Dust is controlled through a chemical suppression process.
Dewatering	Studies are being conducted to determine the impact zone of dewatering activity on neighbouring farmers. Sishen Mine maintains ongoing consultation with affected farmers and the Department of Water Affairs and Forestry (DWAF). Where required, the mine assists affected farmers with water supplies.
Resource use and efficiency	There is ongoing investigation and implementation of more efficient technologies to reduce water and energy consumption, and consequently emissions and waste.
Socio-economic:	
Lack of skilled artisans	The mine dedicates substantial resources to train and retain artisans. Its training centre is one of the few fully accredited institutions in the country that provides valuable theoretical and practical training for its own needs and for others.
Home ownership	New developments include an evaluation of home affordability, and the implementation of employee assistance programmes to promote home ownership. The hostels in Kathu are being converted into bachelor flats; employees are encouraged to bring their families to Kathu.
Local economic development	There is ongoing consultation with local and district municipalities to support integrated development plans. Community development projects are continually identified, and form part of the mine's social and labour plan, which is aligned to local government's integrated development plan and local economic development strategy.



The SEP plant at Sishen Mine uses material previously classified as waste.

Thabazimbi Mine



(Mt)	2007	2006	2005
Production	2.7	2.4	2.5
Overburden mined	16.7	18.6	25.0
Run-of-mine pit production	3.4	3.1	2.8
Stripping ratio	5.2	6.4	8.8
Run-of-mine plant feed	3.2	2.9	3.0
Plant yield (%)	84	82	83
Sales to ArcelorMittal			
Total	2.4	2.4	2.5
Cost per tonne			
Total cost (R)	204.87	188.02	175.10
Safety			
Lost-time injury frequency rate per 200,000 hours	0.12	0.31	–
Fatalities	–	–	–

Operational activities

At current production levels of 2.7Mtpa, Thabazimbi Mine has an estimated life of seven years with present resources. The mine's total production is sold to ArcelorMittal at cost of production plus a margin of 3% on a free-on-rail basis.

Thabazimbi Mine's stringent focus on safety has produced an exemplary record with only two lost-time injuries during the year to achieve a lost-time injury frequency rate of 0.12, down from 0.31 in 2006.

Sales volumes of final product were maintained at 2.4Mt. With a stripping ratio of 5.2, the mine delivered 2.7Mt of run-of-mine ore to the plant, yielding 84% of final product.

By including reserves now considered economical to mine given stronger iron ore prices, Thabazimbi Mine's life has been extended to 2014.

Sustainability

Thabazimbi Mine employs only 3% of the local populace. While Kumba is evaluating alternatives to closure, plans for mine closure such as what to do with facilities, and what plans are in place for the workforce post closure (pp71 and 88) are being refined.

Despite Thabazimbi Mine being a small operation, it faces several environmental challenges due to steep slopes after mining. These include water management, rehabilitation and vegetation establishment.

The following table summarises key environmental and socio-economic issues at Thabazimbi Mine, as well as the progress it has made in environmental management and socio-economic development.



Challenges	Management intervention
Environmental:	
Rehabilitation	The mine is awaiting results of experiments at Sishen Mine to determine the feasibility of vegetating steep slopes. Depending on the success of the trials, consultation with the DME on approval of the preferred option and updated mine closure cost estimates related to the physical environment will begin during 2008.
Surface water management	Bio-monitoring is conducted seasonally to determine the environmental impact.
Resource use and efficiency	Projects are ongoing to further improve resource consumption efficiency.
Socio-economic:	
Lack of skilled artisans	A skills development and retention strategy is in place. Training includes learnership programmes and training of maintenance operators.
Mine closure	A gap analysis of the mine closure plan was completed in 2007. The physical component of the mine closure plan with cost estimates was updated; the socio-economic impacts and bio-physical components will be addressed in 2008. Life-of-mine has been extended to 2014 and all feasible alternatives to closure are being considered.
Home ownership	New developments include evaluating affordability and employee assistance programmes to promote home ownership. The upgrade of nine blocks into family units was completed with another six to be finalised.
Local economic development	Ongoing consultation with local and district municipalities to support integrated development plans. Community development projects are continually identified, and form part of the mine's social and labour plan, which is aligned to the integrated development plan and local economic development strategy of local government.

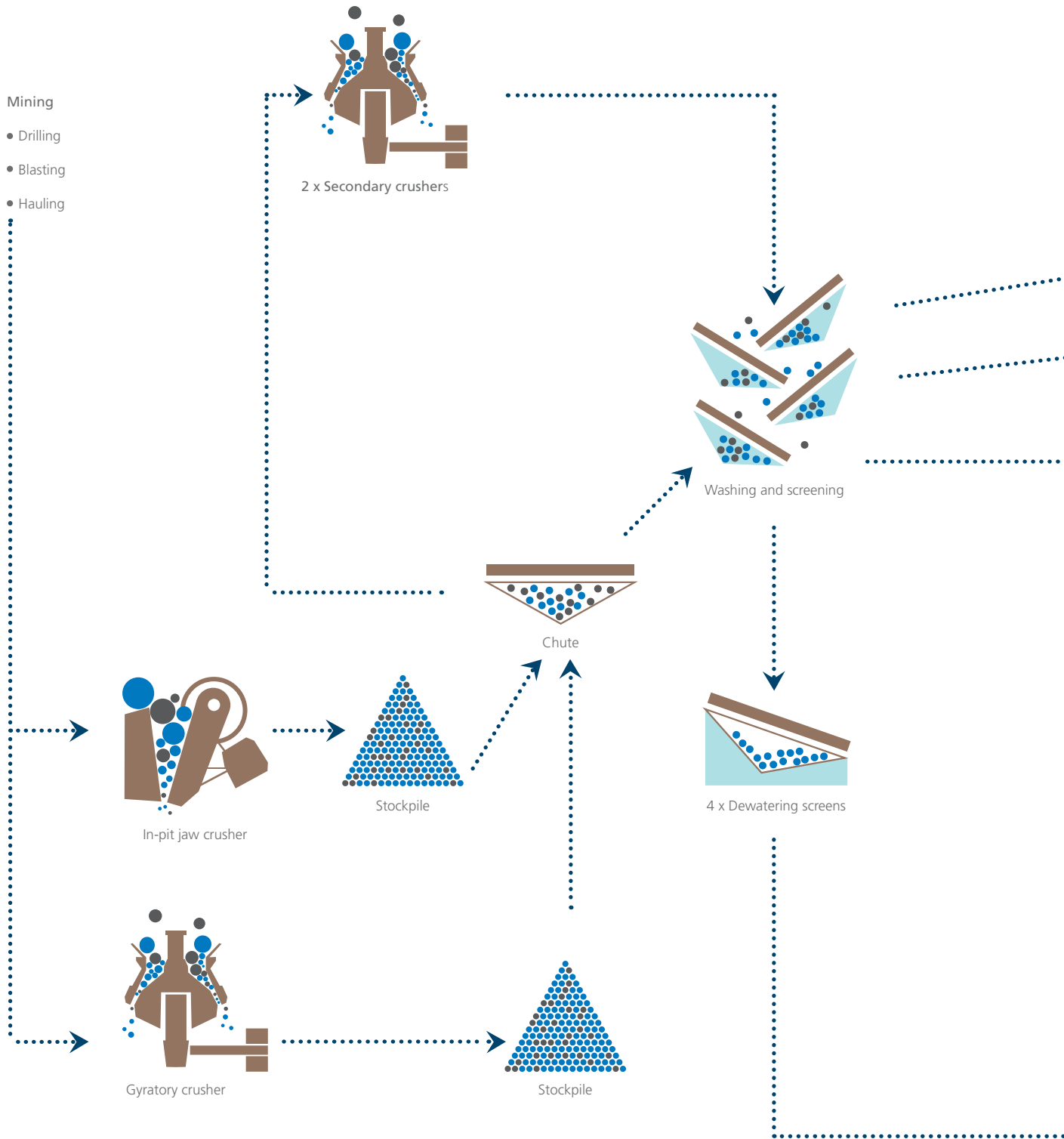
Management team

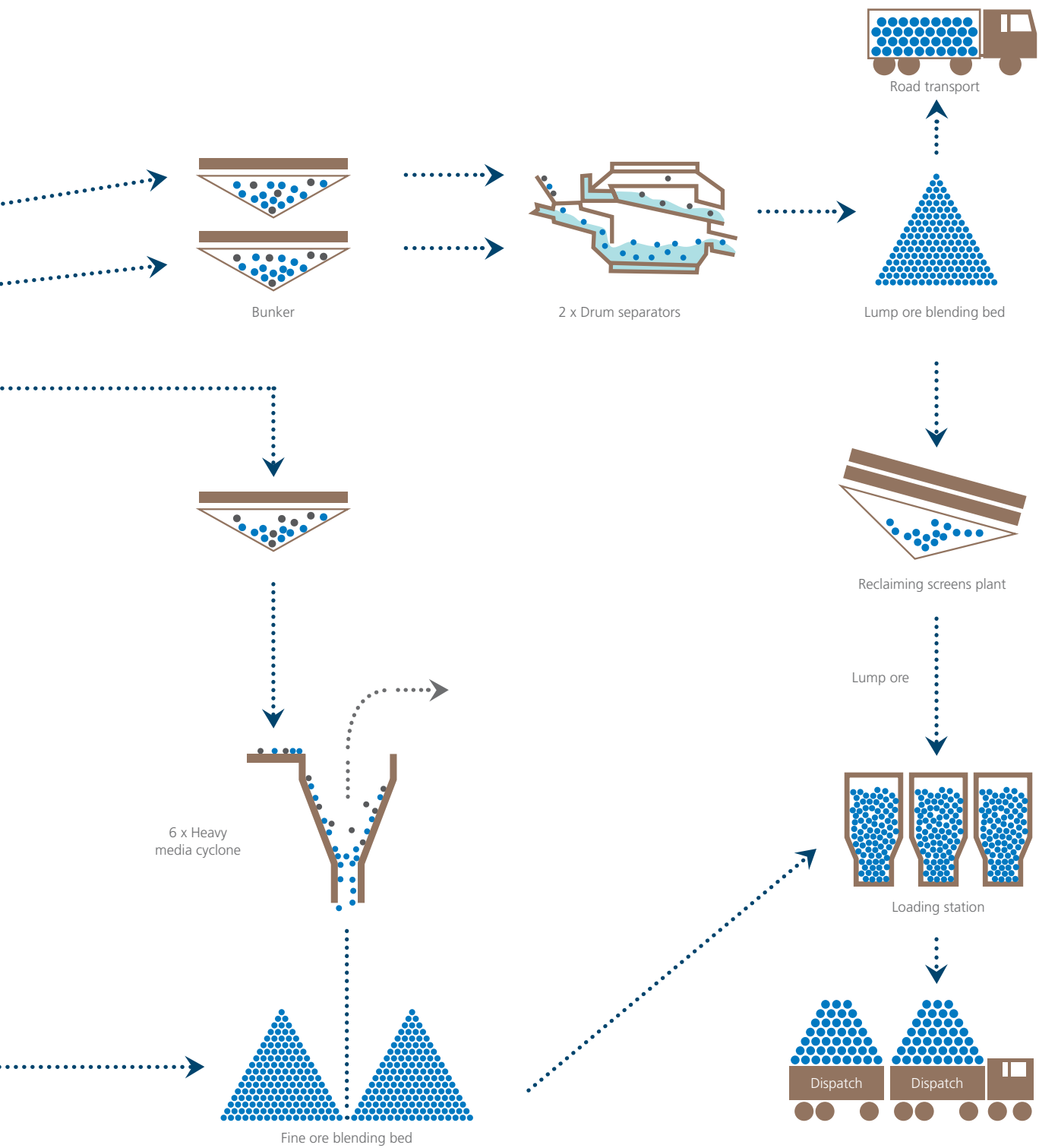
- 1 Gerhard Brand**
Manager mining (42)
BSc (Mech Engineering)
- 2 Lesego Mataboge**
Manager human resources (36)
BA, Dip Human Resources
- 3 Aart van den Brink**
General manager (46)
MSc (Engineering)

- 4 Henk Storm**
Manager materials management (52)
NDip (Eng Industrial), BCom, MBA
- 5 Sabelo Gumede**
Manager safety, health and environment (36)
BSc (hons)

- 6 Dries Burger**
Manager finance (54)
BCom, NDip Management
- 7 Cornelia Holtzhausen**
Manager plant (35)
BSc (Metallurgical Engineering), MBA

Thabazimbi Mine's beneficiation process flow





Project pipeline

A well-developed project pipeline is the lifeblood of a mining company. Kumba's pipeline in South Africa and beyond ranges from potential study phase to implementation, positioning the group well to meet its target of more than doubling export production capacity by 2013.

Kumba has an exciting project pipeline of opportunities supporting its intention to double export production capacity to over 45Mtpa by 2013. The group will capitalise on the full potential of the substantial Northern Cape iron ore resources it controls, and it has access to other opportunities in West Africa, including exploration activities in Guinea detailed below.

Some South African opportunities, however, depend on the expansion of the Sishen-Saldanha export channel and on new markets. Kumba is, therefore, actively engaged in securing co-operation and participation from the parties concerned.

The fact that Kumba has an exciting project pipeline ensures that the group can build a core team and deploy them on future growth opportunities. Kumba has also forged strategic alliances with Anglo Technical Services and some external core project management professionals who will strengthen the ability of the team to deliver on these challenges. The Sishen Expansion Project detailed below has provided a steep learning curve to further improve our project management and execution skills.

Sishen Expansion Project (SEP)

In early 2005, the board of Kumba Resources approved R5.1 billion to develop SEP and expand its production capacity by 13Mtpa.

The SEP project uses jig pulsating technology to separate iron-bearing material from waste material, and is less expensive and better suited to upgrading lower-grade ore. The final product has a slightly lower iron content at 64% for lump and 63.5% for fine ore, compared to normal Sishen Mine ore which is 66% and 65% respectively.

SEP experienced a number of delays in the execution phase. To date, most sections have been commissioned and good progress has been made in 2008. Delays were primarily due to the late delivery of the primary and secondary crusher systems, and contractor skills shortages.

SEP is expected to produce 8Mt in 2008 and to be completed within budget and at full 13Mt capacity in 2009. Kumba plans to add a fines beneficiation circuit (SEP1B) to SEP that will produce an additional 400,000tpa of fine ore at an expected capital cost of R100 million. Implementation is expected to begin in 2010.

Sishen South project

This project involves developing a greenfields opencast operation on a group of iron ore bodies some 80km south of Sishen Mine.

The feasibility study to develop a 9Mtpa operation was completed in mid-2007 and cost estimates finalised to produce a range of products similar to SEP. Implementation depends on finalisation of expansion plans for the Sishen-Saldanha export channel and associated commercial arrangements. Mining rights are anticipated to be granted in the first half of 2008.

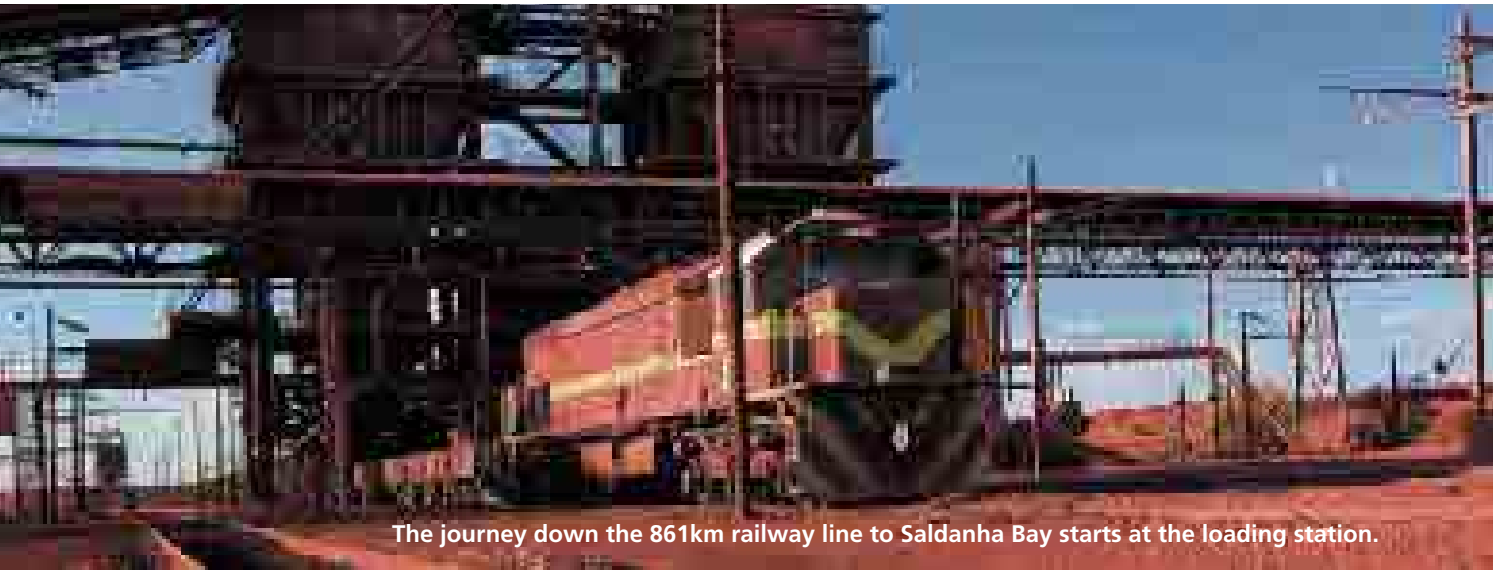
Sishen Expansion Project II

This entails a pre-feasibility study on increasing production by using medium- and low-grade resources at Sishen. This included an evaluation of the mine's existing product strategy to ensure its alignment with future market developments and existing mining resources and production facilities.

The pre-feasibility should be completed this year and the feasibility study during 2009. Commencement of first production is anticipated after 2013 with an expected life of 20-30 years.

Sishen C-grade project

The Sishen C-grade fine ore project will seek to apply jigging technology to beneficiate material in the 40-50% Fe range and produce fine ore of similar qualities to those produced in the jig plant. The latest capital expenditure estimate is R5.7 billion for a 10Mtpa project.



The journey down the 861km railway line to Saldanha Bay starts at the loading station.

Zandriverspoort project

The former Kumba Resources acquired a 50% interest in the Pietersburg Iron Ore Company (Pty) Limited (PIC) in the 1980s and has conducted extensive exploration and technical studies to develop the project. PIC owns the surface rights for the Zandriverspoort iron ore project, 30km north of Polokwane. Phelps Dodge sold its 50% interest in PIC to ArcelorMittal in December 2004. Since then, the parties have developed a framework for a pre-feasibility study. Exploration activities restarted in 2005 and an updated mineral resource statement is expected by the end of 2008. The evaluation of alternative processing and final product options will be included in the revised pre-feasibility study in 2009. The parties intend to commit to a detailed bankable feasibility study in 2010, if interim studies prove a robust and viable business case.

Export logistics expansion project

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

The industry is currently working with Transnet to finalise plans to expand the export channel to 60Mtpa. This expansion is meant to be completed by 2011, and requires no major port expansion. Kumba is also working with Transnet and other industry participants to expand this channel beyond 60Mtpa.

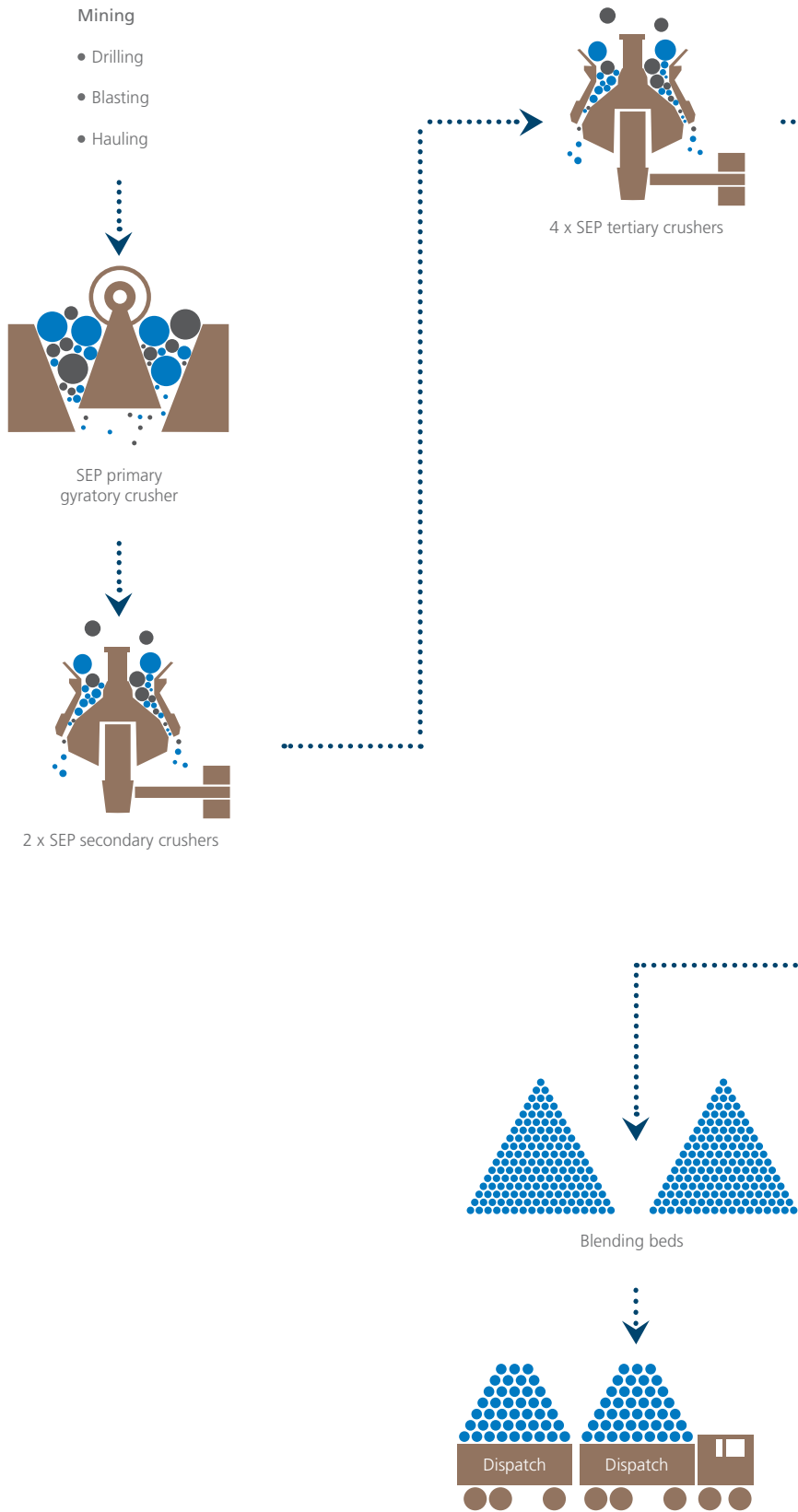
International

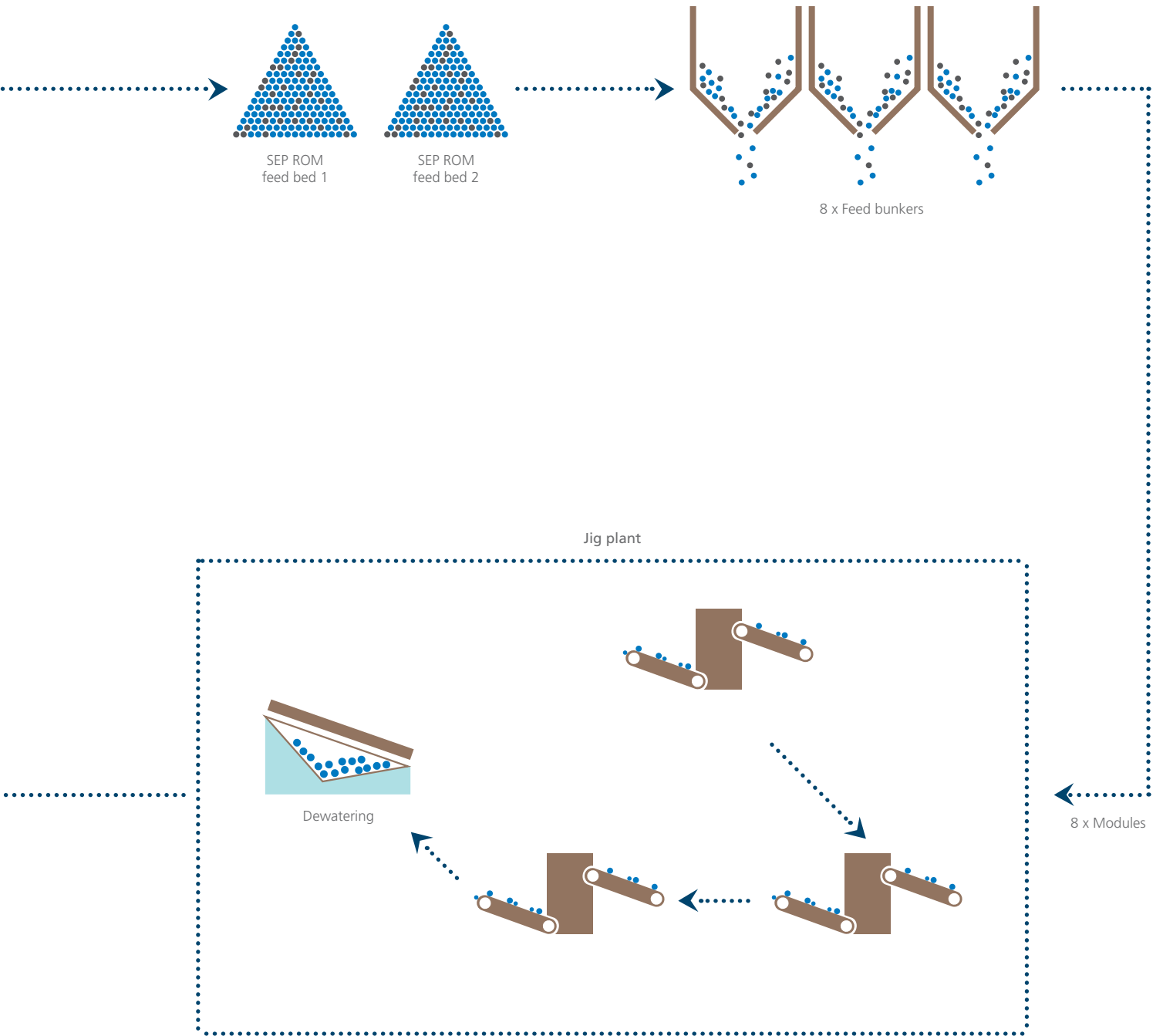
Kumba is conducting a potential iron ore exploration in Guinea. The goal is to complete a conceptual study on the development of an iron ore mine as part of Kumba's growth strategy in West Africa. Kumba will establish a country office in Conakry. With the required approvals, exploration drilling will commence in April 2008, with the conceptual study to be completed by November 2008.

IMBS

Working with Jonah Capital, Kumba has a venture to convert superfine iron ore tailings into metallic iron, using ground-breaking technology (p29).

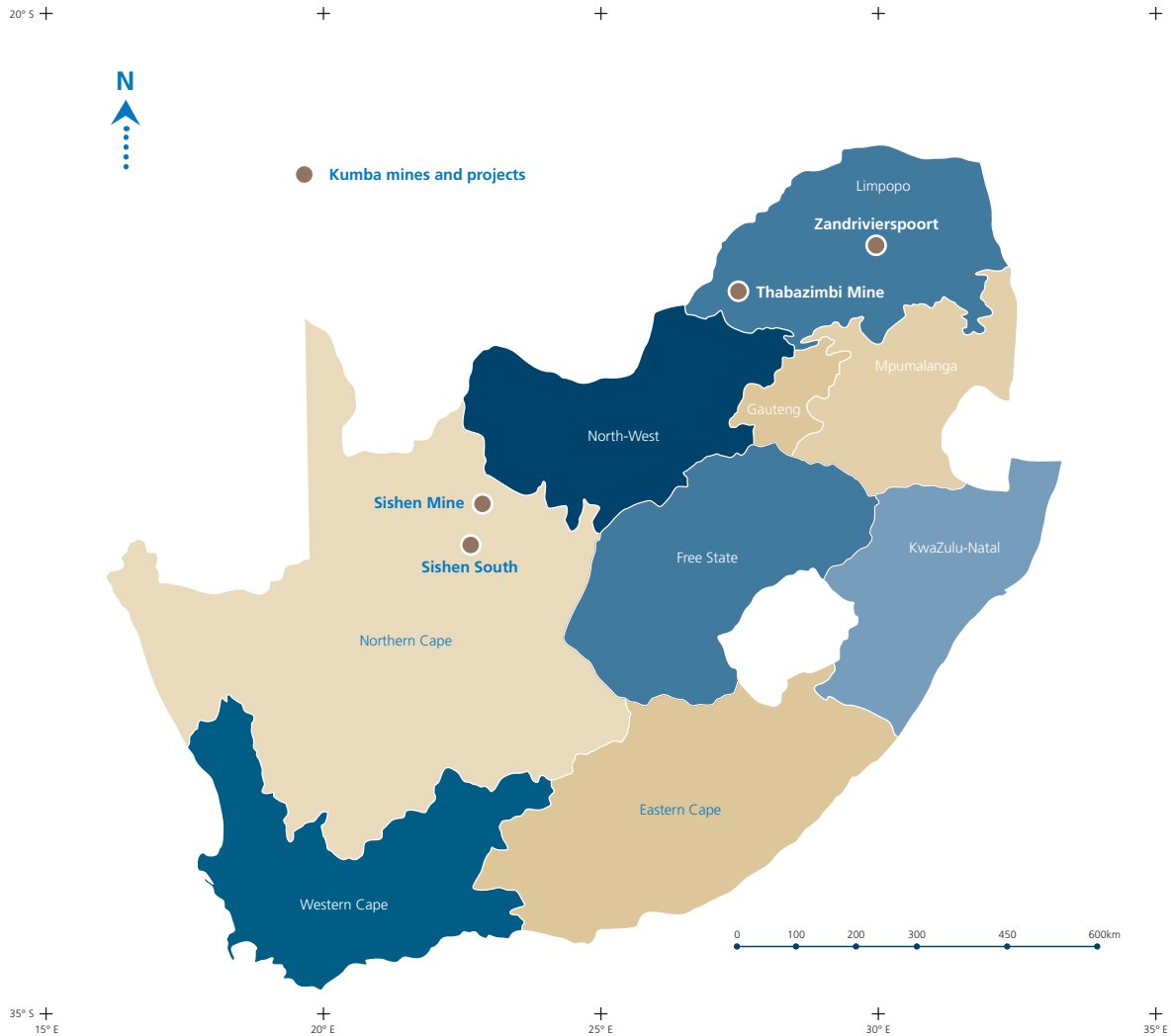
SEP beneficiation process flow





Review of mineral resources and ore reserves

Kumba's South African mines and projects



Geology

The high-grade hematite iron ore at Sishen Mine occurs in the Kuruman Formation (Asbestos Hills Subgroup), a Lake Superior-type, banded iron formation succession in the lower portion of the Griqualand West Supergroup which is preserved along the western margin of the Kaapvaal craton. Medium- and lower-grade iron ore at Sishen Mine occur in the Gamagara Formation and are preserved in deep palaeo sinkholes developed in the underlying dolomites on the southern areas of the deposit. Iron ore occurs in the same stratigraphic horizons at Sishen South.

Thabazimbi Mine extracts iron ore that mainly occurs in basal units of the Penge Formation, a banded iron formation in the lower Transvaal Supergroup. Iron-rich lithologies locally outcrop as remnant fold limbs dipping ~45° south. In the Thabazimbi area, the ore-bearing units have been triplicated by thrust faulting believed to be the result of the intrusion of the Bushveld Igneous Complex.

Iron ore at Zandriverspoort is not predominantly hematite, but rather magnetite. The lower-grade (~35% Fe) ore comprises Archaean-aged metamorphosed banded iron formation of the Pietersburg greenstone belt that has been complexly structurally deformed into a thick (>100m) sequence of magnetite-quartzite.

General statement on mineral resource and ore reserve estimation and reporting

The following summaries of the mineral resources and ore reserves attributed to Kumba's current mining operations and growth projects are reported as those remaining at 31 December 2007. The figures reported reflect 100% of the mineral resources and ore reserves irrespective of Kumba's attributable ownership. These details are included in the relevant tables.

Kumba has decided to gradually divert from reporting mineral resources 'inclusive' of ore reserves and to adopt an internationally-accepted norm of reporting mineral resources 'exclusive' of ore reserves for all operations and projects. To achieve this, the 2007 statement contains both inclusive and exclusive mineral resource statements; the former included to transparently declare mineral resource movements from 2006 to 2007.

Mineral resources are reported according to the latest available geological models, which are typically updated within three to six months prior to the end of the year of reporting. Ore reserves for mining operations have been estimated within two months of this statement, while for projects, updates are performed as required by business feasibility investigations or when primary business case assumptions change.

Mineral resource grades (average above cut-off) are reported *in situ* using operation-specific cut-off grades. Ore reserve grades reported represent the average grade of the 'plant feed' or 'run-of-mine' material and take into account all applicable modifying factors. The average grade and tonnage estimates of 'saleable product' are also reported to show that beneficiation losses have been taken into account in the figures reported.

Kumba uses the concept of an 'optimistic pit shell' to differentiate between mineral resources (reported) and mineral inventory (not reported). Optimistic pit shells were established for all operations and projects by doubling the long-term revenue factors used to estimate the current pit shells from which practical pit layouts containing the ore reserves were derived. Thus, Kumba's 2007 mineral resources are not an inventory of all mineral occurrences drilled or sampled regardless of cut-off grade, likely dimensions, location or continuity. Instead they are a realistic record of those, which may be economically extractable in future under assumed and justifiable technical and economic conditions.

The mineral resource and ore reserve statements have been compiled to comply with international reporting standards and conventions as well as the regulations set by the JSE. They conform to the Kumba mineral resource and ore reserve reporting policy (endorsed by the Kumba board of directors in 2007), which recognises the SAMREC Code of 2007 as our minimum reporting standard. Note, ore reserves in the context of this report have the same meaning as mineral reserves, as defined by the SAMREC Code.

In accordance with the SAMREC Code, Kumba derives the ore reserve estimates reported for each operation or project by applying mining, metallurgical, economic, marketing, legal,

environmental, social and governmental 'modifying factors' to their reported mineral resources. Initially, grades and tonnages estimated from the geological block models are discounted by the application of modifying factors such as dilution and mining recovery efficiency to develop a so-called mining model, which forms the base from which ore reserves are estimated through life-of-mine scheduling. Kumba's operations and projects consider the expected long-term revenue versus the time-inflated operation and production costs associated with mining and beneficiation as well as environmental and social costs, in determining whether a mineral resource could be economically extractable and converted to an ore reserve or not.

Competent persons have estimated the mineral resources and ore reserves reported here. All competent persons have been duly appointed and made aware of their responsibility to unbiased mineral resource and/or ore reserve estimation on an operational or project level according to the Kumba mineral resource and ore reserve reporting policy. All competent persons 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 to qualify as a competent person as defined by the SAMREC Code of 2007. 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's mineral resources and ore reserves is available from the company secretary on written request.

Kumba's operations and projects are continually internally reviewed and externally audited on a three- to four-year rotational basis to ensure that internationally acceptable estimating processes are followed. As part of the 2007 external independent review process, Golder Associates was appointed to estimate Thabazimbi's 2007 mineral resources and ore reserves as independent competent persons.

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



V Lickfold (Pr Sci Nat 400099/94)

Head: Geosciences



EJ Myburgh

Chief executive officer, Kumba Iron Ore

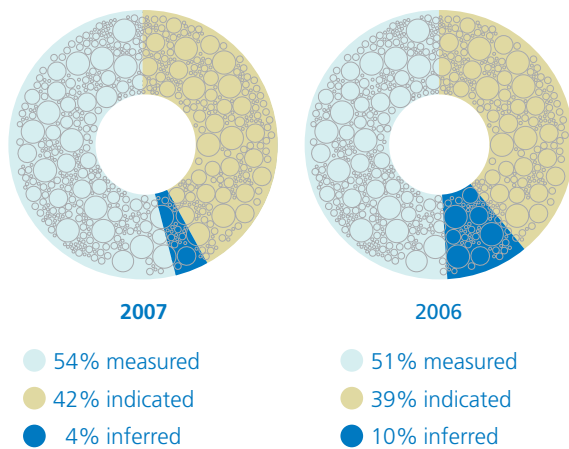
2 April 2008

Mineral resources and ore reserves

Kumba has high-quality mineral resources and ore reserves at Sishen Mine and Thabazimbi Mine, with the former considered a world-class operation. By employing sound mineral resource management practices at its mining operations and exploration projects, Kumba can ensure optimal resource utilisation from preliminary exploration through to delivery of final product to its clients.

The application of the optimistic pit shell concept in 2007 has caused a significant reduction in mineral resources but, as a result, the remaining mineral resource portfolio is sounder if the proportion of measured and indicated to inferred mineral resources is considered.

Kumba mineral resource portfolio



Kumba's mineral resource portfolio incorporating the change from inclusive to exclusive reporting of ore reserves in 2007.

The total Kumba mineral resource occurring inside and outside pits showed a net decrease of 127.9Mt. The mineral resources occurring inside approved pit layouts decreased by 80.5Mt from 2006 to 2007. The decrease is mainly depletion due to mining in 2007 (-41.9Mt), the establishment of a 40% Fe cut-off grade (-42.3Mt), increase in stockpiles (4.9Mt), model refinements (+2.0) and the incorporation of new drilling information at Sishen Mine (+2.8Mt); minor changes to the variography and subsequent estimation parameters applied to Sishen South as a result of incorporating the new structural model for the region (-6.0Mt); and redesign of one of the pits and minor revisions in the variography and subsequent estimation parameters at Thabazimbi Mine.

Additional mineral resources occurring outside approved optimised pit layouts, but inside newly defined optimistic pit shells, decreased by 47.4Mt compared to 2006. This overall decrease is primarily due to the increase in mineral resources at Sishen Mine and decreases at Thabazimbi Mine and Sishen South project because of the application of optimistic pits as a bottom economic cut-off to differentiate mineral resources from mineral inventory (+532.4Mt) but the concomitant scrapping of potential underground mineral resources at Sishen Mine (-577.9Mt). An additional 18Mt decrease is attributed to changes in the geological solid models based on the new structural interpretations at Sishen South and adjustments made to Thabazimbi Mine wireframe models due to updated model validations.

Kumba's total ore reserves decreased by 11.3Mt against 2006 figures. The primary reasons are annual production at mining operations (33.7Mt at Sishen Mine and 3.2Mt at Thabazimbi Mine); lowering of the % Fe grade product specification and ungrouping of iron ore material classes to allow for the use of more iron ore during scheduling at Sishen Mine (9.9Mt); and in-fill drilling and subsequent ore body geometry refinement (5.9Mt at Sishen Mine and 2.9Mt at Thabazimbi Mine). A net decrease of 0.6Mt can be attributed to changes in economic assumptions because Lylyveld ore reserves have been excluded from Sishen Mine's current life-of-mine plan (-11.0Mt), while Sishen South project ore reserves have increased due to lowering of % Fe grade cut-off from 2006 to 2007 (10.3Mt). An increase in the stockpiles of 4.9Mt is also included in the overall change in ore reserves.

Mineral and Petroleum Resources Development Act, No 28 of 2002

In South Africa, the Mineral and Petroleum Resources Development Act, No 28 of 2002 (MPRDA), was implemented on 1 May 2004, and effectively transferred custodianship of privately held mineral rights to the state. Mining companies were given up to two 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, with the possibility of a further extension of three years, which can be obtained either by the conversion of an existing old-order prospecting permit or through a new application. A mining right is a new-order right valid for up to 30 years and is obtained either by the conversion of an old-order mining licence, as a new-order right following the exercising of the exclusive right of the holder of a new-order prospecting right or through a new mining right application.

Sishen Iron Ore Company, the holding company of old-order and new or converted prospecting rights, submitted applications to convert its old-order mining licences to new-order mining rights for both Sishen Mine and Thabazimbi Mine in 2005. The applications were audited by independent external consultants prior to submission and declared compliant with the requirements of the act and other relevant regulations. The applications were accepted by the Department Minerals and Energy (DME), and the applications will now follow due process.

Sishen Iron Ore Company submitted a new mining right application for the Sishen South project in 2005. A new-order prospecting right application for two farms within the Sishen South group, submitted before the new-order mining right application, was refused by the DME. However, the DME accepted the new mining right application for the whole area, including the two farms for which the new-order prospecting right application was refused. The DME recommended certain changes to the social and labour plan of Sishen South at a workshop in August 2007 and Sishen Iron Ore Company submitted the revised plan in late 2007. The new mining right is expected to be granted in the first half of 2008.

A new-order prospecting right has been granted for the Zandriverspoort project in Limpopo. The project is 100% owned by the Pietersburg Iron Ore Company, of which 50% is owned by Sishen Iron Ore Company (37% is attributable to Kumba Iron Ore).



Kumba actively trains female employees for all careers in mining.

Kumba's ore reserves

2007

Commodity	Operation/Project	% attributable to Kumba	Reserve category	Ore reserves			
				Tonnes (Mt)	Average Grade (% Fe)	Cut-off	
Iron ore	Mining operations	Sishen Mine ¹	Proved	805.3	59.5	Variable	
		– DMS and jig plant	58.2	Probable	227.2	60.0	Variable
		SUBTOTAL			1,032.5	59.6	Variable
		Thabazimbi Mine ²	Proved	7.8	62.9	55	
		– Within current pit layouts	74.0	Probable	1.5	62.7	55
		SUBTOTAL			9.3	62.9	55
	Kumba subtotal		Proved	813.1	59.6		
		– Mining operations	Probable	228.7	60.1		
		TOTAL		1,041.8	59.7		
	Advanced projects	Sishen South ³	Proved	97.7	64.7	Variable	
		– Within approved pit layouts	74.0	Probable	78.2	63.6	Variable
		SUBTOTAL		175.9	64.2	Variable	
		Kumba subtotal	Proved	97.7	64.7	Variable	
		– Advanced projects	Probable	78.2	63.6	Variable	
	TOTAL		175.9	64.2	Variable		
Total	Kumba total	Proved	910.8	60.1			
	– Advanced projects and mining operations	Probable	306.9	61.0			
	GRAND TOTAL		1,217.7	60.3			

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

Rounding of figures may cause computational discrepancies.

Ore reserve figures reported at 100% irrespective of percentage attributable to Kumba.

1. The net decrease of 21.3Mt in the ore reserves of Sishen Mine is primarily the result of annual production, however the effect is not reflected because a more selective approach to the life-of-mine scheduling of ore reserves was adopted, which allowed for more mineral resources to be used as economically mineable material.
2. There is a net decrease in ore reserves at Thabazimbi Mine of 0.3Mt, where a redesign (increase in size) of one of the pit layouts offset most of the effect of annual production.
3. The Sishen South ore reserves, with construction awaiting granting of a mining right, have increased by 10.3Mt due to optimisation of the scheduling procedure, which allows for blending lower-grade iron ore. Note, due to a full revision of the mineral resources in late 2007, the ore reserves reported are based on 2006 geological models; globally, the mineral resource estimates between the 2007 and 2006 models are similar, however, local variations could impact ore reserves when estimates are updated in 2008.

	2006				2007		2006			
	Ore reserves			% ore reserve change	Saleable product		Tonnes (Mt)	Grade (% Fe) Average	% saleable product change	
	Tonnes (Mt)	Grade (% Fe)			Tonnes (Mt)	Grade (% Fe) Average				
		Average	Cut-off				Average			
	813.3	58.1	Variable	-1.0	597.9	65.2	605.9	65.8	-1.3	
	240.5	57.2	Variable	-5.5	174.1	65.3	186.9	63.9	-6.8	
	1,053.8	57.9	Variable	-2.0	772.0	65.2	792.8	65.4	-2.6	
	7.3	61.6	55	6.8	6.6	63.5	6.3	64.5	5.1	
	2.4	60.9	55	-36.2	1.2	63.1	2.0	63.9	-37.6	
	9.6	61.4	55	-3.7	7.9	63.4	8.3	64.4	-5.2	
	820.6	58.1		-0.9	604.5	65.2	612.2	65.8	-1.3	
	242.9	57.3		-5.8	175.4	65.2	188.9	63.9	-7.1	
	1,063.4	57.9		-2.0	779.8	65.2	801.1	65.3	-2.7	
	134.1	65.4	60	-27.2	97.5	64.7	Not reported			
	31.5	64.2	60	100.0	78.0	63.6	Not reported			
	165.6	65.2	60	6.2	175.5	64.2	Not reported			
	134.1	65.4	60	-27.2	97.5	64.7	Not reported			
	31.5	64.2	60	100.0	78.0	63.6	Not reported			
	165.6	65.2	60	6.2	175.5	64.2	Not reported			
	954.7	59.2		-4.6	702.0	65.1	612.2	65.8	14.7	
	274.3	58.1		11.9	253.4	64.7	188.9	63.9	34.2	
	1,229.0	58.9		-0.9	955.3	65.0	801.1	65.3	19.3	

Kumba's mineral resources
including ore reserves

Commodity	Operation/Project	% attributable to Kumba	Resource category	2007			2006			% change	
				Tonnes (Mt)	Grade (% Fe)		Tonnes (Mt)	Grade (% Fe)			
				Average	Cut-off		Average	Cut-off			
Iron ore	Sishen Mine		Measured	919.8	60.5	40	987.5	58.8	Variable	-6.9	
	- mineral resources within approved pit layouts		Indicated	187.2	59.0	40	181.3	57.7	Variable	3.2	
			Inferred	9.9	59.2	40	16.8	57.8	Variable	-41.1	
			SUBTOTAL	1,116.9	60.2	40	1,185.6	58.7	Variable	-5.8	
	Sishen Mine		Measured	617.8	55.2	40	524.8	55.3	Variable	17.7	
	- mineral resources outside pits		Indicated	588.5	58.6	40	506.8	59.9	Variable	16.1	
			Inferred	109.7	61.0	40	234.7	63.9	Variable	-53.3	
			SUBTOTAL	1,316.0	57.2	40	1,266.4	58.7	Variable	3.9	
	Sishen Mine ⁴		Measured	1,537.6	58.3	40	1,512.4	57.6	Variable	1.7	
	- total mineral resources	58.2	Indicated	775.6	58.7	40	688.1	59.3	Variable	12.7	
			Inferred	119.6	60.8	40	251.5	63.5	Variable	-52.5	
			TOTAL	2,432.8	58.6	40	2,452.0	58.7	Variable	-0.8	
	Thabazimbi Mine		Measured	10.7	61.8	55	8.5	62.1	55	26.5	
	- mineral resources within approved pit layouts		Indicated	2.2	62.4	55	2.9	61.4	55	-24.5	
			Inferred	0.4	61.6	55	4.1	61.7	55	-91.5	
			SUBTOTAL	13.2	61.9	55	15.5	61.9	55	-14.5	
	Thabazimbi Mine ⁵		Measured	18.1	62.4	55	12.4	62.2	55	46.1	
	- mineral resources outside pits		Indicated	4.9	63.4	55	14.1	61.8	55	-65.1	
			Inferred	2.7	63.4	55	16.9	60.6	55	-84.2	
			SUBTOTAL	25.7	62.7	55	43.4	61.4	55	-40.8	
	Thabazimbi Mine		Measured	28.8	62.2	55	20.9	62.1	55	38.1	
	- total mineral resources	74.0	Indicated	7.1	63.1	55	17.0	61.7	55	-58.3	
			Inferred	3.0	63.2	55	21.0	60.8	55	-85.6	
			TOTAL	38.9	62.4	55	58.9	61.5	55	-33.9	
	Kumba - mining operations		Measured	1,566.4	58.4		1,533.2	57.7		2.2	
	- total mineral resources		Indicated	782.7	58.8		705.1	59.2		11.0	
			Inferred	122.6	60.9		272.5	63.3		-55.0	
			GRAND TOTAL	2,471.7	58.6		2,510.9	58.8		-1.6	
	Advanced projects	Sishen South		Measured	114.9	66.1	50	121.5	65.7	60	-5.4
		- mineral resources within approved pit layouts		Indicated	69.9	65.6	50	61.3	65.2	60	14.0
			Inferred	2.2	64.8	50	13.7	64.7	60	-84.0	
			SUBTOTAL	187.0	65.9	50	196.5	65.5	60	-4.8	
Sishen South			Measured	31.3	65.6	50	34.9	64.6	60	-10.3	
- mineral resources outside pits			Indicated	55.6	64.3	50	88.2	64.5	60	-37.0	
			Inferred	10.1	63.4	50	53.1	62.4	60	-81.0	
			SUBTOTAL	96.9	64.6	50	176.1	63.9	60	-45.0	
Sishen South ⁶			Measured	146.1	66.0	50	156.3	65.4	60	-6.5	
- total mineral resources		74.0	Indicated	125.5	65.0	50	149.6	64.8	60	-16.1	
			Inferred	12.3	63.6	50	66.7	62.9	60	-81.6	
			TOTAL	283.9	65.5	50	372.6	64.7	60	-23.8	
Kumba - advanced projects			Measured	146.1	66.0	50	156.3	65.4	60	-6.5	
- total mineral resources			Indicated	125.5	65.0	50	149.6	64.8	60	-16.1	
			Inferred	12.3	63.6	50	66.7	62.9	60	-81.6	
		GRAND TOTAL	283.9	65.5	50	372.6	64.7	60	-23.8		
Projects	Zandrievspoor		Measured	0.0	0.0	Variable	0.0	0.0	Variable	0.0	
	- mineral resources outside pits	37.0	Indicated	447.0	34.9	Variable	447.0	34.9	Variable	0.0	
			Inferred	0.0	0.0	Variable	0.0	0.0	Variable	0.0	
			TOTAL	447.0	34.9	Variable	447.0	34.9	Variable	0.0	
	Kumba Iron Ore - projects		Measured	0.0	0.0	Variable	0.0	0.0	Variable	0.0	
	- total mineral resources		Indicated	447.0	34.9	Variable	447.0	34.9	Variable	0.0	
		Inferred	0.0	0.0	Variable	0.0	0.0	Variable	0.0		
		GRAND TOTAL	447.0	34.9	Variable	447.0	34.9	Variable	0.0		
Kumba			Measured	1,712.6	59.0		1,689.6	58.4		1.4	
	- total mineral resources		Indicated	1,355.2	51.5		1,301.7	51.6		4.1	
			Inferred	134.9	61.1		339.3	63.2		-60.2	
		GRAND TOTAL	3,202.7	55.9		3,330.5	56.2		-3.8		

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% irrespective of percentage attributable to Kumba.

4. The overall 19.2Mt decrease in the Sishen Mine mineral resource is the combined effect of the application of an optimistic pit shell (an economic boundary defining eventual economic extraction derived by the application of double the forward-looking price.

5. The application of the optimistic pit shell concept is the primary contributing factor for the 20Mt decrease in mineral resources at Thabazimbi Mine.

6. The application of the optimistic pit shell accounts for most of the 88.7Mt decrease in mineral resources at the Sishen South. A revision of the geological models to incorporate the most recent structural interpretation resulted in spatial change.

Kumba's mineral resources excluding ore reserves for 2007

2007

Commodity	Operation/Project	% attributable to Kumba	Resource category	Tonnes (Mt)	Grade (% Fe)		
					Average	Cut-off	
Iron ore	Sishen Mine		Measured (outside LoM)	31.2	60.7	40	
			Indicated (outside LoM)	23.2	59.7	40	
	– mineral resources within approved pit layouts		Inferred (outside LoM)	5.1	56.0	40	
			Inferred (inside LoM)	4.9	62.4	40	
			SUBTOTAL	64.4	60.1	40	
	Sishen Mine		Measured (outside LoM)	617.8	55.2	40	
	– mineral resources outside pits		Indicated (outside LoM)	588.5	58.6	40	
			Inferred (outside LoM)	109.7	61.0	40	
			SUBTOTAL	1,316.0	57.2	40	
	Sishen Mine		Measured (outside LoM)	649.1	55.4	40	
	– total mineral resources	58.2	Indicated (outside LoM)	611.7	58.7	40	
			Inferred (outside LoM)	114.7	60.8	40	
			Inferred (inside LoM)	4.9	62.4	40	
			TOTAL	1,380.3	57.3	40	
	Mining operations	Thabazimbi Mine		Measured (outside LoM)	0.5	62.3	55
				Indicated (outside LoM)	0.1	61.6	55
	– mineral resources within approved pit layouts			Inferred (outside LoM)	0.0	61.3	55
				Inferred (inside LoM)	0.3	61.6	55
				SUBTOTAL	0.9	62.0	55
	Thabazimbi Mine			Measured (outside LoM)	18.1	62.4	55
	– mineral resources outside pits			Indicated (outside LoM)	4.9	63.4	55
				Inferred (outside LoM)	2.7	63.4	55
				SUBTOTAL	25.7	62.7	55
	Thabazimbi Mine			Measured (outside LoM)	18.6	62.4	55
	– total mineral resources	74.0		Indicated (outside LoM)	5.0	63.4	55
				Inferred (outside LoM)	2.7	63.4	55
				Inferred (inside LoM)	0.3	61.6	55
				TOTAL	26.6	62.6	55
	Kumba - mining operations			Measured (outside LoM)	667.6	55.6	
	– total mineral resources			Indicated (outside LoM)	616.7	58.7	
				Inferred (outside LoM)	117.4	60.8	
				Inferred (inside LoM)	5.2	62.4	
				GRAND TOTAL	1,406.9	57.4	
		Sishen South		Measured (outside LoM)	0.0	0.0	
				Indicated (outside LoM)	0.0	0.0	
	– mineral resources within approved pit layouts			Inferred (outside LoM)	0.0	0.0	
				Inferred (inside LoM)	0.0	0.0	
				SUBTOTAL	0.0	0.0	
		Sishen South		Measured (outside LoM)	31.3	65.6	50
	– mineral resources outside pits			Indicated (outside LoM)	55.6	64.3	50
				Inferred (outside LoM)	10.1	63.4	50
				SUBTOTAL	96.9	64.6	50
	Sishen South			Measured (outside LoM)	31.3	65.6	50
	– total mineral resources	74.0		Indicated (outside LoM)	55.6	64.3	50
				Inferred (outside LoM)	10.1	63.4	50
				Inferred (inside LoM)	0.0	0.0	50
				TOTAL	96.9	64.6	50
Kumba - advanced projects			Measured (outside LoM)	31.3	65.6	50	
– total mineral resources			Indicated (outside LoM)	55.6	64.3	50	
			Inferred (outside LoM)	10.1	63.4	50	
			Inferred (inside LoM)	0.0	0.0	50	
			GRAND TOTAL	96.9	64.6	50	
	Zandrievspoor		Measured (outside LoM)	0.0	0.0	Variable	
– mineral resources outside pits	37.0		Indicated (outside LoM)	447.0	34.9	Variable	
			Inferred (outside LoM)	0.0	0.0	Variable	
			TOTAL	447.0	34.9	Variable	
Kumba - projects			Measured (outside LoM)	0.0	0.0	Variable	
– total mineral resources			Indicated (outside LoM)	447.0	34.9	Variable	
			Inferred (outside LoM)	0.0	0.0	Variable	
			GRAND TOTAL	447.0	34.9	Variable	
	Kumba		Measured (outside LoM)	698.9	56.1		
– total mineral resources			Indicated (outside LoM)	1,119.3	49.5		
			Inferred (outside LoM)	127.5	61.0		
			Inferred (inside LoM)	5.2	62.4		
			GRAND TOTAL	1,950.9	52.6		

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% irrespective of percentage attributable to Kumba Iron Ore.

Caring for people, the environment and communities where we operate is part of the value system of Kumba.



Sustainable development



By funding infrastructure, Thabazimbi Mine is addressing real community needs.



Sustainable development



A jewellery project at Thabazimbi Mine creates opportunities for members of the community.

Overview

In defining new frontiers of operational and people performance in the mining industry, we have blended our strategic thrusts (customer relationships, growth, best operator, sustainable development, talent and performance management) into the theme of this year's annual report – sustainability.

We spent the last year defining what sustainable development means for Kumba. As a result we have:

- Appointed a corporate SHE (safety, health and environment) and sustainable development manager.
- Appointed a consulting firm to assist in developing our framework for sustainable development management.
- Met the requirements of the JSE Socially Responsible Investment Index and became one of the few new companies on this index.

We believe the rate of progress towards sustainability in Kumba will be accelerated by the degree to which we capitalise on resources and shared experiences – the wider Anglo American plc group and others. For example, we are already using the Anglo American mine closure toolbox, the socio-economic assessment toolbox, and fatal risk standards. Kumba also participates in various Anglo American plc forums, contributing our own successes and experience.

In line with best practice in sustainability reporting, Kumba is taking an incremental approach to reporting on its performance. While we have taken cognisance of the Global Reporting Initiative (GRI) version 3 guideline, and aimed to comply with this report as an application level C+ reporter, our main aim is to focus on material issues to our business.

This report outlines our approach to sustainable development management. We focus on people with namely the safety and health of our workforce and contractors and our commitment to training and development, and the environment – the ongoing management of our direct and indirect impacts. These are covered in detail on pages 70-73 for people matters, and page 82-88 for the environment. The report also outlines the way we manage sustainable development; from the committees that provide leadership and strategic direction, to the people and their systems which talk, measure, monitor and report. Kumba appointed PricewaterhouseCoopers Inc to verify key elements of our triple bottom-line performance. This unqualified report is included on page 65.

Performance summary 2007 and targets

The following tables summarise our progress against the mining charter and our safety, health and environmental performance.

Mining charter scorecard

Mining charter imperatives	Target	2007 progress	Comment
Human resources <ul style="list-style-type: none"> • Adult basic education and training (ABET) • Historically disadvantaged South African (HDSA) career planning • Scholarships • Learnerships 	<ul style="list-style-type: none"> • 74% • 100% • Various targets • 600 	<ul style="list-style-type: none"> • 74% • 100% • All targets met • 622 	
Employment equity <ul style="list-style-type: none"> • HDSAs in management • Women in Kumba • Women in management • Talent pool 	<ul style="list-style-type: none"> • 37% • 10% • 10% • 30% 	<ul style="list-style-type: none"> • 37.8% • 12% • 20% • 20% 	<ul style="list-style-type: none"> • Kumba achieved all internal employment equity targets and will exceed the mining charter targets for 2009.
Housing and living conditions <ul style="list-style-type: none"> • Home ownership • Home rental • Improve nutrition of mine employees 	<ul style="list-style-type: none"> • 60% • 40% • 100% 	<ul style="list-style-type: none"> • 60% • 40% • 100% 	<ul style="list-style-type: none"> • Progress is being made at Sishen and Thabazimbi mines on conversion of hostels into bachelor units and family units.
Procurement <ul style="list-style-type: none"> • % of discretionary spend 	<ul style="list-style-type: none"> • 30% 	<ul style="list-style-type: none"> • 30% 	<ul style="list-style-type: none"> • Most of Kumba's suppliers without verified empowerment status have been identified and will be subjected to an internal audit for verification during 2008. The balance will be identified in 2008.
Ownership <ul style="list-style-type: none"> • % of production controlled by HDSAs 	<ul style="list-style-type: none"> • 26% 	<ul style="list-style-type: none"> • 26% 	<ul style="list-style-type: none"> • 26% HDSA ownership following the unbundling from Kumba Resources and listing of Kumba in November 2006.
Migrant labour <ul style="list-style-type: none"> • Policy of non-discrimination 	<ul style="list-style-type: none"> • No disputes 	<ul style="list-style-type: none"> • No disputes 	<ul style="list-style-type: none"> • The recruitment policy is non-discriminatory. Emphasis is on employing local people.
Community and rural development	<ul style="list-style-type: none"> • Social and labour plans fully implemented 	<ul style="list-style-type: none"> • Plans revised to align with municipal/district integrated development plans 	<ul style="list-style-type: none"> • Revised local economic development programmes will be implemented from 2008 as per commitment in social and labour plans. Consultation with local municipality to continuously align these with integrated development plans is ongoing.
Beneficiation			<ul style="list-style-type: none"> • Kumba participated in submissions to the DME and South Africa's National Treasury to discuss existing support to the domestic steel industry, as well as capital investment, job creation and increased resource utilisation through mineral beneficiation technology in SEP at Sishen Mine.

Safety, health and environmental performance

2007		Targets 2008	
	Lows	Highs	
Safety	<ul style="list-style-type: none"> 1 fatality 0.22 LTIFR (target of 0.18 not achieved) 	<ul style="list-style-type: none"> Thabazimbi Mine reached 65 months without a fatality at end 2007 Sishen Mine reached 4.4 million man-hours LTI-free in August 2007 Both mines retained OHSAS 18001 certification 	<ul style="list-style-type: none"> 0 fatalities 0.17 LTIFR
Health	<ul style="list-style-type: none"> 1 compensated case of irritant dermatitis at Thabazimbi Mine 1 suspected case of noise-induced hearing loss at Sishen Mine 	<ul style="list-style-type: none"> Retained OHSAS 18001 certification for both sites 	<ul style="list-style-type: none"> Zero cases of silicosis reported on any new (2008) employees Hearing conservation programmes fully implemented 50% elimination of equipment exceeding 110 decibels 80% of all employees to undergo voluntary counselling and testing (VCT) (currently 75%)
Environment General	<ul style="list-style-type: none"> One level 2 incident reported 	<ul style="list-style-type: none"> Retained ISO 14001 certification for both sites 	<ul style="list-style-type: none"> Zero level 2 and 3 incidents
Water	<ul style="list-style-type: none"> 0.26m³/t against target of 0.22m³/t 	<ul style="list-style-type: none"> Task team established to focus on water efficiency; number of initiatives identified to reduce consumption levels 	<ul style="list-style-type: none"> Ongoing commitment to water use efficiency; target to be revised in 2008 1% reduction per annum, to be revised in 2008
Waste		<ul style="list-style-type: none"> Sishen Mine established its integrated waste management plan, Thabazimbi Mine to complete its plan in early 2008 	<ul style="list-style-type: none"> Implementation of waste management plans at all operations
Energy and emissions	<ul style="list-style-type: none"> 0.120GJ/t against target of 0.105GJ/t 	<ul style="list-style-type: none"> Task team established to focus on energy efficiency, number of initiatives identified to reduce consumption levels 	<ul style="list-style-type: none"> 15% improvement in energy efficiency to be achieved by 2014 10% reduction in CO₂ emissions by 2014
Biodiversity	<ul style="list-style-type: none"> Some progress made at Sishen Mine in integrating biodiversity action plan into environmental management system (EMS) 	<ul style="list-style-type: none"> Thabazimbi Mine biodiversity action plan integrated into EMS 	<ul style="list-style-type: none"> Peer reviews of plans and implementation at all sites
Land management		<ul style="list-style-type: none"> Closure plans and cost estimates on physical component of Sishen Mine updated – socio-economic and bio-physical component will be completed in 2008 Gap analysis for Thabazimbi Mine closure plan completed, findings to be addressed in 2008 	<ul style="list-style-type: none"> Updated closure plans and cost estimates to be incorporated into environmental management programme reports for DME approval
Legal transgressions/ incidents of non-compliance		<ul style="list-style-type: none"> Zero legal transgressions/incidents of non-compliance reported 	<ul style="list-style-type: none"> Zero fines or prosecution

Report of the independent assurers

To: The Board of Directors and Management of Kumba Iron Ore Limited

Introduction

We have been engaged by Kumba Iron Ore Limited to conduct an assurance engagement on selected key performance indicators (KPIs) reported in Kumba Iron Ore Limited's sustainable development section of the annual report 2007, for the purposes of expressing a statement of independent assurance, for the year ended 31 December 2007. This assurance report is made solely to Kumba Iron Ore Limited in accordance with the terms of our engagement.

The following KPIs were selected for an expression of reasonable assurance:

- Total CO₂ emissions from electricity purchased, from fossil fuels purchased, and from processes
- Total energy used
- Total work-related fatal injuries
- Total amount of corporate social investment (CSI) spend

The following KPIs were selected for an expression of limited assurance:

- Water used for primary activities
- Total number of level 2 & 3 environmental incidents
- Lost-time injury frequency rate (LTIFR)
- New cases of noise induced hearing loss (NIHL)
- New cases of occupational diseases (NCOD)
- HIV prevalence rate
- Number of employees participating in voluntary counselling and testing (VCT)
- Number of employees participating in antiretroviral treatment (ART)
- Number of HIV positive employees enrolled in HIV disease management programmes
- Implementation of the reporting requirements of the broad-based socio-economic empowerment charter for the mining sector (the "mining charter" and the "scorecard")
- GRI application level.

The evidence gathering procedures for limited assurance are more restricted than for reasonable assurance and therefore less assurance is obtained with limited assurance than for reasonable assurance.

Directors' responsibility

Kumba Iron Ore Limited's directors are responsible for the preparation and presentation of the identified selected KPIs in accordance with internal corporate policies and procedures, and the Global Reporting Initiative's (GRI) new generation (G3) guidelines.

Auditors' responsibility

Our responsibility is to express to the directors an opinion on the selected KPIs contained in the sustainable development Section of the annual report, for the year ended 31 December 2007, based on our assurance engagement.

Work performed

We conducted our engagement in accordance with the International Standards for Assurance Engagements 3000,

"Assurance Engagements other than audits or reviews of historical financial information" (ISAE 3000) issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain either reasonable or limited assurance on the selected KPIs as per our terms of engagement.

Except for the self declaration of GRI application level, Kumba Iron Ore Limited's internal corporate policies and procedures, as available from Kumba Iron Ore Limited on request, were used as criteria to evaluate the selected KPIs. In terms of evaluating the 'C+' application level, the specific application level criteria as stipulated by the GRI's new generation (G3) guidelines have been used.

Our work consisted of:

- obtaining an understanding of the systems used to generate, aggregate and report data at the Sishen and Thabazimbi operations and at the corporate head office
- conducting interviews with management at the sampled operations
- applying the assurance criteria in evaluating the data generation and reporting processes
- performing a controls walkthrough for limited assurance, and further key controls testing for reasonable assurance
- testing the accuracy of data reported on a sample basis for reasonable assurance.

Inherent limitations

Non-financial data is subject to more inherent limitations than financial data, given both the nature and the methods used for determining, calculating, sampling or estimating such data. We have not carried out any work on data reported for prior reporting periods, nor in respect of future projections and targets. We have not conducted any work outside of the agreed scope and therefore restrict our opinion to the agreed KPIs.

Conclusion - Reasonable Assurance

On the basis of our reasonable assurance procedures, the KPIs selected for reasonable assurance for the year ended 31 December 2007, have been compiled in accordance with corporate policies and procedures and are free from material misstatements.

Conclusion - Limited Assurance

On the basis of our limited assurance procedures, nothing has come to our attention to believe that the KPIs selected for limited assurance for the year ended 31 December 2007, have not been compiled in accordance with the corporate policies and procedures or are materially misstated.



PricewaterhouseCoopers Inc.

Carmen le Grange
Director
Registered Auditor
Johannesburg
04 April 2008

Sustainable development management

Kumba faces a challenge common to all mining companies: how to exploit a (finite) resource, maximise returns to shareholders, contribute to improved socio-economic conditions, and minimise environmental degradation. As a group we will continue to mine iron ore responsibly – provide a safe working environment, train and develop our employees and contractors minimise our environmental impact, act with accountability to ensure that our natural resources are used efficiently, and maximise our potential to contribute socially and economically.

This section maps out our progress in consolidating the management of sustainable development at Kumba.

It overlaps with governance and describes where we are and where we want to be. We know we are a new company, albeit one with a long history, and acknowledge that we are forging a new culture and a new way of doing business with the intention of creating a mining company with a realistic and honest approach to managing non-financial problems, building a conducive working environment and engaging with stakeholders.

Our focus areas, presented below, are suitably aligned with the resources needed for implementation in terms of Kumba structures, skills, accountability and management responsibility.

Sustainable development focus areas

Focus areas	Elements
Safety, health, and environment (SHE)	<ul style="list-style-type: none"> • Zero harm workplace • Occupational health diseases • Sustainable use of water and energy • Waste reduction • Reduced environmental footprint • Risk management
HIV/Aids	<ul style="list-style-type: none"> • Voluntary counselling and testing (VCT), antiretroviral treatment (ART) and wellness programmes among the workforce • Awareness programmes in neighbouring communities
Society and transformation	<ul style="list-style-type: none"> • Social and labour plans • Local economic development • Corporate social investment
Stakeholder relations	<ul style="list-style-type: none"> • Stakeholder analysis • Stakeholder engagement
Human capital	<ul style="list-style-type: none"> • Employment equity • Human resource development • Human rights
Material stewardship	<ul style="list-style-type: none"> • Responsible procurement • Contractor behaviour • Product responsibility
Corporate governance	<ul style="list-style-type: none"> • Policies • Historically disadvantaged South Africans (HDSA) ownership • External reporting

In developing our safety and sustainable development strategy, we are guided by a clear understanding of what we want to achieve and how we will do so.

Primary drivers include:

- Our commitment to sustainability
- The recognition that the 'business at all costs' principle doesn't work
- South Africa's transformation and requirement to include all South Africans in the economy
- The value of our reputation.

We are therefore committed to the highest management and performance standards that deliver value for all stakeholders. We aim to leave behind a legacy that will continue to benefit the communities in our operational and labour-sending areas.

Framework

Kumba's management approach is based on a draft sustainable development framework. We have adopted a simple approach to this framework:

- Vision – as part of our commitment, during 2008 we will develop a common understanding of sustainable development across Kumba to establish a shared vision for the company.
- We have guiding principles for sustainable development to direct our thinking and actions (below) and emphasise our support and commitment to the triple bottom-line and corporate governance.
- We have developed policies governing SHE and local economic development. We are integrating these into a single comprehensive sustainable development policy.
- The final level of sustainable development management is procedures and management systems. These are generally in operation as implemented at operational level.

Guiding principles for sustainable development

- We acknowledge that our corporate governance is driven by the principles of fairness, accountability, responsibility and transparency which are applied in our approach to all three pillars of sustainable development.
- A zero-harm philosophy guides our policies, procedures and actions.
- Our business is conducted ethically and in a sustainable manner.
- All our corporate social responsibility (CSR) programmes are integrated into our business strategies, reporting structures and performance management systems.
- We acknowledge that different stakeholders have different needs and that Kumba will, through its stakeholder engagement processes, strive to understand and address the reasonable expectations and interests of stakeholders.
- We understand the importance of building effective partnerships with our key stakeholders, especially those on whom we have a direct and significant impact.

Management

Responsibility for managing sustainable development at Kumba is shown below.

Management action	Responsibility		
	Head office	Mines	Exploration sites
Long-term vision and goals, policies	√	–	–
Controls/procedures	–	√	√
Strategic guidelines and standards	√	–	–
Setting targets and objectives	√	√	–
Strategy implementation	–	√	√
Assurance and monitoring	√	√	–
Reporting	√	√	√
Advisory, consultation	√	–	–
Engagement	√	√	√
Benchmarking	√	–	–

The functions of the key committees responsible for sustainable development are shown below:

Key committees	Function
Safety and sustainable development committee of the board	The committee assures the board that matters related to sustainable development, including safety, health and the environment, are effectively implemented, managed and risks mitigated. It also guides the development of applicable frameworks, policies and guidelines and ensures their progressive implementation throughout the group. The committee meets four times a year.
Transformation committee	Sub-committee of the executive committee which deals with day-to-day management of transformation issues and covers black economic empowerment, employment equity, preferential procurement, HDSA ownership, skills development, women in mining, corporate social investment (CSI), local economic development, social and labour plans, mining rights conversions and new rights applications. The committee meets monthly.
SHE steering committee	Sub-committee of the executive committee which deals with day-to-day management of workplace occupational health and safety and the environment. The committee meets monthly.

Risk management

Kumba's integrated risk management system is outlined on page 100. Risks without a monetary value are also considered in the risk identification, management and mitigation process. These risks are referred to as 'enablers' because ignoring them would prevent progress; removing them would enable progress. Reputation risk is a typical example of an enabler, as is the 'social licence to operate' – the permission that society gives.

Key impacts, whether social or environmental, are identified in the different processes, for example, impact assessments, environmental management plans, and social and labour plans. Impacts are assessed through the risk assessment process and through ongoing operational risk assessments. Monitoring key indicators provides information on our impact on society and the environment. Risks are assessed monthly through board and executive committee meetings.

Key non-financial risks

Risk	Impact	Mitigation
Employee safety	Work-related injuries and fatalities due to project construction and expansion at Sishen Mine	Improved safety awareness through campaigns, visible leadership, empowerment of people and implementation of safety standards.
Regulatory	Non-compliance with mining charter regulations	Ensure conversion of all Kumba mineral rights and fully compliance with mining charter requirements by 2008.
Employment equity	Not being able to recruit and retain HDSA management	Detailed plan in place to ensure target of 40% reached by end 2008.
Employees	Skills shortage	Ensure incentives and remuneration are market related and opportunities presented for employee development.
	Housing shortage	Revised strategy to ensure attraction and retention of staff.
	High turnover of artisans	Artisan retention allowance provided and market-related remuneration implemented.
	HIV/Aids	VCT programme conducted annually. ART and immune boosters supplied to infected employees. Designated service providers aligned to company strategy. Community HIV centre established to provide support to contractors, families and community.
Social	Dingleton community located in area to be mined.	Address safety issues and community concerns. Relocate community if feasible.
Impact of mine closure	Job loss, environmental degradation	An additional long-term risk concerns closure of both Thabazimbi and Sishen mines. Mitigating these risks forms part of a detailed and intensive closure-planning process.

People

The bodies that govern issues discussed in this section are the transformation committee, the safety and sustainable development committee and the human resources, remuneration and nominations committee. These are discussed in the governance section (page 96).

Employees

To maintain a workplace that satisfies the requirements of employer and employee, we have systems in place for, training, development and retention, equity, safety, health and wellness.

Training, development and retention

At Kumba we understand the critical importance of retaining and maintaining a quality workforce, and the need to transform the workforce profile. These factors impel us to:

- Recruit suitably skilled people
- Train and develop our existing workforce
- Retain our employees by appropriate remuneration and reward systems
- Maintain a representative workforce.

We are guided by human resource development and employment equity policies.

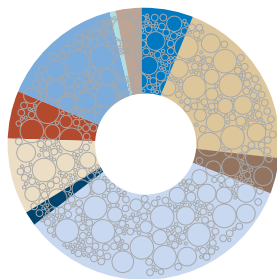
Employee movement – 2007

	Recruited	Resigned	Retrenched/ redundant	Dismissed	Other
Sishen Mine	467	283	4	20	27
Thabazimbi Mine	56	23	2	3	8
Head office	86	20	1	1	5
Total	609	326	7	24	40

Over the past year, our training has focused on several key areas:

- Leadership and culture
- Technical competence of employees
- Implementation of learnerships
- Safety training.

During the year, 94% of our employees received training and development reviews. The training budget is allocated as follows:



- 6% organisational development
- 20% technical training
- 4% Tshipi skills training
- 34% functional training
- 2% learning technology
- 9% courses
- 6% bursaries
- 15% professionals in training
- 1% bridging school
- 3% formal studies

Kumba spent R58.6 million on training in 2007. This equates to R11,854 per employee and 5.4% of the total payroll (2006: 5.1% for two months of operations after listing) and compares most favourably to the average spend for South Africa of 3.1% (ASTD 2006 report) and the mining industry average of 3.4%. The average training intervention per employee is 5.6 days. In 2008, we plan to increase our investment in training to 6.7% of total payroll.

In addition, Kumba accounts for 26% of mining learnerships registered with the Mining Qualifications Authority (MQA) and 25% of engineering learnerships. Cumulatively, 20% of all MQA learnerships have been registered by Kumba. We are also funding the tertiary studies of 71 students in disciplines related to our business.

Due to the skills shortage manifest in our industry, we need to retain our employees by providing competitive packages that include:

- Medical aid
- Housing assistance
- Maternity leave
- Pension plan.

We encourage communication, recognise employees' rights to freedom of association and do our best to ensure that our employees feel at home at Kumba.

Case Study:

Thabazimbi Mine helps people do things for themselves

Thabazimbi Mine is reaching out to the local community with its Itireleng Skills Development Centre. The development centre was established several years ago and operates from premises on mine property. Itireleng is the Sotho word for 'do it for yourself'. The objective of the centre is to empower unskilled and unemployed people who live nearby. Training is provided free and only local people are recruited. The mine invested R800,000 in machinery and equipment to get the training centre started.

The facility provides basic training in a variety of fields, focusing on capacity building and job creation. Training is divided into two main categories – technical and life skills.

Plumbing, welding, carpentry, bricklaying and motor mechanics are currently offered as three-month technical skills courses. Under the life skills training programme, pottery, sewing, painting, jewellery manufacturing, textile work, beading, basic entrepreneurial skills and basic computer literacy are offered.

Through this intervention the people of the area are far more likely to find employment. Since its inception, the centre has trained over 650 community members, 15% of these women. Out of all attendees, 78% have found employment locally. The success in the employment rate is largely attributable to the growth of Thabazimbi town. Most trainees are absorbed by local contractors.

The centre depends heavily on the mine for financial support, but to ensure its long-term sustainability, the centre has started to provide services to the neighbouring community to generate an income. These services include building structures for local schools, erecting fences and undertaking minor renovations, while the life skills trainees manufacture hand-crafted corporate gifts for local clients. In addition to generating some income, trainees develop practical experience.

The training centre also provides an entrepreneurial skills course, which has proven invaluable as it empowers trainees to start their own businesses. The centre provides portable skills to mine employees in various disciplines. Since July 2007, 56 employees, including eight women, have registered with the training centre.



Itireleng Skills Development Centre, Thabazimbi Mine

Employment equity

Sustainability is better achieved through diversity. Kumba encourages gender equality, and through the employment equity policy, is committed to removing all gender-related barriers and accelerating the training and promotion of designated groups. Through this policy and other initiatives, Kumba is ensuring that all employees are offered equal opportunities and that all forms of discrimination are eradicated.

The mining charter stipulates that by 2009, at least 40% of the managers we employ must be historically disadvantaged South Africans (HDSAs). Our current employee profile, from race and gender perspectives, is shown in the tables below.

Employment equity – 2007

Occupational level	% Black	% Female	% HDSA (all female and HDSA male)	Kumba targets 2007	Appointments needed to achieve targets	% per occupational level needed to reach target
Top management	16.67%	–	16.67%	37%	1	20.3%
Senior management	12.50%	19.44%	29.17%	37%	6	7.8%
Specialist or middle manager / professionally qualified	25.62%	20.37%	39.81%	37%	–	–
Technical worker or junior management / skilled technical and academically	41.71%	13.40%	51.49%	37%	–	–
Semi-skilled and discretionary	94.85%	9.51%	97.36%	37%	–	–
Unskilled and defined decision making	98.94%	19.01%	98.94%	37%	–	–
Total permanent	70.89%	12.31%	76.74%	37%	–	–

Racial group	2007 Target	2007 Actual
Designated group in management with white women	37%	38%
Designated group in management excluding white women	30%	30%
Women participation in management	10%	20%

Other important equity objectives include:

- Identifying a talent pool of HDSA employees and fast-tracking their career development.
- Preventing unfair discriminatory practices.
- Preventing sexual and racial harassment.
- Creating an organisational culture in which diversity is encouraged and valued.

Our equity objectives are reviewed quarterly. To ensure performance and achievement of targets in relation to employment equity plans, these have been incorporated as key performance measures against which general and line managers are evaluated. Line managers are also evaluated on their ability and efforts to develop and retain their staff.

Through the employment equity policy and other initiatives, Kumba ensures that recruiting and training HDSAs and female candidates is prioritised and their career paths developed and fast-tracked. Through these and other employment equity strategies and monitoring processes, we intend to reach the 40% HDSA target in 2008.

Full consideration is also given to applications for employment from people with disabilities where the requirements of the job can be adequately fulfilled by such a person. Kumba's workforce currently comprises 0.51% disabled employees.

The human resource manager is directly responsible for the implementation of the employment equity policy and workforce development.

Case study:

Thabazimbi Mine housing development

In the past, well before the formation of Kumba, mine employees were accommodated in two residential areas: the Mmehane hostel and Ipelegeng township. Mmehane was an old concrete hostel originally consisting of nine blocks with cement slab beds, built in 1943 for migrant labourers. Six extra blocks with steel stack-type beds were added in the 1960s to accommodate an increased workforce. Eventually, 3,120 employees resided in Mmehane. On average, 24 people shared one room at a time and living conditions were unsatisfactory. As a result, these conditions had a serious impact on social well being, and on production.

Ipelegeng, built in 1948, was the first residential area where historically disadvantaged South African (HDSA) employees could live with their families. At that time, 100 families were accommodated at Ipelegeng. The semi-detached houses consisted of two bedrooms, a kitchenette and a living area, but did not include ablution facilities. Residents used communal facilities.

Improved living conditions

Realising the impact these conditions had on employees, the then Kumba Resources began to improve the living conditions of employees in those residential areas. This included upgrading houses at Ipelegeng and the de-densification of Mmehane.

Upgrading started with Ipelegeng, where some houses were converted into four- and three-bedroom detached units and others into two-bedroom semi-detached houses. Ablution facilities were added to all units. Communal ablution facilities were discontinued and these blocks converted into small community halls.

De-densification of the Mmehane hostels was completed in the early 1990s. Each room was first reduced to accommodate 12 people and later eight people. In 2003 these dormitory-type rooms were further converted into two- and three-bedroom units, which now house one family or a single employee.

Benefits

Social relations among employees at work and at home have improved. Better living conditions have also contributed to an improved staff retention rate and sustained productivity.

Sustainability and home ownership

In addition to improved housing conditions, Thabazimbi Mine has introduced a housing strategy which encourages home ownership. This initiative involved selling houses previously owned by the company to employees. First preference was given to employees with a long-service record.

The houses are equipped with separate metering facilities for water and electricity, and units are then sold to interested employees at a closed market price. To date, of the 199 houses at Ipelegeng, 70 have been sold to employees.



Housing development, Thabazimbi Mine

Safety, health and wellness

Safety

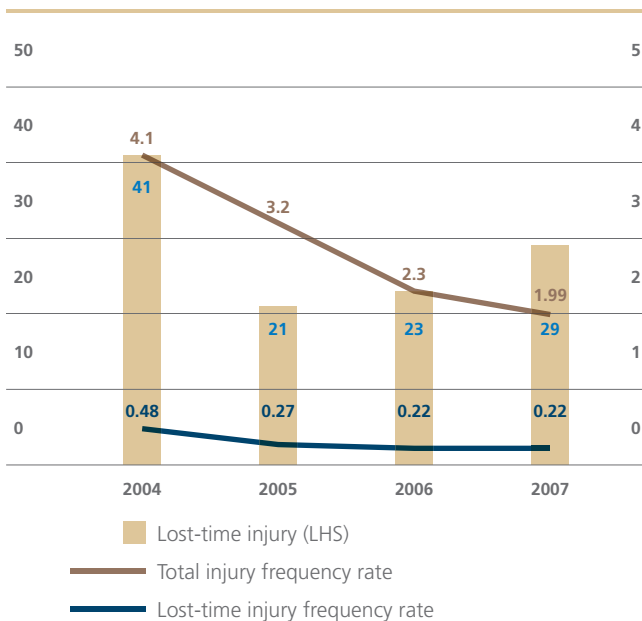
Regrettably, Kumba recorded one fatality during the year. On 24 February 2007, Samuel Marutle, a truck driver employed by a contractor at Sishen Mine, was fatally injured when his haul truck collided with the foot of a berm and crashed through a sidewall. Operator fatigue was identified as the most probable cause of the accident. Sishen Mine embarked on a renewed roll out of a complete fatigue management programme for both employees and contractors at the mine, drawing on Thabazimbi Mine's well-established programme.

While we are extremely disappointed to have missed our LTIFR target for the year, and saddened by the fatality, we can report the following exceptional safety performances:

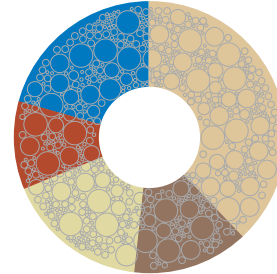
- Thabazimbi Mine had reached five years without a fatality by the end of 2007.
- Thabazimbi Mine's LTIFR improved by over 40% compared to the previous year (only two lost-time injuries (LTIs) against five reported in 2006).
- In August 2007, Sishen Mine worked 4.4 million man-hours without an LTI. The mine has also achieved 3 million LTI-free manhours on four separate occasions.
- At all head office sites, including Saldanha Port Operations, explorations and the research and development plant, no fatalities or lost-time injuries were recorded in 2007.

The average lost-time injury frequency rate for Kumba for the 12 months to 31 December 2007 was 0.22 against the target of 0.18. The lack of progress was mainly due to increased injuries, particularly in February and March, with the construction of SEP.

Kumba safety performance (2004 to 2007) LTI, LTIFR, TIFR



Kumba LTI: 2007



- 11 lifting and material handling
- 3 vehicle safety
- 4 energy and machinery isolation
- 6 other
- 5 working at heights

The majority of injuries suffered in 2007 were from lifting and materials handling. Managing this risk is incorporated in our roadmap to zero harm, and the focus will be on reviewing training material and the proper identification and management of risks related to lifting and material handling.

On 4 December 2007, the South African National Union of Mineworkers (NUM) went on a nationwide strike to protest against what it views as the unacceptable number of injuries and fatalities occurring on South African mines. The NUM website (www.num.org.za) stated that "The NUM agrees with the Chamber of Mines that it is our collective responsibility to change the status quo, however employers need to take a leadership role and invest in safety in the same manner they invest in production". Though Kumba has a good safety record, we endorse the collective responsibility emphasised by NUM and will continue to invest in the safety of our employees and contractors.

During 2007, we responded actively to address safety as our number one priority. Several workshops were held with leadership across the group to develop our three-year safety action plan, 'roadmap to zero harm', which is aimed at improving our safety performance. In addition to ongoing initiatives documented in our safety improvement plans, our safety management focus over the next three years (October 2007 to October 2010), as outlined in our roadmap, will address the prevention and minimisation of major occupational risks identified at our operations and summarised as follows:

- Risk and change management
- Culture, leadership and communication
- Training and competency
- Empowerment of first-line managers
- Contractor management
- Transport management
- Lifting and materials handling.

Kumba was part of the Anglo American-wide review of safety standards during 2007. For Kumba, this has resulted in a code that guides our daily behaviour.

A major initiative during the year was the successful launch of the ONE Campaign at all operations including head office. The campaign strongly emphasised the theme 'one injury is one too many'. It also included the implementation of leading indicators and the revamped I Care Rules, which were renamed the Golden Rules. The Golden Rules, which prescribe expected behaviour, are non-negotiable and focus on vehicle safety, confined spaces, working at heights, energy and machinery isolation, lifting and mechanical handling, open-pit mining, stockpile management, dams and water storage, chemicals and hazardous substances, and conveyor belts.

Occupational health and wellness

We are committed to eliminating all occupational illnesses and injuries from our operations. Our SHE policy outlines the commitment to develop, communicate and review responsible and innovative policies, programmes and guidelines that provide safeguards for employees and contractors.

Our occupational health and hygiene standard calls for the identification and control of occupational health and hygiene hazards through practical measures to eliminate work-related illnesses and injuries. Attention has been directed at reducing risk and implementing indicators to support the elimination of key occupational health and hygiene risks.

During 2007, we compensated an employee who suffered irritant contact dermatitis at Thabazimbi Mine. The disease was treated and cleared successfully and the employee was transferred to a non-exposure area. Sishen Mine reported one suspected case of noise-induced hearing loss (NIHL). This case was reported to the Medical Bureau for Occupational Diseases and we await feedback.

No new or suspected cases of pneumoconiosis, asbestosis, chronic obstructive airways disease, hand-arm vibration syndrome and occupational asthma were recorded for the period.

To manage NIHL cases proactively, employees who have shown a 5% deterioration from baseline are identified and management actions taken including retraining, transfer to a quieter working environment, reducing noise at source, identification and engineering control of high-noise zones. Sishen Mine also installed 'warning systems' in which a red warning light goes on when noise levels reach 82dB. Working towards minimising exposure to noise, the mine's objective is to move all homogeneous exposure groups falling into category B (86-105dB) to category C (82-85dB). Ongoing campaigns are also conducted on exposure to noise and dust.

Improving hygiene systems and the interface between occupational health and hygiene has been a focus during the year. Revising homogeneous exposure groups resulted in a new baseline monitoring exercise. The 2008 risk classification will be based on the results of this study. One of the key benefits of revised homogeneous exposure groups is accurate risk profiling for different designations which will assist in effectively managing occupational health risks and protecting employees against potential occupational diseases.

Health and wellness objectives and targets for 2008

Objective	Target
Elimination of silicosis (Thabazimbi Mine)	By December 2008 – 95% of all exposure measurement results must be below occupational exposure limit for respirable crystalline silica of 0.1mg/m ³ .
To prevent new employees from contracting silicosis	No new cases to be reported from end December 2008.
Hearing conservation	Fully implemented programmes by end December 2008.
Elimination of all equipment exceeding 110dB	50% reduction by end December 2008.
VCT	80% of all employees to be tested by end 2008.

HIV and Aids

Kumba has a comprehensive HIV and Aids strategy in place, guided by our HIV and Aids policy. It is built on preventing employees from becoming infected with HIV, extending the lives of those infected and ensuring the impact on the company is managed. The company extends its assistance to the families of infected employees.

Key HIV and Aids statistics

	2007	2006
Infected with HIV (% of workforce)*	5.82	4.86
% of workforce participating in VCT	75	73
Number of new cases	142	122
Number on ART	92	82
Number of employees on wellness programme	314	219

* The basis of calculation of the infected rate reported is the number of HIV infected employee as a percentage of the total Kumba workforce as at the end of the 2007 reporting period. It excludes the potential HIV infection rate present in the percentage of the workforce who do not know their status.

The following features are part of our HIV and Aids programme:

- Condoms and femidoms are distributed widely.
- Voluntary counselling and testing is available for employees and families.
- Wellness programme is in place and assistance provided for emotional support, co-ordinating medical aid for access to nutritional supplements and antiretroviral treatment and co-ordinating access to hospice care in advanced stages.
- Presently the internal HIV/Aids programme does not extend to customers or suppliers. The mine is considering extending a full programme to contractors. Contractors already have access to ARVs and VCT voluntarily.
- Peer educators are active in local communities. Advice is given on how to access government-provided services, and condoms are supplied.

Case study:

Thabazimbi Mine HIV programme

Thabazimbi Mine launched Re Tlo Lwana we will fight community HIV/Aids programme in 2003. In the company's view, HIV/Aids is effectively combated by combining efforts with non-governmental organisations (NGOs), faith-based groups, the government health department, the communities themselves and other stakeholders.

Re Tlo Lwana is a community-driven project that aims to strengthen and extend the group's HIV/Aids programme to host communities. Among other activities, the programme:

- Conducts prevention campaigns in and around the mining community
- Conducts voluntary counselling and testing (VCT)
- Conducts HIV/Aids awareness and education programmes
- Promotes comprehensive community home-based care programmes for families whose members are already infected
- Promotes income-generating projects for indigent communities around Thabazimbi Mine's operations.

Substantial amounts were invested in training and capacity building during the inception of the project.

In addition to sponsored training, the mine provides office space and facilities to Re Tlo Lwana and local NGOs.

As part of the community home-based care programme, the mine regularly provides transport for delivering food parcels to the community and transporting caregivers for the awareness campaigns.



Itireleng Skills Development Centre, Thabazimbi Mine.

Community engagement and development

We define community as external stakeholders who are regularly and directly impacted by our activities. This includes the people of Kathu, Deben, Dingleton, Olifantshoek and Thabazimbi, some of whom work, or worked, for Kumba, have family members working for Kumba, the local authorities, those who supply us with services, and yet others who live alongside us. We also recognise the need to engage with host communities in other areas where we have an interest in growing our business, such as the community of the Tsantsabane Local Municipality where Sishen South will operate.

We are a keystone of the regional economies where we operate. Our presence is critical for employment and revenue generation. We recognise our economic importance in the Northern Cape and Limpopo provinces but also understand the need for local and regional economic diversification. This guides our closure planning and we engage with our stakeholders, especially local and regional authorities, in this regard.

Both Sishen and Thabazimbi mines have, since inception, contributed to the growth and development of the Thabazimbi and Gamagara communities by providing bulk infrastructure and other essential services. To understand community issues and needs better, our main focus in community development is geared towards a holistic approach to stakeholder engagement and consultation. In 2007, the socio-economic assessment toolbox was used as a means to consult with stakeholders, specifically host communities. We are analysing the results of this survey which will be used to guide our community involvement strategies.

The mines will produce a socio-economic assessment report and make these available to all key stakeholders during 2008. The social and labour plans and mine closure plans are geared towards creating a sustainable environment through local economic development and skills development. In 2007, we held various sessions with the DME and local municipalities to review our LED projects to ensure alignment with local government's integrated development plans. This process was successfully completed and the updated LED projects were incorporated into our social and labour plans submitted to the DME in 2007.

Local economic development and corporate social investment

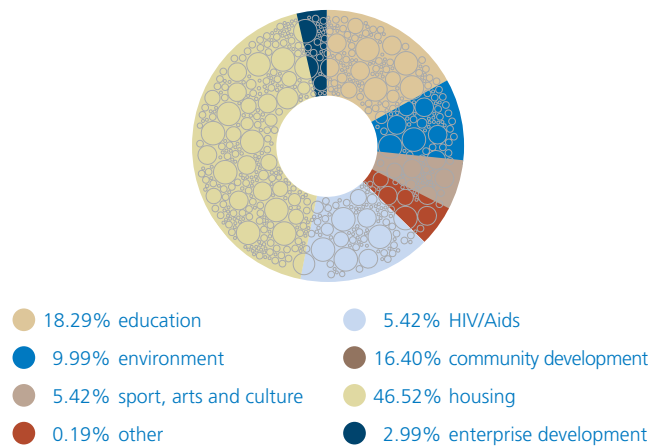
Our contributions to local economic development are centred on our social responsibility standard. The standard recognises two means of contribution: via LED and through corporate social investment (CSI). The latter has two sub-categories – sponsorships and donations – and covers projects that fall outside the scope of our LED support.

LED forms part of our social and labour plans, developed in line with the mining charter's requirements, and highlights our commitment to support financially or otherwise the provision of local infrastructure in support of the municipal integrated

development plan, community development and poverty alleviation initiatives. We use internal and external forums to monitor progress on delivering on our commitments, and will continually engage with all key interested and affected parties to ensure we contribute positively to economic development in our host communities.

During 2007, our LED and CSI expenditure was spread as follows:

2007 LED and CSI spend



Investment by local municipality (Rand)

Thabazimbi	2007	2006
Education	157,500	105,120
Health and HIV/Aids	412,411	108,571
Environment	24,587	–
Community development	526,618	628,173
Sports, arts and culture	11,890	7,871
Other	76,000	–
Enterprise development	–	80,000
	1,209,006	929,735

Gamagara	2007	2006
Education	12,700,000	1,040,000
Health and HIV/Aids	3,400,000	128,853
Environment	7,000,000	–
Community development	11,000,000	275,080
Sports, arts and culture	122,516	258,129
Housing	32,700,000	3,100,000
Other	54,737	62,960
Enterprise development	2,100,000	2,010,000
	69,077,253	6,875,022

Case study: Sishen Mine education

One of Sishen Mine's focuses is to support education institutions to ensure that quality educational programmes and facilities are offered to learners and teachers. To understand the educational needs of the Gamagara Local Municipality, Sishen Mine contracted the services of EQUIP (Educational Quality Improvement Programme) to conduct a needs audit on local education. This included schools in Kathu, Deben (in progress) and Olifantshoek (not yet started). The audit runs from 2007 to 2011.

The following are some of the key projects in which Sishen Mine is participating:

Kathu High School

A computer-based learning centre and a technical division were established at the school.

Computer-based learning centre

The lack of access to technology has always been an issue for HDSA learners. The centre is equipped with 100 computers, installed with all the necessary mathematics and science software.

The centre also offers quality learning through computer-based programmes specifically in the spheres of science and mathematics.

Technical division

Addressing skills shortages is not only the responsibility of the Department of Education but rather a partnership between all stakeholders. There is an acute shortage of skilled artisans due to the emigration of skilled people, ageing, and movement to senior positions.

To address this problem, Kumba also established a technical division at the Kathu High School. This facility allows learners to start their technical careers in their first year of high school, grade 8. When these learners complete grade 12, the programme gives them a better chance of being accepted at the local FET college or into a university or technical university.



Kathu High School, Sishen Mine.

The objective is also to ensure that once learners have completed their studies, they are employed at the mine and their skills are used to benefit the local community. Technical streams that can be followed include electrical, civil and mechanical engineering. Kumba also sources bursary students through this programme to further their studies in the respective engineering disciplines.

Kathu Campus, language laboratory

A computer-based language laboratory was established at Kathu campus of the Northern Cape Rural FET College. The laboratory addresses the language barrier that slows progress of learners coming from historically disadvantaged communities.

The programme will specifically address the language backlog in technical courses. The software used allows learners to enhance their reading skills at their own pace.

Kathu Primary School

The needs audit extended to Kathu Primary School. The resulting plan focused on projects that included information signage at the entrance of the school, purchasing textbooks, crucial maintenance of toilets and funding a Neuro-Link development process for both learners and teachers.

Neuro-Link is a total brain-based developmental programme whose objective is to equip teachers and learners with the best available technology for education and human development, the end result being higher levels of emotional intelligence. The programme has the following outputs:

- Better understanding by teachers and parents on unique learning methods as well as mental preferences fit for each learner
- Better performance for learners
- Effective stress management
- Attitude and behavioural changes
- Higher brain fitness levels.

Dingleton Primary School

Essential support has been provided to the school: painting, new classrooms, covered walkways and a shade netting structure erected to allow for protected gathering space. Playground equipment, educational toys, household equipment, sports clothing and new computers with basic software were also purchased.

Early Childhood Development Centre

Statistics have proven that a cause of poor results in primary and especially high school learners is a direct result of none or too little cognitive development in the early childhood developmental stages.

The early childhood development centre was established to ensure that children, and specifically HDSA children, will have affordable and easy access to an education institution where they will receive maximum exposure to quality developmental programmes. The centre will provide a safe environment that will develop and enhance cognitive development among the children.

The facility is equipped with a playground, traffic course, shaded sand boxes and educational toys. To attend to the 150 learners in the centre, six teachers with the necessary qualifications were appointed.

Other stakeholders

This grouping of stakeholders is broad. It includes provincial and national authorities, unions and industry associations. Engaging with these stakeholders is the responsibility, on the whole, of the Kumba head office, specifically public affairs. A head of public affairs was appointed towards the end of 2007 to ensure that Kumba builds strong relationships and partnerships with its stakeholders.

The public affairs role will also ensure that activities relating to stakeholders are better co-ordinated.

Stakeholder	Interest	Method	Frequency	Responsibility
Provincial government	Engaging regularly on relevant issues, continuously seeking partnerships and support on provincial issues of importance.	One-on-one meetings	Quarterly	Mines Head office
District municipality	Engaging district authority regularly on relevant issues through district IDP (integrated development plan) forums and other district committee meetings, updating and informing district council on Sishen Mine initiatives in the district. Continuously seeking new partnerships on district issues of importance.	IDP forum meeting One-on-one meetings with mayor	Quarterly	Mines
Local municipality	Regularly engaging with Gamagara local municipal officials and council on relevant issues through various forums and committees, updating and informing local authority on Sishen Mine initiatives in municipal area. Continuously seeking new partnerships on local issues of importance.	One-on-one meetings with mayor and council IDP forum	Monthly	Mines Head office
Traditional councils	Engaging regularly with traditional leaders on issues of relevance, sharing information and discussing issues of concern.	One-on-one meetings	Bi-annually	Mines Head office
Contractors' forum	Sharing information, building partnerships on development issues, addressing issues of concern (environmental, safety, health).	Forum meetings	Monthly	Mine representatives
Stakeholder environmental management forum	Sharing information and discussing environmental issues mainly due to (but not only caused by) mining activities.	Forum meetings	Quarterly	Mine representatives
Gamagara health/HIV forum	Sharing information and discussing health and HIV-related concerns in municipal area and forming meaningful partnerships to address these issues.	Forum meetings	Quarterly	Mine representatives
Community policing forum	Sharing information and discussing community safety-related concerns in Gamagara municipal area and forming meaningful partnerships to address community safety issues.	Forum meetings	Quarterly	Mine representatives
NGOs, community-based and non-profit organisations	Partnering on delivery of community development initiatives, assisting organisations through board representation.	Meetings	Monthly/ quarterly	Sustainable development teams
Northern Cape Mine Managers' Association	Sharing information and partnering on addressing provincial issues of concern.	Meetings	Monthly	Mine representatives

Case study: Sishen Mine healthcare

Sishen Mine is a partner in several healthcare initiatives in the Gamagara area, in line with commitments the mine has made in its social and labour plan.

Ulysses Gogi Modise Wellness Clinic

This facility was opened by the Northern Cape premier, Dipuo Peters, in December 2007. It will render a much-needed service to the community and will also be able to address the need for testing a huge number of contractors working at the mine. It will provide services to the entire local community and relieve the burden currently experienced by the local clinic.

The clinic was built next to the local hospital which has doctors and other medical services. The location offers easy access from the taxi rank and is within a short walking distance to all other medical services, which include dentists and other doctors.

Sishen Mine financed the construction of the clinic, and is responsible for its operating costs (excluding medicines) for the next three years.

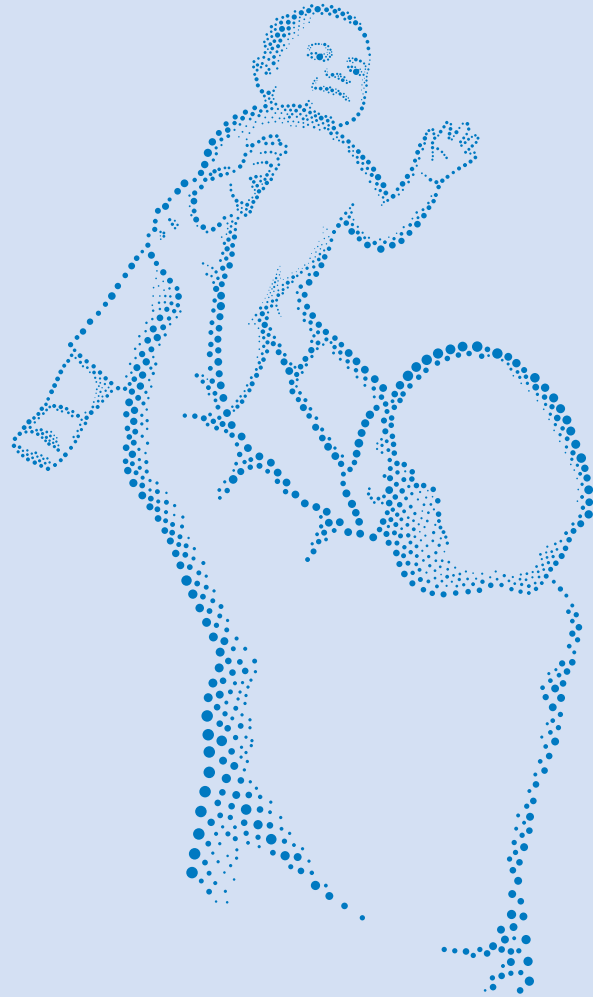
Soup kitchen

In Dingleton, Kumba supports a soup kitchen that is voluntarily run and managed by two professional sisters, a chef and 20 health workers from the provincial health department. Nutritious hot meals are provided to 150 patients per day, five days per week.

For people to qualify as soup kitchen beneficiaries, they are initially evaluated by the sisters against certain criteria and then referred to the soup kitchen.

When patients need to be transported to the local clinic or provincial hospital in Kuruman, the soup kitchen ensures food parcels are provided to them on that day.

Other services provided by the kitchen health workers include referrals to medical facilities, social welfare services, house visits and emotional support.



Environment

In this section we discuss our environmental impact in the context of resource use and efficiency, impact management, rehabilitation and waste management. All our mines are ISO 14001 certified and annual audits are conducted to measure the effectiveness of our systems.

Environmental governance is provided by the board safety and sustainable development committee and other relevant committees at head office and operations. The board bears overall responsibility for environmental monitoring and performance.

Our SHE policy and associated environmental standards guide the operations. The environmental management systems, formulated in line with ISO 14001 requirements, enable the mines to identify all aspects and impacts associated with their activities and to determine corrective measures.

All our operations use a group sustainable development database to capture environmental data, which is subject to verification by external auditors.

Process	Used at what stage	Purpose
Impact assessments	Project initiation or expansion	Define key risks/impacts
Environmental management programme	Project implementation, operation and closure	Manage/mitigate impacts
Legal register	All stages	Track changes in applicable legislations and their impact
Risk assessment	All stages – part of all processes	Manage/mitigate impacts
Monitoring and reporting	Part of impact management	Assess performance against environmental management programmes, for example
Internal audits	All stages	Ensure management programmes are implemented and performance is in line with expectations
Data verification	All stages	Ensure data collection is correctly reported and executed and systems for analysis are in place
Supplier and contractor audits	All stages	Ensure suppliers and contractors comply with Kumba environmental requirements
Closure planning	Ongoing	Ensure financial provision for closure is adequate and aligned to rehabilitation options

Our environmental objectives for 2008 are to:

- Review reporting of energy, water and CO₂ emissions with the energy and water efficiency model
- Drive implementation of energy efficiency initiatives to reduce energy consumption by 15% by 2014
- Set targets for water consumption and identify saving initiatives
- Continue to identify projects to reduce CO₂ emissions
- Obtain approval from DME on updated closure cost estimates and preferred rehabilitation method
- Implement waste management plans
- Achieve zero level 2 and 3 incidents (definition p89).

Resource management

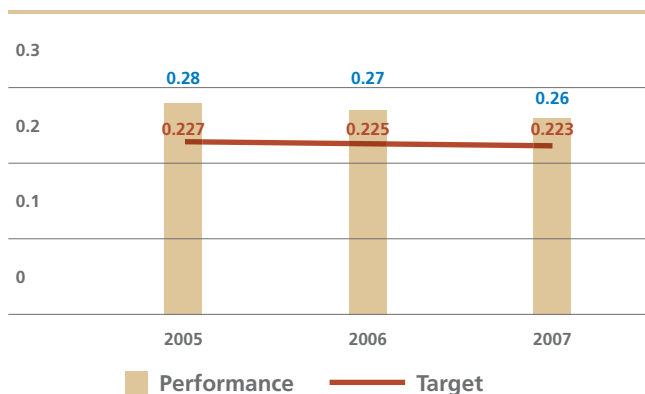
In this section we focus on water and energy consumption. Currently, energy efficiency in South Africa is of utmost importance and an issue that requires our commitment and attention.

Water management

Sishen and Thabazimbi mines are in semi-arid regions. This implies that at Kumba we need to be extra efficient at managing our use of water, controlling our discharges and their quality and managing our impacts on groundwater resources.

Although Kumba achieved an overall water saving of 3.7% in 2007 compared to 2005 and 2006, the target of 0.223m³ per tonne was not met. This was due mainly to the full-scale construction of a new processing plant for SEP and increased production. Two major water reduction projects were implemented at Sishen Mine, namely the construction of a new return water dam and a new slimes handling process. The new slimes handling process involves increasing the density of the discarded slurry, which reduces the amount of water 'wasted' through slimes deposition, and reducing the surface area of the slimes dam ponds, thus reducing evaporation.

Water consumption (m³/tonne)



Sishen Mine also uses treated effluent from the Kathu sewage treatment plant. Approximately 20% of the mine's water requirements are provided by this treatment plant, thus reducing reliance on external sources. Another important management action that has decreased water use is the treatment of permanent roads using a chemical dust suppressant instead of water. A trial was undertaken in 2007 to identify a suitable chemical suppressant for use on non-permanent roads. Sishen Mine will implement the findings of this study in early 2008.

A water and energy efficiency task team was established in 2007. This team is responsible for developing water and energy policies, strategies, goals and savings initiatives. Several savings initiatives were identified at the end of 2007 for further investigation in 2008. A modified baseline will be used in future for reporting progress against targets. The target for water reduction will be revised in 2008 in consideration of secondary factors affecting water consumption at the mines.

Groundwater management

The health of underground aquifers at both Sishen and Thabazimbi mines is vital to the sustainability of the mines and neighbouring communities. The mines obtain 57% of their supply from groundwater reserves.

At Sishen Mine, farmers surrounding the operations have alleged that the mine's dewatering activity has affected their water supplies and their ability to water their livestock. Formations of swallets (similar to sinkholes) were also visible in the banks of the Gamagara River near the mine. Several studies were conducted by specialists appointed by the mine to determine the impact of dewatering on neighbouring farmers. After some farmers disputed the findings of the study, the University of the Western Cape was appointed by the Department of Water Affairs and Forestry (DWAF) to review the study. A peer review raised doubts on the boundaries of the impact zone as defined by previous investigations. Consultations with affected farmers and DWAF have been ongoing to determine the scope of additional work. In the meantime, the mine is providing water to affected farmers. Agreements to provide assistance for grazing were also reached with the majority of downstream farmers.

In addition to these actions, the mine undertook a project to backfill the swallets to re-establish the normal path of the river. This work was completed at the end of September 2007. A formal river diversion to channel water around the backfilled portions will be investigated in 2008.

Case study: Sishen Mine water conservation initiatives

Sishen Mine is in a semi-arid area. The mean annual rainfall is 349mm while the average annual evaporation rate is 2,026mm. Low rainfall coupled with high evaporation requires all water users in the region to apply strict measures to reduce evaporation, as well as stringent water conservation measures. Through its environmental management system, the mine is committed to using its water resources efficiently.

The existing beneficiation plant at the mine, which produces about 29Mt of ore per annum, uses a wet process in which run-of-mine ore is washed, separated, sieved and sorted. At the end of the beneficiation process, all process water is sent to sludge thickener dams where the sludge settles out.

From these dams, the separated clean water is returned to the beneficiation process and the sludge is pumped to four individual slimes dams. In the slimes dams, the remaining solids settle out and water is recovered.

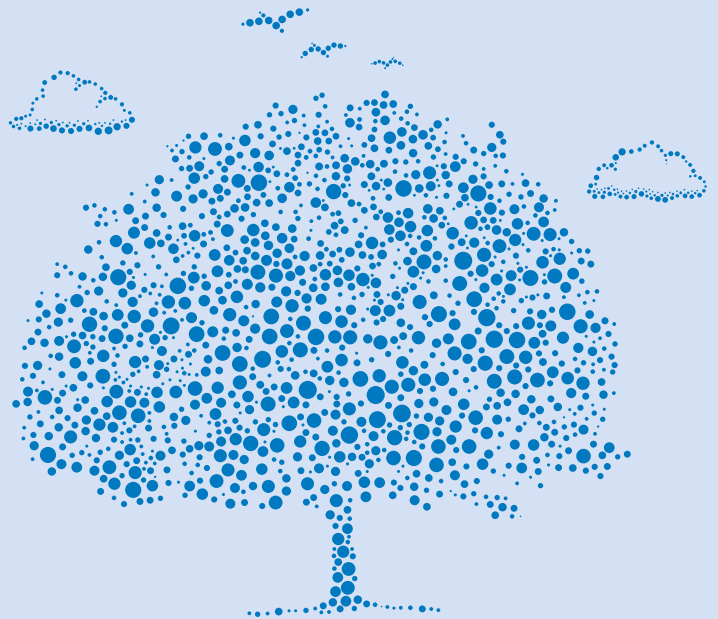
The slimes dams were historically a major source of water loss. A large volume of water was stored in the dams to allow sufficient retention time for sludge to settle out. Water was lost from this pool through evaporation and seepage. To improve water conservation, the mine has recently optimised slimes dam management and constructed a return water dam as a part of the Sishen Expansion Project (SEP).

In 2006, the new return water dam was constructed adjacent to the existing slimes dams at a cost of approximately R6 million. Instead of returning recovered water directly from the slimes dams to the beneficiation plant as in the past, recovered water now flows from the slimes dams via a silt trap to the return water dam. From this dam, water is pumped to the beneficiation plant. The advantages of the silt trap and return water dam include:

- A shorter retention time for water on the slimes dams
- Smaller water pool area on the slimes dams
- The return water dam is lined and allows for a deeper pool with a smaller surface area.

These advantages result in no seepage and lower evaporation losses. An intensive engineering redesign was initiated to increase sludge density for the new SEP plant. By increasing the density of sludge sent to the slimes dams, more water is effectively extracted at the thickener dams and returned to the beneficiation process, resulting in less water being sent to the slimes dams where it can evaporate.

Other practical measures implemented by Sishen Mine to conserve water include separating the clean and dirty water systems. Now all dirty water on the mine is collected via a series of drains, treated and used in the plant and other processes.



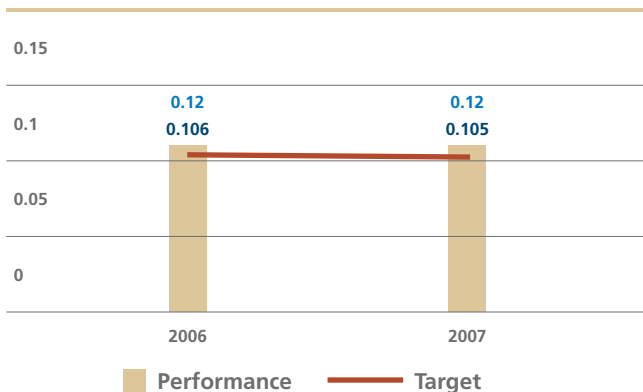
Energy consumption

In the current South African context of low energy security, it is becoming increasingly important to reduce fuel (diesel, petrol) and electricity consumption. This is critical from a risk, financial and environmental perspective. The water and energy efficiency task team is developing a model for reporting water consumption, energy consumption and CO₂ emissions against a modified baseline.

The model will use 2004 data as a baseline. The baseline will then be altered every year, taking into account primary and secondary factors such as future expansions to measure actual energy consumption against the modified baseline and to determine if energy savings were realised for a particular year.

In line with the sector target, Kumba has committed to achieve a 15% saving in energy use by 2014. This is equivalent to 1.5% savings per year as determined from the 2004 baseline. Kumba also shed 10% of its electricity requirements in early 2008 to comply with Eskom’s request that business reduce its energy consumption. Kumba’s energy consumption for 2006-2007 is shown below:

Energy consumption (GJ/tonne)



Energy consumption and CO₂ emissions

Energy	2007	2006
Total diesel (ℓ/tonne)	2.30	2.15
Electricity (MWhr/tonne)	0.038	0.037
Energy from fossil fuels (GJ/tonne)	0.08	0.08
Energy consumption (GJ/tonne)	0.12	0.12
CO ₂ /tonne	0.02	0.02
Total production (Mt)	32.4	31.5

No significant reductions could be shown in energy efficiency in the period due to:

- A new processing plant was constructed and partially commissioned as part of the Sishen Expansion Project.
- Diesel consumption was greatly affected by longer hauling distances due to pit expansion and increased volume of overburden removed to expose the ore body.

However, several energy efficiency initiatives were implemented during 2007, namely:

- Shortening hauling distance to the pit at Thabazimbi Mine by changing the entrances to Kwaggashoek and Donkerpoort.
- Efficient use of the beneficiation plant at Thabazimbi Mine to drive the reduction in electricity consumption. The main aim is to produce at full capacity and stop the plant completely as required, instead of running at reduced throughput.
- Using a trolley system at Sishen Mine, known as pantograph: the diesel engine drives the alternator to generate electrical power. This power is channelled to the wheel motors where the trolley system uses power collected from power lines by means of a pantograph (when the mine is able to draw 100% of its power supply). Fuel consumption of a truck reduces from 330ℓ/hr to 24ℓ/hr because the engine switches from full revolutions per minute to low idle when it gets its power from the overhead power line.
- The application of chemical dust suppression at Sishen Mine also reduced the rolling resistance for mining equipment. The road is more stable due to the hard layer formed after applying the chemical, and with the smooth rolling of the truck less fuel is consumed, and less grading is required.

In addition to these initiatives, the energy efficiency task team is investigating variables that influence monthly consumption and identifying possible projects to reduce consumption rates. Energy and water champions nominated at the operations will identify opportunities for savings at operational level.

Waste and emissions

Emissions

In 2007, Sishen Mine began developing an air quality management plan to monitor dust pollution. The project will be completed in April 2008. The adequacy of the monitoring network will be reviewed against proposed legislative amendments to ensure the mine complies with all legal requirements.

In line with sector targets, Kumba is committed to a 10% reduction in CO₂ emissions by 2014. The largest component of our CO₂ emissions results from direct and indirect energy consumption; it follows that we are addressing emissions by tackling our energy consumption through energy-efficiency initiatives. Kumba CO₂ emissions from 2006 to 2007 are indicated in the table on page 85.

Waste

Kumba is guided by the 'reduce, reuse, recycle, and recover' approach (4Rs). Our company waste management standard and business unit waste management procedures guide the application of this approach.

In 2007, our attention was drawn to the Polokwane declaration in terms of waste management. Considering the limited amount of space left for landfill sites and the amount of waste generated by our operations, the need to review our current waste management practices was critical.

The mines have on-site waste management systems to ensure that minimal environmental impacts occur. The system consists of various service points equipped with a number of waste skips. Different skips are provided for different types of waste, and some separation takes place at source. The temporary accumulation areas are managed appropriately to reduce risks such as spills. Currently, recyclable items and hazardous waste are taken to a temporary storage yard for removal by recycling companies. The remainder is disposed of at authorised landfill sites.

Although waste is managed via the environmental management system and removed from service points regularly, areas which require more attention and focus are improved record keeping and monitoring of total waste generated, recycled and disposed. Our 2008 objective for waste management is to ensure that the mines have fully implemented their integrated waste management plans (IWMP). These plans will address all components of the waste hierarchy from generation to final disposal. Sishen Mine has completed its integrated waste management plan, which was approved by the safety and sustainable development committee for implementation, while Thabazimbi Mine's is due for approval in the first quarter of 2008.

Based on the outcome of work scheduled for 2008, targets will be set for waste management in support of the Polokwane declaration's goals of reducing waste generation and disposal by 50% and 25% respectively by 2012.

The main objectives of the integrated waste management plans are to:

- Establish a waste generation baseline.
- Develop a waste database to capture information on waste generation, collection, re-use, recycling and disposal.
- Ensure temporary and permanent waste storage areas are environmentally and socially acceptable and comply with relevant legislation.
- Provide an appropriate and effective waste collection and transport system to on-site waste generators.
- Contribute to local economic development and upliftment of local communities.
- Ensure waste is classified in accordance with the minimum requirements for handling, classification and disposal of hazardous waste.
- Increase awareness among employees, contractors and local communities on the importance of responsible waste management.

Both mines have started recording some of the waste generated and have also developed a database for capturing this data.

Waste reported by Sishen Mine in 2007

	General waste disposed (tonnes)	Hazardous waste disposed (tonnes)	Scrap metal recycled (tonnes)	Used oil recycled (1000ℓ)	Paper and wood recycled (tonnes)
Quantity	336	70	3,197,109	389,825	561

Thabazimbi Mine statistics will be reported once recording systems are fully in place.

Due to the remote location of our operations, our hazardous waste needs to be transported long distances to authorised domestic waste sites for final disposal.

Hazardous waste is taken to Holfontein in Springs, and local waste taken to either municipal or the mines' own disposal sites. We are conscious of both the cost and impact of transporting and disposing this waste, and are continuously seeking to implement projects to address this, including:

- Using old oil as a fuel in explosives at Sishen Mine.
- Using centralised collection points for hazardous waste so that centralised pick-ups can be used to minimise redundant travel.
- Waste awareness campaigns to promote correct separation of waste to eliminate mixing hazardous and general waste.
- Waste contractors must provide proof of permits to transport hazardous waste, and must provide safe disposal certificates for each load removed.
- Ongoing waste recycling where practicable.

Land management

Land management involves several aspects: rehabilitation of mined-out areas, biodiversity conservation, land management, and closure planning. Kumba owns 40,895 hectares of land. Land management plans are being developed at both our operations to ensure that all land under our management is responsibly managed. Our targets for these aspects are as follows:

Land management targets

Aspect	Management intervention	Progress	2008 targets
Rehabilitation and closure	Identification of preferred rehabilitation method. Apply outcome of research done by Sishen Mine at Thabazimbi Mine.	Preferred rehabilitation method already established for Sishen Mine. This will be discussed in context of Thabazimbi Mine with DME in 2008 to seek approval.	Begin rehabilitation using approved angle. Complete studies on socio-economic and bio-physical components of closure plan.
Biodiversity	Finalisation and implementation of biodiversity action plan for Sishen Mine.	Some progress was made at Sishen Mine and Thabazimbi Mine's management plan has been completed. Implementation to be completed by end 2008.	Develop and implement biodiversity action plans. Peer review plans.

Environmental incidents

Kumba had a 2007 target of zero level 2 and 3 incidents.

Mine	Level 1	Comment	Level 2	Comment	Level 3
Sishen	35	Minor diesel, oil and waste spillages	1	Hydro-carbon polluted water	0
Thabazimbi	21		0		0
Total	56		1		0

The number of level 1 incidents reported in 2007 (56) reduced slightly compared to 64 in 2006. The incidents were mostly related to hydrocarbon (diesel and oil) and waste spillages, which were promptly rectified. One level 2 incident was reported at Sishen Mine, involving the spillage of hydrocarbon-polluted water from a pollution control dam into the storm water system. The spill was cleaned up promptly and no pollution was released outside the mine's boundary. A new pollution control dam has been constructed, which will prevent similar occurrences. Zero level 3 incidents were reported in 2007.

An incident is an unplanned occurrence or event.

Level 1

Level 1 is an incident that resulted in:

- a minor impact on the physical or biological environment (air, land, water or habitats) with no significant or long-term impairment of the ecosystem function or surface/ground water resource; and/or
- an inconvenience/disturbance/disruption/annoyance (including odour, dust, noise, traffic problem, loss of water supply) of short duration and with no long-term effect on the community; and/or
- a release of material (gas, liquid, solid) or energy which has the potential to cause illness, injury or property damage to the public, or one which causes short-term discomfort or reversible health effect to the public; and/or
- minor repairable damage to commonplace structures of cultural significance, or minor infringement of cultural values; and/or
- instances where, for example, stack tests have been outside the permitted limit, or water samples taken by or for the Regulator, or to check legal compliance, have been outside the permitted limits and/or a letter is issued by the Regulator. "A letter issued by the Regulator" must be interpreted in the context of the local Regulatory terminology.

Repeated or continuous Level 1 incidents must be escalated to Level 2 if the cause is not rectified or the impact mitigated within an acceptable period of time. "Acceptable period of time" must be justified by the operation based on the relevant circumstances.

Level 2

Level 2 is an incident that resulted in:

- 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; and/or
- a minor impact to fauna or flora in a statutory designated area (i.e. National Park); and/or
- an inconvenience/disturbance/disruption/annoyance (including odour, dust, noise, traffic problem, loss of water supply) of moderate duration or with medium-term effect on the community; and/or
- a release of material (gas, liquid, solid) or energy which cause severe but reversible illness, non-disabling injury or moderate property damage to the public; and/or
- damage to rare structures of cultural significance, or significant infringement of cultural values/sacred locations; and/or
- formal intervention by the authorities, e.g. Caution, Prohibition or Improvement Notice has been issued. "Caution, Prohibition or Improvement Notice" must be interpreted in the context of local Regulatory terminology. Or where prosecution and convention has led to fines totalling less than US\$100,000 per event.

Repeated or continuous Level 2 incidents must be escalated to Level 3 if the cause is not rectified or the impact mitigated within an acceptable period of time. "Acceptable period of time" must be justified by the operation based on the relevant circumstances.

Level 3

Level 3 is an incident that resulted in:

- 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; and/or
- an impact to unique or protected species or habitats; and/or
- an inconvenience/disturbance/disruption/annoyance (including odour, dust, noise, traffic problem, loss of water supply) of long duration or with long-term effect on the community; and/or
- a release of material (gas, liquid, solid) or energy which causes chronic illness, permanent disabling injury, fatality or extensive property damage to the public; and/or
- irreparable damage to highly valued structures or sacred locations; and/or
- instance where prosecution has led to conviction and fines totalling more than US\$100,000 per event.

Case study: Rehabilitation

Thabazimbi Mine

Thabazimbi Mine is rehabilitating its waste rock dumps according to commitments made in its approved environmental management plan. The process of rehabilitation started in the 1990s. Several experiments have been undertaken in conjunction with the University of North-West to find the most effective rehabilitation method. Over the years, several improvements and much progress has been made on rehabilitation work at the mine.

The dump rehabilitation process consists of the following steps:

- The crown of the waste rock dump is levelled with an excavator and a bulldozer to a safe slope angle of between 18-20°; this is a safe angle at which to work.
- After levelling, a bulldozer makes indentations in a process called 'moonscaping'. The indentations are about 20m apart on the downward slope and staggered to ensure they do not form continuous lines. The function of the moonscape is to retard runoff water and prevent erosion of the slopes.
- Two indigenous trees and two clumps of grass are planted per indentation.
- After vegetation has been planted, a mixture of fertilizer is applied. The area is watered three times a week until rains have fallen.
- All flat surface areas on the waste rock dumps are ripped with a bulldozer; trees and clumps of grass are planted 5m apart in the ripped furrows, fertilized and watered in the same manner as moonscape areas.
- Vegetation planted the previous year is fertilized every new year.

Remaining challenges include:

- Identifying a process whereby indigenous grasses can be more rapidly established and on a larger scale.
- Identifying a process whereby vegetation establishment can be hastened on longer slopes.

The mine has begun experiments using indigenous grasses to overcome these challenges.

Sishen Mine

The disturbed mining area at Sishen Mine comprises 6,193ha. Rehabilitation of mine rock dumps first started in 1985, and one of the initial problems encountered was how to stabilise and vegetate the slopes of mine dumps.

To establish the most effective and efficient way of achieving this, the mine, in collaboration with the University of North-West, researched and tested different combinations of soil, slope and vegetation as part of the move to stabilise the slopes of mine waste rock dumps, vegetate them and improve the scenic quality of the pit in the long term. The difficulties in making this a successful endeavour include the steepness of the rock dump slope, the ability of indigenous vegetation to colonise the slopes permanently as well as soil factors that would affect this colonisation.

The process began in 2003. Trials involved numerous plots on a range of slopes to which various seeding, fertilization and care regimes were applied.

The results of this study, as well as earlier trials, indicate the following:

- Sustainable vegetation cover can be achieved at a fairly gradual slope angle on the western and southern slopes, but for practical limitations in terms of reshaping for surface water and erosion control.
- Application of the equivalent of 150 tonnes of organic material such as compost to increase water-holding capacity as well as bacterial activity in the growing medium per hectare is vital for vegetation success.
- All 'banks' should be back-sloped and surface water flow on these well managed through contouring.
- A seed mixture of several grass species proved most successful – *Cenchrus ciliaris* (Malopo) (Blue buffalo grass) seems to be the species that will dominate, while *Heteropogon contortus* (spear grass), *Digitaria eriantha* (finger grass), *Antheophora pubescens* (wool grass) and *Fingerhuthia africana* (thimble grass) are perennial grasses that will play an important role in determining rehabilitation success. *Melinis repens* (Natal red top), *Enneapogon cenchroides* (nine-awned grass) and *Aristida adscensionis* (annual three-awn) are the annual species found to perform very well.
- It is recommended that tree/shrub species should be planted on the slopes and banks to break straight lines and increase the biodiversity of the site.



Rehabilitation project, Sishen Mine.

Economic benefits

Enterprise development and procurement

Some of the key economic benefits of our operations are summarised in our financial review.

We believe the primary focus of economic development is creating a viable group of small businesses and business people from whom we can procure goods and services.

These are necessarily owned, run and staffed by HDSAs. Our contribution is co-ordinated through our LED programme, our procurement department and the training we provide our contractors and suppliers. In addition, representatives of Sishen Mine belong to the Northern Cape Mine Managers' Association at which local procurement issues and opportunities are discussed.

We view procurement and SMME (small, medium and micro enterprise) development in the same light. Kumba is committed to supporting and developing black economic empowerment (BEE) in South Africa and considers BEE essential for the successful transformation of our society. Our initiatives in the promotion and advancement of HDSA procurement are to ensure that HDSA suppliers have access to Kumba's supply chain, resulting in an increase in the momentum of HDSA procurement.

Kumba reports HDSA spend on black-empowered (BE), black-influenced (BI) and black-owned (BO) companies. The indicative procurement targets and actual spend for the company are:

- 30% for 2007 – 30% of discretionary spend with HDSA companies in 2007.
- 35% of discretionary spend with HDSA companies by end 2008.

These percentages relate to discretionary spend with companies that have HDSA ownership. Total discretionary spend refers to total procurement spend less spend on government, parastatals and municipalities, imported technology, imported materials not available locally and any other exclusion approved by Kumba's management.

Case study: Employee participation scheme – Envision

In 2006, Kumba implemented an employee share participation scheme – Envision – to give employees an opportunity to benefit by owning a stake in Sishen Iron Ore Company. Accordingly, 3% of Sishen Iron Ore Company's shares were transferred to Envision for allocation to employees. According to Kumba's chief executive, Ras Myburgh, "Envision represents a critical step in our aim to define a new level of operational and people performance in our industry. It also represents one of our key objectives, namely to deliver outstanding sustainable value to all our stakeholders – our employees included."

This scheme is open to permanent employees of Sishen Iron Ore Company who work at one of the business units in South Africa and are not part of any other Sishen Iron Ore Company managerial share-based incentive scheme. In the second quarter of 2007, the company paid the first dividends to participating employees. In total, dividends of R11 million were paid to Envision participants in 2007.

Employees will, on a pro rata basis, benefit from the appreciation of the company's shares through the Envision trust at the end of five years.

Case study: Sishen Mine small enterprise development

Sishen Mine's LED programme has three primary focus areas: healthcare, education and enterprise development. The aim of its enterprise development interventions is to assist local enterprises with finance, skills and mentoring so that these can take root and flourish. Key projects are discussed below.

Wood and charcoal project

The black thorn tree, *Acacia mellifera*, is classified as an indigenous invader – it occupies valuable land and reduces grazing. The wood and charcoal project was conceived in response to the need to clear the area of this pest. The project has now been transferred to local ownership and is a fully fledged small business. It was recently appointed to supply stores in the Kruger National Park with all their wood and charcoal requirements.

Trees on farms are cut down and processed into marketable firewood. Teams are deployed on these infested farms that trim and cut down the trees using Boscut machines. The trimmed wood products are transported to the depot at Deben where they are spread onto conveyor belts to dry for three months before they are ready for market. The wood is packed in 7kg and 20kg bags and transported across the country.

This project employs 15 people as well as two teams of four people each on the farms.

A storeroom is being built and will be used to store buffer stock to ensure continuous supply to customers.

Compost project

This project was initiated as a second phase of the wood and charcoal project at Deben. Only 80% of the black thorn tree is used for firewood and 15% left behind on farms to prevent land erosion. Of the 80%, 45 to 60% is used to produce wood products and the rest disposed of as waste.

The waste product is being used to produce compost for rehabilitating mine dumps. Other components added to the mix are organic material from the Kathu municipal transfer station, horse dung from the Kathu horse stables and grass clippings from the Kalahari golf course.

Since the project started, many tonnes of compost have been produced by the six people employed and the first load of compost was sold to the mine in December 2007.



Compost project, Sishen Mine

Case study:**Small enterprise
development continued****Boitirello Jewellery**

Unique and exquisite silver, gold and other metal jewellery is manufactured by the Boitirello jewellery project, which was founded through the Anglo Zimele programme. The project comprises six women from Kathu.

All jewellery manufactured through the project is designed by the staff. These designers have all completed the NQF 3 qualification – production of jewellery, and are awaiting external moderation of their portfolios of evidence.

A portfolio compiled by Boitirello Jewellery, consisting of a range of designed jewellery and corporate gift items, was sent to Anglo Zimele for display overseas.

Through the project, skills transfer and craftsmanship are ensured in the production of high-quality products.

During the year, Kumba head office placed orders for corporate gifts, such as jewellery, sugar spoons and letter openers. Local government is also a good customer and regularly orders cellphone holders, pen holders and other items.

Carwash project

Any visitor to Sishen Mine is instantly reminded that mining is a dusty business. All mine vehicles are coated with brick-red mud in the rains and a similar coloured powder in the dry season.

This presented an opportunity – the space for a local entrepreneur to deliver a cleaning service to the mine. Currently, the service includes cleaning parts at workshops before they are refitted into vehicles or equipment, as well as sandblasting parts. With regular and thorough cleaning, and this level of attention, the life span of the mine's vehicles is prolonged.

In addition to cleaning parts, an opportunity to wash employee cars was identified. An outside carwash facility is being built to enable mine employees to leave their vehicles for cleaning. Proper and safe detergents will be used at the car wash.

Fifteen people are currently employed at the parts wash bays.

New Horizon Entrepreneurial Project

The New Horizon Entrepreneurial Project was launched in Kimberley in 2007 under the custodianship of the premier of the Northern Cape. Grade 10 learners from all high schools in the province were invited to submit business plans to be evaluated by a skilled panel for possible implementation.

In 2007, the project attracted 75 submissions of which 24 business plans were successful and subsequently funded with start-up capital of R5,000, donated by the mine. These businesses will be given an opportunity to grow and be evaluated against each other. The winning businesses (winner and two runners-up) will be announced in October 2008 and awarded prizes.

Businesses established vary from a scrap metal dealer, a florist, a school tuck shop, to catering services and sandblasted glass to sell to tourists.

When learners leave school, they will have the option to continue with their businesses or sell them back to their school.

Dingleton Cleaning Services

The contractor responsible for maintaining houses in Dingleton needed a sub-contractor to provide cleaning services, specifically cleaning carpets and lounge suites after maintenance work was completed.

The mine assisted with the establishment of a cleaning business by providing industrial carpet cleaning machines and an industrial vacuum cleaner to deliver the service.

Dingleton Tuck Shop

The previous owner of a very basic spaza shop – outside table and limited range of goods – expressed a need to raise her business's tempo by expanding the range of items sold.

With the assistance of the mine, she now owns a small shop complete with electricity, shelving and a telephone and is on her way to self-sufficiency. Sishen Mine renovated an old building from which she now runs her small enterprise.

Plumbing enterprise

Kathu's unprecedented growth has tied up the town's entire complement of plumbers on large projects and thus individual home occupants have been left without a plumber.

This gap has been partly filled – a Drain Surgeon franchise has been set up and is owned in part by an HDSA. This person was recruited via Anglo Zimele and is now unblocking Kathu's drains.

Tyre recycling project

Part of the waste recycling strategy at Sishen Mine includes recycling tyres. Research was done and, through the Anglo Zimele programme, a joint venture concluded with a company called ART (Alternative Recycling Technology). ART has the necessary rights for various methods of tyre recycling.

The second part of the project saw advertisements placed to recruit HDSA candidates to partner the initiative. The project will have three shareholders: Anglo Zimele, ART and an HDSA company.

Tyres will be bought from the mine and processed into different products. Extracting the rubber is done using a stripping machine. One of the products that will be produced and sold back to the mine will be rubber granules which are used as part of the blasting process. This initiative will produce many other spin-offs which will allow for more job creation and empowerment.



At Sishen Mine the black thorn indigenous invader tree is removed and camel thorn trees planted

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EN11	Location and size of land owned, leased or managed in, or adjacent to protected areas	87
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.....	64, 83-85
EN13	Habitats protected or restored	87
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	86-87
EN15	Number of IUCN Red List species with habitats in areas affected by operations broken down by level of extinction risk.....	86-87
EN16	Total direct and indirect greenhouse gas emissions by weight	64, 86
EN17	Other relevant indirect greenhouse gas emissions by weight.....	86
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	64, 86
EN19	Emissions of ozone-depleting substances by weight	Not reported

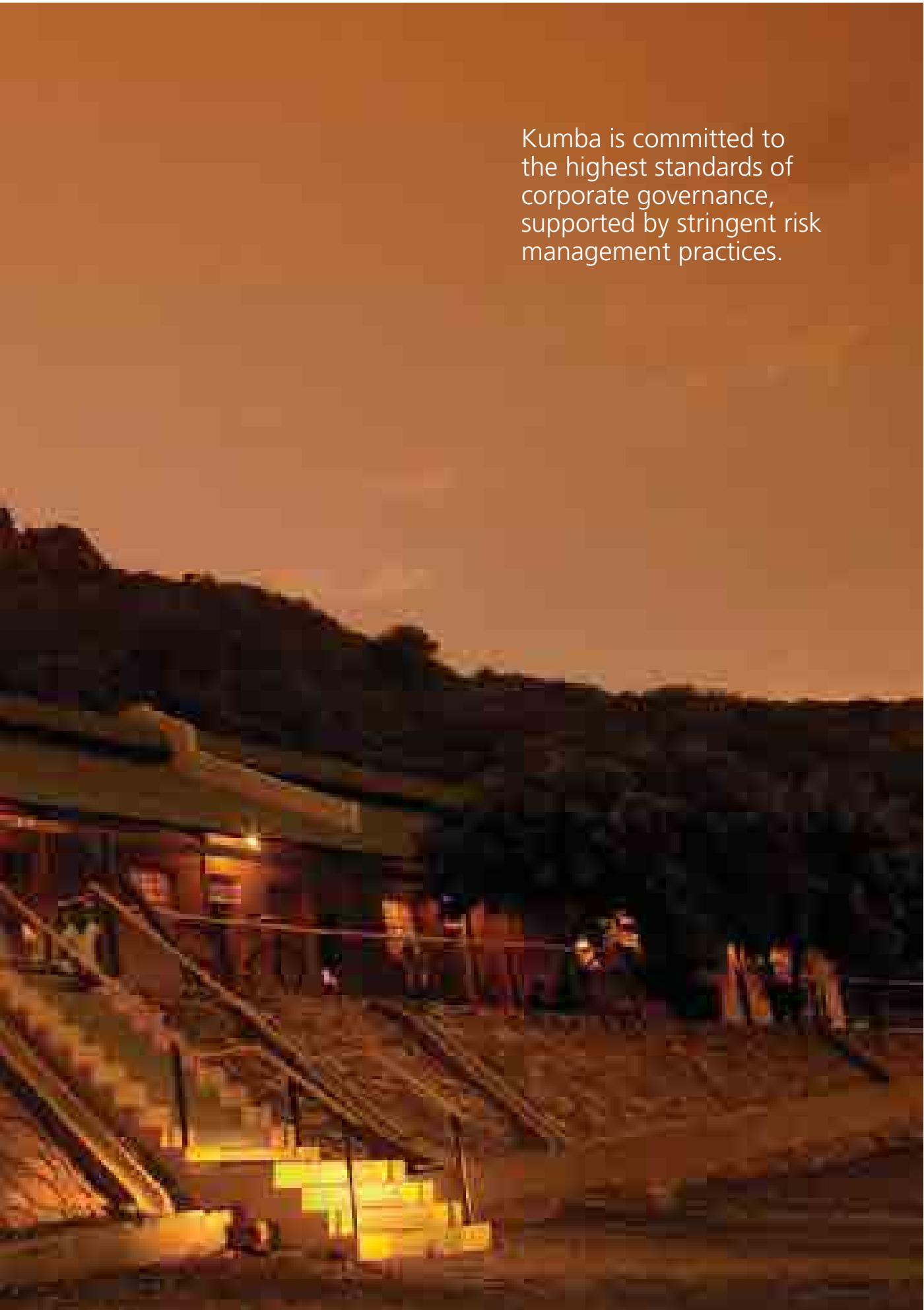
G3 Indicator	Description	Page
EN20	NOx, SOx, and other significant air emissions by weight	Not reported
EN21	Total water discharge by quality and destination	64, 86
EN22	Total weight of waste by type and disposal method	64, 86
EN23	Total number and volume of significant spills	86
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	86
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	87
EN26	Initiatives to mitigate environmental impacts of products	NA
EN27	Percentage of products sold that is reclaimed at the end of the products' useful life by product category	NA
EN28	Compliance	65, 87
EN29	Transport	Not reported
EN30	Total environmental protection expenditures by type	Not reported
SOCIAL PERFORMANCE INDICATORS		
Management approach		
LA1	Total workforce by employment type, employment contract, and region	70
LA2	Total number and rate of employee turnover by age group, gender and region	70
LA3	Benefits	90, 163
LA4	Percentage of employees covered by collective bargaining agreements	Not reported
LA5	Minimum notice period(s) and consultation and negotiation practices with employees and/or their representatives regarding operational changes	Not reported
LA6	Percentage of workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational safety programs	Not reported
LA7	Health and safety rates	74-75
LA8	Programs to assist employees, families, or community members regarding serious diseases	24-25, 74-75
L9	Elements of occupational health and safety management approach	66-67, 74-75
LA10	Average hours of training per year per employee by employee category	70
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	70
LA12	Percentage of employees receiving regular performance and career development reviews	70
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	72
LA14	Ratio of basic salary of men to women by employee category	Not reported
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Not reported

G3 Indicator	Description	Page
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Not reported
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Not reported
HR4	Total number of incidents of discrimination and actions taken	Not reported
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	Not reported
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	Not reported
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	Not reported
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	Not reported
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	NA
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	77, 80
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	Not reported
SO4	Actions taken in response to incidents of corruption	Not reported
SO5	Public policy positions and participation in public policy development and lobbying	Not reported
SO6	Total value of contributions to political parties, politicians, and related institutions	Not reported
SO7	Total number of legal actions for anticompetitive behaviour, anti-trust, and monopoly practices and their outcomes	Not reported
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Not reported
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	NA
PR2	Number and type of instances of non-compliance with regulations concerning health and safety effects of products and services	Not reported
PR3	Procedures for product and service information and labelling	Not reported
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	Not reported
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Not reported
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	Not reported
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	Not reported
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Not reported
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Not reported



Corporate governance

Kumba is committed to the highest standards of corporate governance, supported by stringent risk management practices.



Corporate governance

In Kumba, risk management is a well-defined, logical and methodical process. Instilling a risk-conscious culture throughout our group is a continual focus as we strive to reach our goal of maximising opportunities and minimising exposures to risk.

Statement of compliance

Kumba is committed to the highest standards of corporate governance. In 2007, the company complied fully with the provisions of the Companies Act of 1973 and materially with the Code of Corporate Practices and Conduct (the code) recommended by the King II report on Corporate Governance. The area of non-compliance with the code was the independence of the chairman of the board. Lazarus Zim was previously chief executive officer of Anglo American South Africa. He resigned from that role on 30 April 2006. The board is satisfied that he acts independently in his role as chairman of the Kumba board.

The board has also considered the provisions of the Corporate Laws Amendment Act which was passed into law on 14 December 2007. Subsequent to the promulgation of this act, the chairman of the audit and risk committee, Gert Gouws (employed by the Industrial Development Corporation, a significant shareholder in Kumba) resigned his position on this committee. His replacement is being sought by the human resources, remuneration and nominations committee (Remco). Gert remains a non-executive member of the Kumba board.

Role of the board

The board of directors is accountable to shareholders for the performance of the company. Its role includes:

- the establishment, review and monitoring of strategic objectives.
- approval of major acquisitions, disposals and capital expenditure.
- oversight of the group's systems of internal control, governance and risk management.

While all directors have equal responsibility for managing the company's affairs, it is the role of the chief executive and executive committee to run the business of the company within parameters laid down by the board and to produce clear, accurate and timely reports to enable the board to make informed decisions.

The board has, through its charter and the Kumba delegated authority framework, set aside matters which it cannot delegate.

The following matters are reserved for the board:

- reviewing the strategic direction of the company and adopting business plans proposed to achieve the company's objectives.
- approving specific financial objectives, including budgets, and non-financial objectives and policies proposed by management.
- overseeing the company's performance against agreed targets and objectives.
- reviewing the process for management of business risk.
- reviewing processes for ensuring compliance by the company with its key legal obligations.
- delegating appropriate authority to the chief executive officer for capital expenditure and reviewing investment, capital and funding proposals reserved for board approval in terms of the delegation policy set out in its charter.
- appointing the chief executive officer and executive and non-executive directors on recommendation from the human resources, remuneration and nominations committee.
- approving succession planning for key positions within the company.
- providing leadership and vision in a way that will enhance value and ensure the long-term organisational health of the company.

Board composition

In keeping with the recommendations of the code, the Kumba board comprises a majority of independent non-executive directors. Non-executive directors are considered to have the skill and experience to bring balanced and independent judgement to bear on company business. The board currently comprises, in addition to the chairman, two executive and seven non-executive directors, five of whom are independent according to the definition contained in the Corporate Laws Amendment Act. Independent directors, and biographical details for each director appear on page 18.

The board is chaired by Lazarus Zim, who is responsible for leading the board and for its effectiveness. The chief executive officer, Ras Myburgh, is responsible for executing strategy and day-to-day management of the company, supported by the executive committee which he chairs.

Directors' attendance

Director	Board (ten meetings)	Audit & risk committee (five meetings)	Safety & sustainable development committee (four meetings)	Remco (four meetings)
PL Zim (chair)	9	–	–	2
PM Baum	All	–	–	All
GS Gouws	All	All*	–	–
PM Matlare	7	–	3	All
DD Mokgatle	8	4	All	–
AJ Morgan	All	–	All	All
ND Moyo	5	2	–	–
EJ Myburgh	All	–	–	–
VP Uren	All	–	–	–

* Last meeting was attended as an invitee.

Frequency and attendance of meetings

During the review period, the board met ten times, the audit and risk committee five times, the safety and sustainable development committee and Remco each met four times. The attendance of directors is set out in the table.

Board evaluation

In November 2007, the board concluded a self-assessment exercise by individually completing a questionnaire prepared by the company secretary. Responses were collated and results reported to the chairmen of Remco and the board. A board plan for 2008 was prepared focusing on areas for improvement identified in the responses.

Induction and training

The company secretary arranges an appropriate induction programme for directors where required or when a new director is appointed. The programme includes visiting operations, and interviews with operational management to facilitate an understanding of the business. Corporate governance training, including an explanation of directors' fiduciary duties and continuing obligations of the JSE Listings Requirements is tailored for individual director's requirements. The company secretary provides directors with updates on legislative developments. Non-executive directors can, where necessary, obtain independent professional advice at the expense of the company.

Company secretary

The company secretary provides the board as a whole and the directors individually with guidance on discharging their responsibilities. He is also a source of information and advice to the board on matters of ethics and corporate governance. The company secretary maintains and regularly updates the corporate governance manual which is distributed to new directors, and ensures that the board and company comply with the Listings Requirements of the JSE.

Committees of the board

Subject to those matters reserved for its decision, the board delegates certain responsibilities to a number of standing committees: audit and risk; Remco; and safety and sustainable development. The terms of reference for each committee are published on the company's website.

Human resources, remuneration and nominations committee

Remco is responsible for making recommendations to the board on the appointment, remuneration policies and practices for the chief executive, executive committee members and senior management.

The committee makes recommendations to the board on the composition of the board and board committees and ensures that the board comprises suitably qualified individuals. It consults other directors in its evaluation of the chairman of the board, the chief executive and individual directors.

Remco normally meets four times each year and presently comprises Peter Matlare (chairman), Allen Morgan, Philip Baum and Lazarus Zim.

Safety and sustainable development committee (S&SD)

The S&SD committee is responsible for developing policies and guidelines to manage sustainable development, safety, health and environmental matters. The sustainable development report on page 60 provides greater detail on the key sustainable development thrusts of the company and its performance.

The committee normally meets four times each year, including a visit to an operation. Mine managers are invited to attend committee meetings. The committee presently comprises: Dolly Mokgatle (chairperson), Allen Morgan and Peter Matlare.

Audit and risk committee

The primary role of the committee is to ensure the integrity of financial reporting and the audit process, and that a sound risk management process and effective systems of internal control are maintained. In pursuing these objectives, the committee oversees relations with external auditors and reviews the effectiveness of the internal audit function, including its annual plan. The committee also monitors developments in corporate governance to ensure the company continues to apply high and appropriate standards.

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

The committee is reviewing its terms of reference to ensure that it complies with the requirements of the Corporate Laws Amendment Act. The committee will present its audit committee report as required by the act in the 2008 annual report.

The audit committee presently comprises: Dolly Mokgatle (acting chairman) and Nkosana Moyo who are independent non-executive directors. Remco is reviewing the composition of this committee and will make recommendations to the board.

Executive committee

The executive committee is not a standing committee of the board. It is responsible for implementing the strategies and policies determined by the board, managing the business and affairs of the company, prioritising the allocation of capital, technical and human resources and establishing best management practices. The executive committee is also responsible for senior management appointments and monitoring their performance and acts as the company's risk committee for the purpose of reviewing and monitoring Kumba's systems of internal control.

Risk management

Risk philosophy

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

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 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

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

Monthly risk reviews that cover internal and external risks take place, with findings reported to the executive committee.

Divisional and business unit risk committees play an important role in identifying operational and strategic risks and in developing and applying generic mitigating strategies. They also have a risk oversight function by virtue of being closer to activities that could have adverse results.

Risk management objectives

The risk management process is continuous, with well-defined steps that support better decision-making by contributing 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. Headline risks areas for Kumba are shown below.

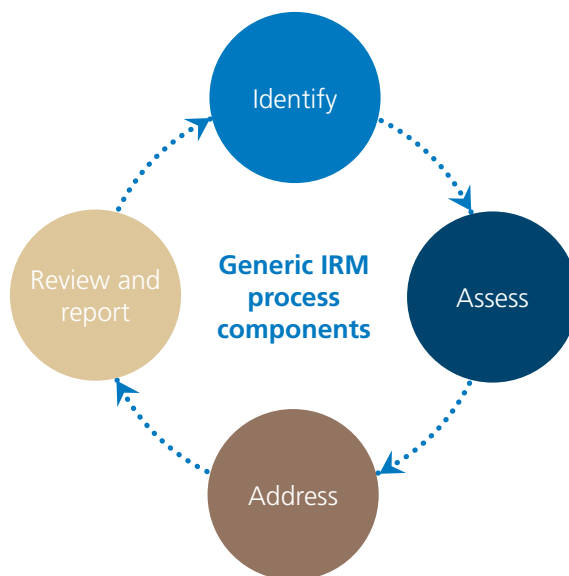
Risk assessment and reporting criteria are designed to provide the executive committee and board, via the audit and risk committee, with a consistent, enterprise-wide perspective of key risks. Reports are submitted monthly to the executive committee and quarterly to the audit and risk committee and board and 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 considers key findings from ongoing monitoring and reporting processes, management assertions and independent assurance reports. The board also takes account of material changes and trends in the risk profile and considers whether the control system, including reporting, adequately supports the board in achieving its risk-management objectives.

Headline risk areas

Areas	
1 Foreign exchange	Operating costs, capital costs, revenues
2 Commodity price	Revenue
3 Treasury	Cash and credit lines, extension of credit lines Interest paid and/or received
4 Counterparty	Treasury, customers, offtakers, supply chain
5 Employees	Labour relations, equity/discrimination, succession planning, talent management, culture, quality of life
6 Employee safety	Injuries, fatalities
7 Employee health	Disease, substance abuse
8 Environment	Emissions, biodiversity, energy consumption, land management, waste management, rehabilitation, water
9 Social	Investor/NGO/community relations, indigenous people, cultural heritage, produce stewardship
10 Country	Political or regulatory developments in countries where Kumba operates
11 Legal and regulatory	Non-compliance, litigation, contract enforceability, regulatory developments
12 Reserves and resources	Reserve estimation, resource-to-reserve assumptions resource/reserve replacement ratio, tenure
13 Operational performance	Production, costs, working capital, procurement, process technology, security
14 Capital projects	Capital costs, construction duration, operating performance
15 Mergers and acquisitions	Integration, performance, suitability of partners or acquisitions
16 Technology	Failures, security breaches, misuse, identification, adoption, obsolescence, access, alternatives
17 Infrastructure	Increased cost, availability, reliability, ownership, access
18 Event risk	Fire, flood, explosion, infrastructure failure, ground stability, utilities

Policy	IRM policy
Guidelines	Guidelines
Ownership structure	Roles and responsibility



Communication and learning

Infrastructure	Standard tools	Community of practice	Planning cycle alignment
Culture	Core value of business		

Kumba's Integrated Risk Management (IRM) framework

The model above illustrates the enterprise-wide IRM framework and its key components. The risk management strategies of all Kumba business units operate under this framework, assuring stakeholders that business risks are professionally and consistently managed.

Headline risks

Kumba's business, financial position, results of operations, 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 market price of Kumba shares.

The risks described below are not the only risks faced by Kumba. Currently unknown risks factors and risks deemed less material by directors may also impair operations.

Mining exploration and projects

Kumba 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 while current operations are expanded by technological applications to beneficiate medium-grade iron ore.

This capability will cover internal levers (delivery on projects) and external constraints, ensuring that "new tonnes" reach customers on or ahead of schedule. The associated challenge of this opportunity is to bring growth projects on stream, on time and below budget. Skills and resource shortages in the construction and engineering industries as well as increasing regulatory, environmental and social approvals are required which may result in significant increases in construction costs and/or significant delays in construction. These increases/delays could materially and adversely affect the economics of projects and consequently impact on Kumba's asset values, costs, earnings, cash flows and prospects. Mitigating actions include initiatives to establish project delivery and management practices and capabilities to ensure project delivery ahead of schedule and below projected costs.

Rail and port infrastructure

While Kumba does not own or operate any of its logistical chain assets, it exports iron ore to international customers through a single channel rail and port. Labour and other operational risks associated with managing the rail and port operators' assets fall outside Kumba's direct control. Inadequate support facilities, services, installations (water, power, transportation) may affect the sustainability or growth of the business, leading to loss of competitiveness, market share and reputation.

Accordingly, Kumba promotes the early development of integrated strategies and alignment with the infrastructure owner/operator, development of relationships, participation in industry groups and lobbying to ensure effective provision of services by key utility providers.

Commodity price fluctuations

Iron ore prices typically lag the steel commodity cycle by approximately 18 months. Iron ore prices are negotiated annually with major international steel producers. Kumba normally uses international price settlements as a basis for its annual price negotiations with its customers. Commodity prices and demand for Kumba's products are influenced strongly by world economic growth, particularly in Europe and Asia. The Chinese market has become a significant source of global demand for commodities. While this increased demand represents a significant business opportunity, Kumba's exposure to China's economic fortunes and economic policies has increased. If China's economic growth slows, it could result in lower prices for Kumba's products. Commodity prices can fluctuate widely and could have a material and adverse impact on Kumba's asset values, revenues, earnings and cash flows. Mitigating actions include initiatives to establish and maintain a preferred-supplier status in high-margin iron ore markets by differentiating Kumba's high-quality products, while maintaining consistent quality and superior levels of customer service.

Legal

Litigation may threaten Kumba's capacity to consummate important transactions, enforce contractual agreements or implement specific strategies and activities.

Mining operations

The mining operations of Kumba are subject to the risks and hazards 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 open-cast pits. Mining and beneficiation processes also rely on key inputs, for example fuel and electricity. Appropriate insurance can provide protection from some, but not all, the costs that may arise from unforeseen events. If any of these risks should materialise, such an event could result in serious harm to employees and contractors, delays in production, increased production costs and possible increase in liabilities. Disruption to the supply of key inputs, or changes in their pricing, may have a material and adverse impact on Kumba's asset values, costs, earnings and cash flows. Failure to meet production targets results in increased unit costs. The impact is more pronounced at operations with a high level of fixed costs. Mitigation strategies include efforts to secure strategic supplies at competitive prices, energy reduction, application of group water management guidelines, adoption of lean production principles and practices and business improvement initiatives to reduce unit costs.

Employees

Mining is a hazardous industry and failure to adopt high levels of safety management can result in a number of negative outcomes; harm to employees and communities that live near Kumba's mines as well as fines and penalties, liability to employees and third parties for injury. Kumba 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. Evolving regulatory standards and expectations can result in increased litigation and costs, all of which can have a material effect on earnings and cash flows. Mitigating actions include improved safety awareness through campaigns, visible leadership, empowerment of people and implementation of safety standards.

Kumba is, to a great extent, reliant on a large number of people employed in its operations. Despite Kumba's good relations with bargaining unitemployees and their trade unions, we remain exposed to risks as a unionised operation posed by organised labour disruptions and disputes. The strong commodity cycle and large numbers of projects being developed in the resources industry have led to increased demand for skilled personnel. This has led, and could continue to lead to, increased capital and operating costs and difficulties in developing, acquiring and retaining skilled personnel. Skills shortages are being addressed by ensuring that incentives and remuneration are market-related and that opportunities are presented for employee development.

The HIV/Aids infection rate in South Africa is high and may adversely impact on the operations of Kumba through reduced productivity, general medical costs and absenteeism. Mitigating actions include VCT, ART and wellness programmes among the workforce as well as awareness programmes in neighbouring communities. Kumba operates globally and may be affected by potential avian flu outbreaks in any of the regions in which it operates. The effects of avian flu may manifest themselves directly on employees, offices and operations or indirectly on customers and markets.

Regulatory

Mining operations, development and exploration activities are subject to extensive legislation and regulations. Changes in this regulatory environment could increase Kumba's cost of production and failure to comply could result in the revocation of consents, licences and rights it requires to conduct its business. South Africa has enacted legislation that promotes the ownership and control of mining companies by HDSAs as set out in the mining charter.

Conversion applications for all of Kumba's old-order rights together with several applications for new-order rights, has been submitted to the Department of Mineral and Energy (DME).

The mining charter also stipulates that, by 2009, at least 40% of the managers Kumba employs must be HDSAs. Kumba has a detailed plan in place to ensure this target is reached and exceeded by the end of 2008.

Currency fluctuations

Kumba's iron ore export prices are determined in US Dollars and the company negotiates iron ore prices in that currency with customers. Strengthening or weakening of the US Dollar against the Rand therefore could have a significant effect on the financial position and results of Kumba. The group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise which may expose it to economic or accounting losses. Major capital expenditure is hedged while the continuous inflow of US Dollar export proceeds acts as a natural hedge for operating activities.

Community

In considering the needs and quality of life of our community stakeholders, we are in discussions with elected representatives of the Dingleton township, 28km from Kathu, to develop a mutually beneficial solution to issues arising from the community's proximity to the mining operation at Sishen Mine.

Environmental risks

Costs associated with rehabilitating land disturbed during the mining process and addressing environmental, health and community issues are estimated and provided for based on the most current information available. Estimates may, however, be insufficient and further issues may be identified. Any underestimated or unidentified rehabilitation costs will reduce earnings and could materially and adversely affect Kumba's asset values, earnings and cash flows. The operations of Kumba are subject to environmental legislation and regulations. If any of the legislation or regulations should be changed, Kumba's production costs could be increased. Mitigating actions include initiatives to ensure that all operating business units have approved environmental management plans and systems in place to reduce energy and diesel consumption, to reduce water consumption and pollution, to separate and recycle waste where possible, to rehabilitate inactive mining sites and ensure biodiversity preservation and to reduce emissions and effluents.

Statement of internal control

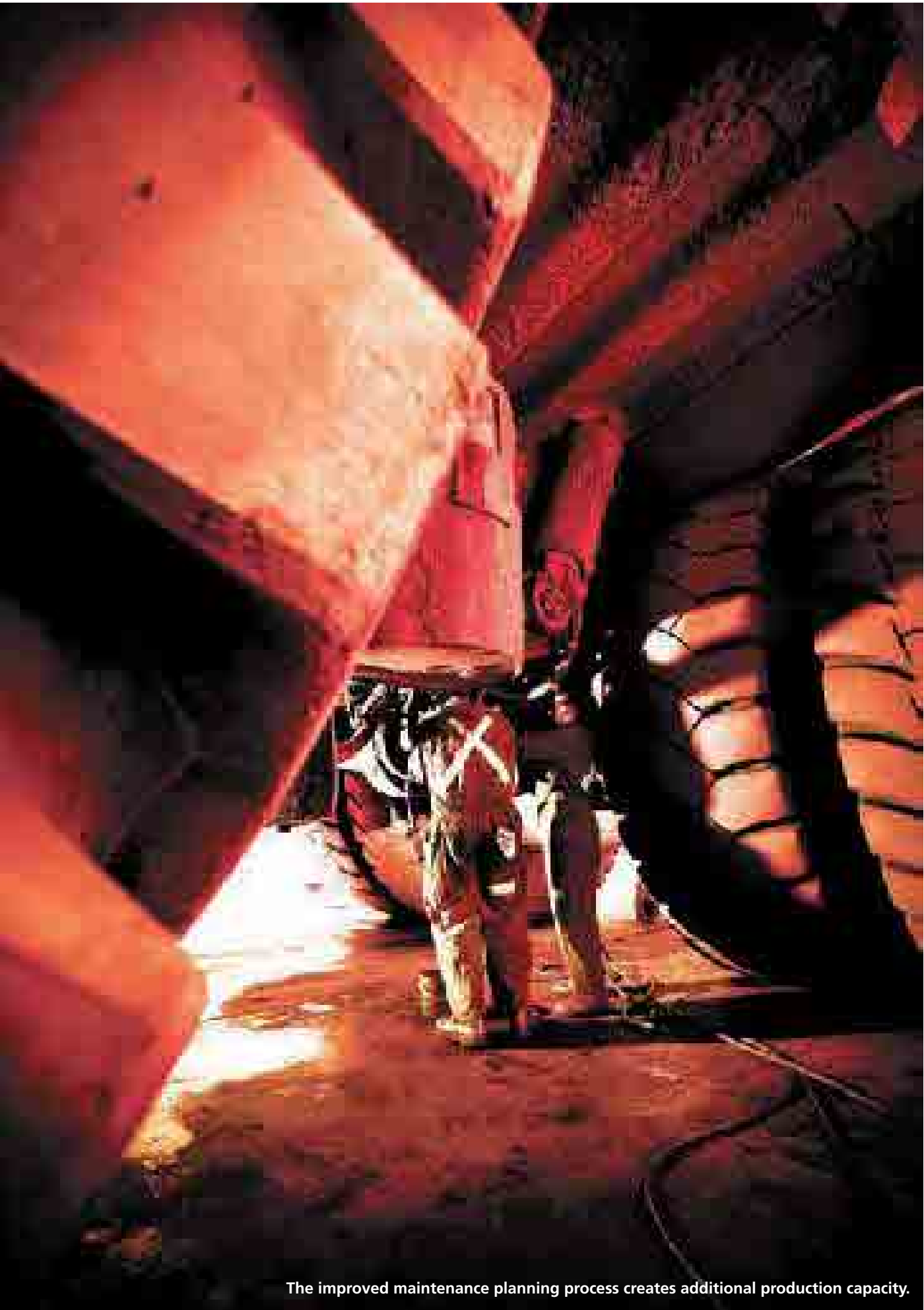
The executive committee is responsible for establishing a system of internal control to manage significant group risks. The board's approach to risk management encompasses all significant business risks to the group, including financial, operational and compliance risk, which could undermine achieving business objectives.

There is clear accountability for risk management, which is a key performance area for line managers throughout the group. The requisite risk and control capability is assured through the board challenge, and appropriate management selection and skills development. Managers are supported in fulfilling their risk responsibilities through an integrated risk management policy and guidelines on risk and control management.

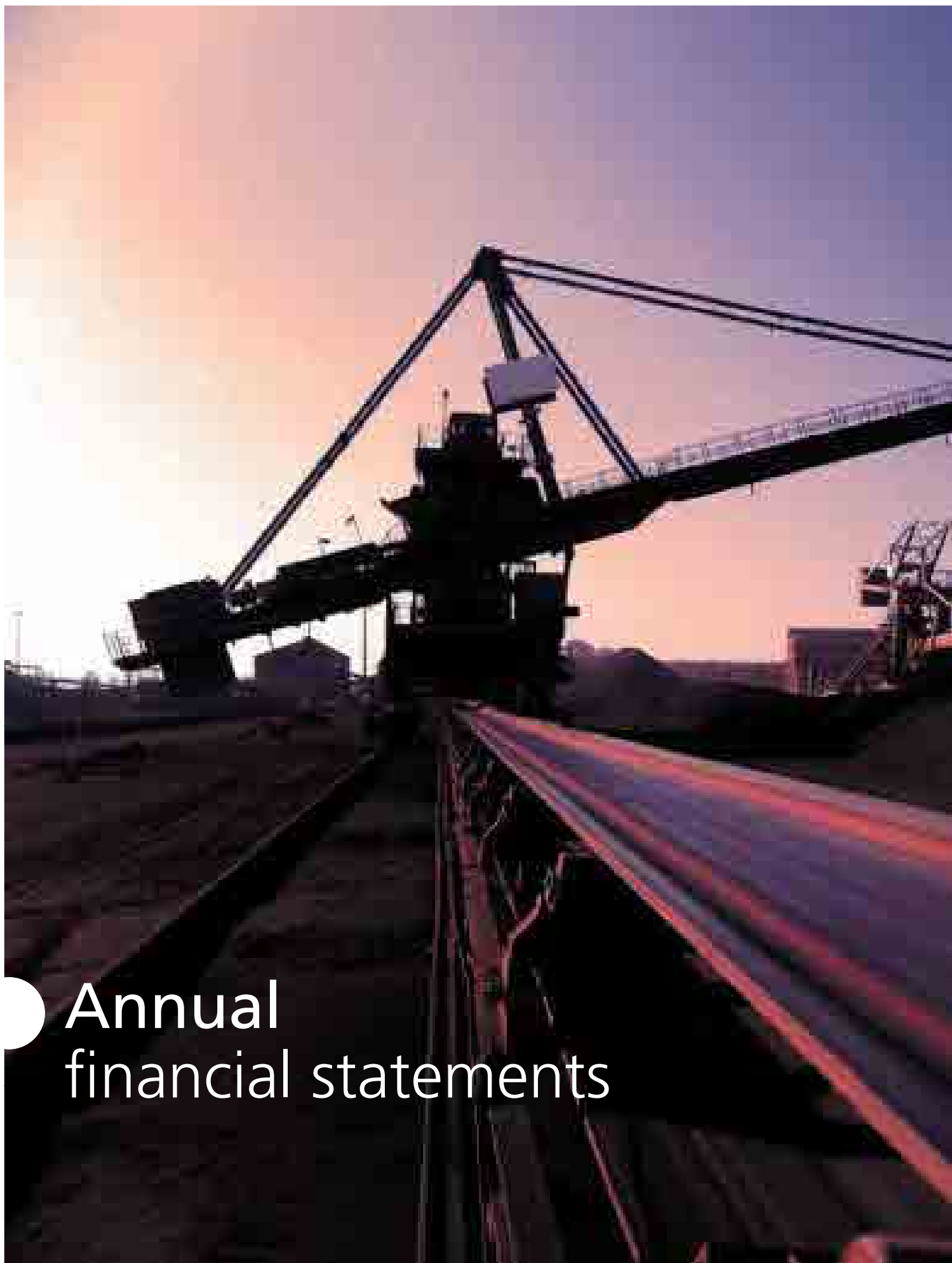
Continuous monitoring of risks and control processes provides the basis for regular and exception reporting to business management and the boards of subsidiary companies, the executive committee and the board. Risk assessment and reporting criteria are designed to provide the board with a consistent perspective of key risks. Reports to the board, submitted via the audit and risk committee, include an assessment of the likelihood and impact of risk materialising, as well as 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 seeks to have a sound system of internal control, based on group policies, in all material associates and joint ventures. In those companies that are independently managed, directors represented on these organisations' boards seek assurance that significant risks are being managed.

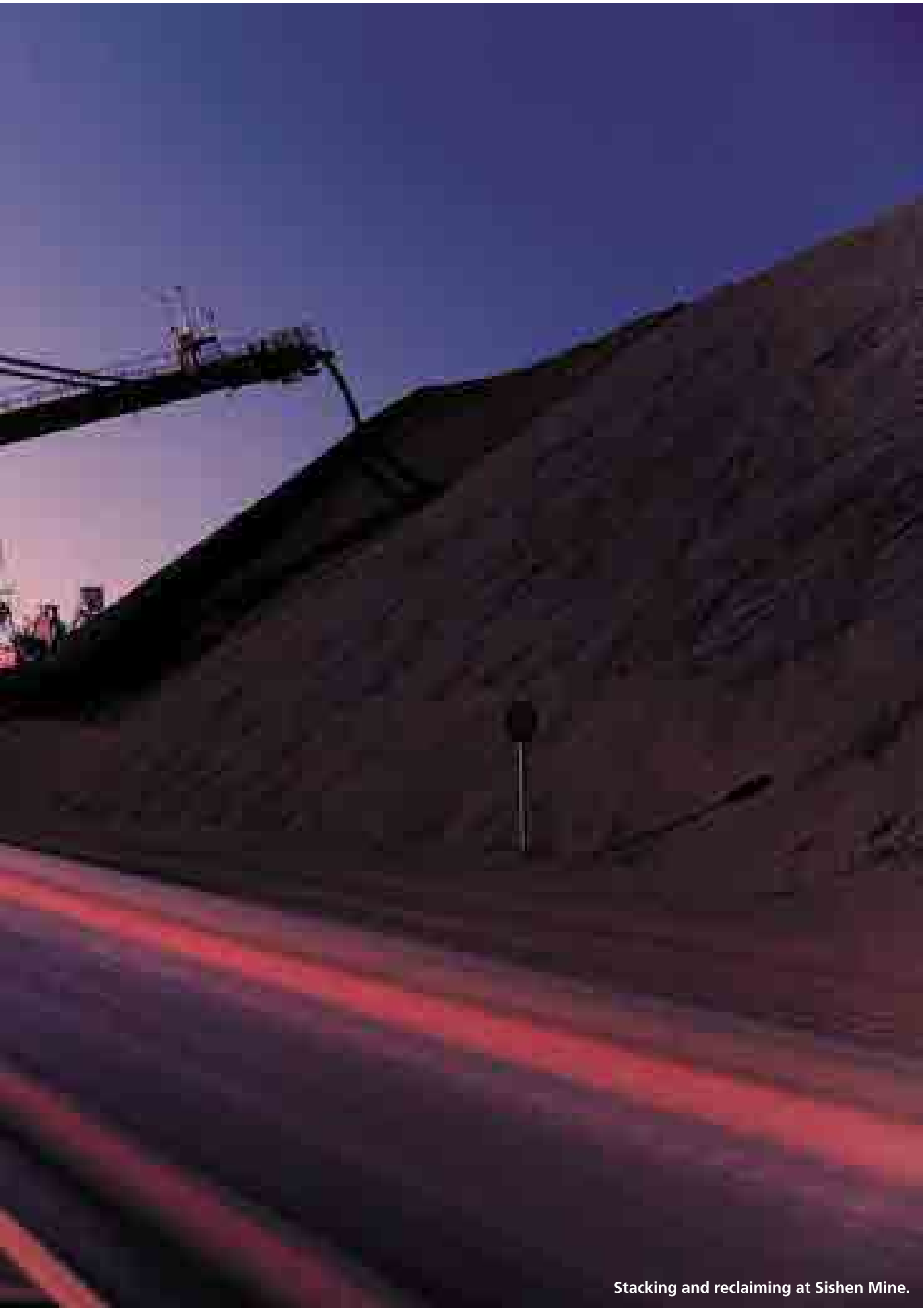
The group's internal audit function has a formal collaboration process in place with the external auditors to ensure efficient coverage of internal controls. The internal audit function is responsible for providing independent assurance to the executive committee and the board on the effectiveness of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



The improved maintenance planning process creates additional production capacity.



Annual financial statements



Stacking and reclaiming at Sishen Mine.

Directors' responsibility for financial reporting

for the year ended 31 December 2007

The directors are responsible for maintaining adequate accounting records, the preparation of the annual financial statements of Kumba Iron Ore Limited 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 annual 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 co-ordinate 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, that the internal accounting controls are adequate, so that the financial records may be relied on for preparing the annual 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 2008. In 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 109.

Against the background, set out above, the directors of the company accept responsibility for the group annual financial statements on pages 110 to 167 and the Kumba Iron Ore Limited company annual financial statements on pages 168 to 177, which were approved by the board of directors on 13 February 2008 and are subject to the approval by the shareholders at the annual general meeting on 28 May 2008. The group and company annual financial statements are signed on the directors' behalf by:



PL Zim
Chairman



EJ Myburgh
Chief executive officer



VP Uren
Chief financial officer

13 February 2008

Certificate of the company secretary

In terms of the Companies Act 61 of 1973 of South Africa, as amended, I, VF Malie, in my capacity as company secretary, confirm that, for the year ended 31 December 2007, Kumba Iron Ore Limited 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.



VF Malie
Company secretary

13 February 2008

Independent auditor's report to the shareholders of Kumba Iron Ore Limited

We have audited the annual financial statements of Kumba Iron Ore Limited, which comprise the balance sheet and the consolidated balance sheet as at 31 December 2007, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity and cash flow statement and the consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 110 to 177.

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 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 auditor's 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 of the group as at 31 December 2007, 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

13 February 2008

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 Geeringh Consulting L Bam
Strategy CR Beukman Finance TJ Brown Clients & Markets NT Mtoba
Chairman of the Board*

A full list of partners and directors is available on request

Directors' report

(company registration number 2005/015852/06)

The directors have pleasure in presenting the annual financial statements of Kumba and the group for the year ended 31 December 2007.

Nature of business

Kumba was incorporated on 16 May 2005 and commenced trading in November 2006 following the unbundling of Kumba from Exxaro Resources. Subsequent to unbundling Kumba listed on the JSE on 20 November 2006 as the only pure-play iron ore company.

Kumba, incorporated in South Africa, is a mining group of companies focusing on the exploration, extraction, beneficiation and marketing and sale of iron ore. Kumba produces iron ore at Sishen Mine in the Northern Cape province and at Thabazimbi Mine in the Limpopo province.

The nature of the businesses of the significant operating subsidiaries, associates and joint ventures is set out in Annexures 1 and 2.

Corporate governance

The board endorses the Code of Good Corporate Practices and Conduct as contained in the King II report on Corporate Governance and has satisfied itself that Kumba has complied throughout the period in all material aspects with the code and the Listings Requirements of the JSE. The corporate governance report is set out on pages 96 to 105.

Financial results

Operating results

Profit attributable to shareholders of R3.1 billion for the year was 8.3% lower than the R3.4 billion in the previous year, which was prepared on a basis consistent with that used for the preparation of the unaudited pro forma financial information contained in the financial results for the two months ended 31 December 2006, issued on 14 February 2007. Profit attributable to shareholders increased by 60% before taking into account the net increase in profit due to the once-off profit of the sale of the non-iron ore assets of R1.6 billion and the R153 million share-based payment expense arising from the disposal of a 3% interest in Sishen Iron Ore Company in 2006.

Earnings per share of 985 cents and headline earnings per share of 974 cents were achieved for the year.

Capital expenditure

Capital expenditure on the Sishen Expansion Project to 31 December 2007 was R3.3 billion, with R1.7 billion incurred during 2007 and approximately R1.0 billion expected to be incurred in 2008 and R0.6 billion in 2009.

Net debt

The group's net debt position at 31 December 2007 has reduced to R2.6 billion from R2.9 billion as at 31 December 2006. Based on historic forecasts, it is anticipated that net debt will increase to approximately R4.25 billion after taking into account the capital expenditure requirements for the Sishen South project.

Accounting policies

The group adopted IFRS 7, Financial Instruments: Disclosures (IFRS 7) and the related amendments to IAS 1, Presentation of Financial Statements and IFRIC 11, IFRS2 – Group and Treasury Share Transactions (IFRIC 11) with effect from 1 January 2007. IFRS 7 requires that every business disclose information on the significance of financial instruments and the nature and extent of risks arising from these financial instruments. The disclosure requirements of IFRS 7 have been applied retrospectively. The amendment to IAS 1 requires disclosure of the objectives, policies and processes for managing capital. IFRIC 11 provides guidance on applying IFRS 2, Share-based Payment in circumstances where an entity chooses or is required to buy its own equity instruments (treasury shares) to settle the share-based payment obligations. The adoption of this standard, the related amendment and interpretation has had no effect on the financial results and financial position of the group.

Comparative information

The pre-acquisition reserve as presented in the statement of changes in equity at 31 December 2006 that arose from the acquisition of Sishen Iron Ore Company was reclassified to the separate reserve classes.

Share capital

Authorised capital

The company's authorised share capital of 500,000,000 shares remained unchanged during the year.

Shares issued

A further 3,509,030 shares were issued during the year in terms of the Kumba Management Share Option Scheme.

Of the shares issued during the year 1,766,190 shares are held by the Kumba Iron Ore Management Share Trust to be utilised to settle the obligations to employees of Kumba and Exxaro Resources under the Management Share Option Scheme (refer to note 22 of the group annual financial statements).

Unissued shares

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% of the issued capital.

Dividends

An interim dividend of 350 cents per share was paid on 10 September 2007. A final dividend of 400 cents per share was declared on 13 February 2008 from profits accrued during the financial year ended 31 December 2007. The total dividend for the year amounted to 750 cents per share.

The estimated total cash flow of the final dividend of 400 cents per share, payable on 17 March 2008, is R1,268 million.

The board of directors is satisfied that the capital remaining after payment of the final dividend is sufficient to support the current operations and to facilitate future development of the business.

Directors

The names of the directors in office at the date of this report are set out on pages 18 to 19. The remuneration and fees of directors are set out on pages 112 to 117.

The following directors retire by rotation in terms of the articles of association but are eligible and offer themselves for re-election as directors:

- PM Baum
- GS Gouws
- PB Matlare

Holding company and related parties

Anglo American plc is the group's ultimate holding company. The effective interest in the group of 63.42% is held through Anglo South Africa Capital (Pty) Limited (53.61%) and Stimela Mining Holdings (Pty) Limited (9.81%).

Auditors

Deloitte & Touche continued in office as auditors of Kumba and its subsidiaries. At the annual general meeting on 28 May 2008, shareholders will be requested to reappoint Deloitte & Touche auditors of Kumba for the 2008 financial year.

Post balance sheet events

The directors are not aware of any matter or circumstance arising since the end of the year and up to the date of this report, not otherwise dealt with in this report.

Company secretary

The company secretary of Kumba is VF Malie. His business and postal addresses appear on the inside back cover.

Special resolutions

On 24 May 2007 the shareholders of Kumba resolved that the company and any of its subsidiaries may from time to time be authorised to acquire of the company's own shares.

Legal proceedings

Lithos Corporation (Pty) Limited (Lithos) has increased its claim for damages brought against Kumba from US\$196 million to US\$421 million. Kumba continues to defend the merits of the claim and is of the view, and has been so advised, that the basis of the claim and the quantification thereof is fundamentally flawed. Pleadings have closed and a trial date is awaited. Lithos has put up security for costs of R1.3 million to cover Kumba's legal costs for the first seven days and if the trial exceeds seven days further security for costs will be applied for.

During 2007 ArcelorMittal paid an amount of some R60 million in respect of the export parity pricing element for 0.2Mt acquired during the period, the price of which it now disputes. This matter may potentially be subject to further arbitration.

No liability has been recognised for these matters.

Kumba has initiated arbitration proceedings against La Societe Des Mines De Fer Du Senegal Oriental (Miferso) and the Republic of Senegal under the Rules of Arbitration of the International Chamber of Commerce. This process is confidential in nature.

Kumba and ArcelorMittal have agreed to arbitration to resolve the differences of interpretation of the Sishen Supply Agreement. Arbitration proceedings have now been initiated by Kumba and are confidential. Arbitrators have been appointed.

Remuneration report

for the year ended 31 December 2007

Kumba's remuneration philosophy

The committee ensures that the principles of accountability and transparency are applied and that remuneration is linked to performance and that they support the business strategy.

The following remuneration philosophy is applied by Kumba:

- Motivates and reinforces performance of individuals.
- Attracts and retains talented people.
- Competes in the marketplace with the intention of being a preferred employer.
- Supports the implementation of Kumba's business strategy.
- Is applied equitably, fairly and consistently in relation to job responsibility, the employment market and personal performance.

The directors and members of the Kumba executive committee are appointed and remunerated based on their ability to contribute to the overall performance of Kumba. The purpose of the policy on directors' fees and remuneration is to ensure that executive directors and senior managers receive remuneration that is appropriate to their scope of responsibility and contribution to the group's overall performance.

Executive directors' remuneration

The remuneration of executive directors consists of a fixed component and a variable component (short and long-term incentives). The long-term incentives comprise grants under the Kumba Management Share Option Scheme, Phantom Share Scheme, the Share Appreciation Rights Scheme and the Long-Term Incentive Plan and Deferred Bonus Plan. Both fixed and variable components ensure that a substantial portion of the remuneration package is linked to the performance of the business. The Share Appreciation Rights Scheme and the Long-Term Incentive Plan were implemented with effect from March 2007 and will replace the Kumba Share Option Scheme and the Phantom Share Scheme. Executive directors will participate in the Deferred Bonus Plan from 2008.

A portion of the approved cash salary and short-term incentives of the chief financial officer's remuneration are determined and paid in terms of separate employment agreements concluded between Kumba International BV and the respective executive director. The actual percentage paid is calculated on the basis of the time required to perform services offshore.

Fixed remuneration

The fixed salaries of executive directors are reviewed annually and determined with reference to the scope and nature of an individual's role and his performance and experience.

In addition to a basic cash salary, executive directors receive benefits that include contributions to the membership of a medical healthcare scheme and a vehicle allowance. Retirement and risk benefits are provided to executive directors subject to the rules of the Kumba Pension and Provident Selector Funds. Contributions calculated as a percentage of the basic cash salary are paid to contributory retirement schemes and subject to the rules of the pension and provident funds.

Short-term incentives

In addition to fixed remuneration, each executive director participates in a short-term incentive scheme to reward and motivate the achievement of agreed group performance objectives.

The approved principles of the short-term incentive scheme for the 2007 financial year comprise financial, business and strategic performance criteria and metrics. Kumba's financial performance targets are set by the board using earnings before interest and tax and return on capital employed as measures. Actual performance on Kumba's financial targets determines 40% of the executive directors' short-term incentive in 2007. The balance of the short-term incentive is determined by the extent to which key strategic business and other key performance objectives are achieved.

In total, the chief financial officer may earn an annual short-term incentive of up to 50%, and the chief executive officer 65% of fixed remuneration.

On 12 February 2008, the committee considered the overall assessment of the performance of the executive directors participating in the short-term incentive scheme against the agreed group financial targets and the levels of achievement against their strategic and other key performance objectives.

Long-term incentives

Executive directors and senior management participate in the following long-term incentive schemes:

- Old schemes – transferred to Kumba post unbundling
 - 1 Kumba Management Share Incentive Scheme
 - 2 Phantom Share Scheme
- New schemes
 - 1 The Share Appreciation Rights Scheme
 - 2 The Long-Term Incentive Plan.

Kumba Management Share Incentive Scheme

Prior to the unbundling of the then Kumba Resources Limited (Kumba Resources) senior employees and executive directors participated in the Kumba Resources Management Share Option Scheme. At the time of unbundling 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 in if they remained shareholders of the then Kumba Resources Limited, the schemes continued in Kumba and in Exxaro Resources.

The Management Share Incentive Scheme was adopted by the group post unbundling subject to certain amendments that were made to the Kumba Resources Management Share Option Scheme. As a result the senior employees and directors that participated in the Kumba Resources Management Share Option Scheme subsequently became participants of the new Kumba Iron Ore Management Share Option Scheme.

The options granted under the scheme vest over a period of five years commencing on the first anniversary of the offer date except for some share options granted in 2005 that vest in multiples of 33.3% per year over a three-year period commencing on the first anniversary of the offer date. The vesting periods of these share options are as follows:

- 10% after 1st anniversary of offer date.
- 20% after 2nd anniversary of offer date.
- 20% after 3rd anniversary of offer date.
- 25% after 4th anniversary of offer date.
- 25% after 5th anniversary of offer date.

Share options not exercised lapse by the seventh anniversary of the offer date.

From the date of the unbundling, no rights in terms of the Kumba Management Share Option Scheme have been granted as these schemes had been replaced by new schemes.

Phantom Share Scheme

As a result of restrictions related to the empowerment transaction of Kumba Resources, the chief executive officer and certain senior employees who participated in the Kumba Resources Management Share Option Scheme were not able to receive certain grants of options which would have been made in the ordinary course of operations.

From the date of the unbundling, no rights in terms of the Phantom Share Scheme have been granted as these schemes had been replaced by new schemes.

The Share Appreciation Rights Scheme

Executive directors and senior employees receive annual grants of share appreciation rights, which are rights to receive Kumba shares equal to the value of the difference between the market value of a Kumba share on the day immediately preceding the date of exercise (exercise price) of the right and market value of the Kumba share on the day immediately preceding the date of grant of the right (grant price).

The vesting of the rights is subject to specific performance conditions. The duration and specific nature of the conditions as determined by the remuneration committee of Kumba are stated in the letter of grant for each annual grant. The measurement of the performance conditions will be tested after three years. Retesting of the performance condition is permitted on the first and second anniversary of the end of the performance period. After vesting, the rights will become exercisable. Rights not exercised within seven years will lapse.

The Long-Term Incentive Plan (LTIP)

Executive directors and senior employees receive annual grants of conditional awards of Kumba shares.

The conditional award will vest after the performance period of three years, and to the extent that specific performance conditions have been satisfied. No retesting of the performance conditions is allowed. The performance conditions for the LTIP awards made during 2007 are subject to the achievement of stretching performance targets relating to total shareholder return (TSR) and to an operating measure, return on capital employed (ROCE), over a fixed three-year period.

The performance conditions will determine if, and to what extent, the conditional award will vest. Upon vesting the employee will be entitled to shares in Kumba to settle the value of the vested portion of the conditional award. The conditional awards which do not vest at the end of the three-year period will lapse.

The Deferred Bonus Plan

The purpose of the plan is to encourage executive directors and senior employees to utilise part of their after-tax short-term incentive payment for the purpose of acquiring shares (pledged shares) in Kumba. Participants who own pledged shares are entitled to all rights in respect of these shares including dividend and voting rights. If the pledged shares are held for the pledge period (usually three years) and the participants remain in the employ of the company for the pledge period, then the company will provide a matching award of free shares (matching shares).

Executive directors and senior employees will only be able to participate in this plan from 2008 onwards.

Remuneration report

continued
for the year ended 31 December 2007

Executive directors (Rand '000)	Salary	Short-term incentive ¹	Retirement funding	Other benefits ²	Total 2007	Total 2006
EJ Myburgh ³	2,333	153	221	229	2,936	1,525
VP Uren ⁴	2,192	1,145	170	193	3,700	237
Total	4,525	1,298	391	422	6,636	1,762

1 Bonus payable for the period 20 November 2006 to 31 December 2007.

2 Includes the encashment of leave accrued.

3 The remuneration for 2006 relates to the period 1 November 2006 to 31 December 2006 and includes short-term incentives of R1,1 million.

4 The remuneration for 2006 relates to the period 20 November 2006 to 31 December 2006. Included in salary above is R320,744 payable to VP Uren by Kumba International BV in respect of services rendered as director during 2007 and under short-term incentive an amount of R1,145,054 in respect of payments received from Anglo Operations in 2007 for services rendered as an employee of Anglo Operations prior to 20 November 2006.

Non-executive directors' fees

The committee recommends fees payable to the non-executive directors for approval by the shareholders. The annual fees payable to non-executive directors for the period commencing 1 January 2007 were approved by the shareholders at the annual general meeting (AGM) of members of 24 May 2007. Fees are approved for an annual period commencing on 1 January each year. The revised fees of the non-executive directors will be submitted to the shareholders for approval at the next AGM on 28 May 2008.

Annual non-executive directors' fees are as follows for the following periods:

Board/Committee (Rand)	Jan 2008 to Dec 2008		Jan 2007 to Dec 2007	
	Member	Chairman	Member	Chairman
Chairman of the Kumba board		600,000		240,000
Kumba board	140,000		120,000	
Audit committee	90,000	150,000	45,000	90,000
Other board committees	60,000	120,000	35,000	70,000

Non-executive directors' fees for the year were as follows:

Non-executive directors (Rand '000)	Board meeting fees	Committee fees	Total 2007	Total 2006
PL Zim ¹	240	35	275	240
PM Baum ²	120	35	155	120
GS Gouws ²	120	90	210	143
DD Mokgatle	120	115	235	131
N Moyo	120	45	165	131
AJ Morgan	120	70	190	120
PB Matlare	120	105	225	120
Total	960	495	1,455	1,005

1. Appointed as non-executive chairman of the board on 9 February 2006.

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

Executive committee members' remuneration

The fixed remuneration of members of the Kumba executive committee, other than executive directors, is reviewed and recommended to the Kumba board by the committee.

Similar to the executive directors, the members of the Kumba executive committee participate in the short-term incentive scheme as set out above and in the various long-term incentive schemes. Grants in terms of these schemes are under the same terms as detailed above.

The aggregate remuneration of members of the Kumba executive committee (excluding that of the executive directors disclosed separately) for the year was as follows:

Executive committee members (Rand '000)	Salary	Short-term incentive	Retirement funding	Other benefits ¹	Total 2007	Total 2006
Aggregate total	6,205	1,914	536	1,548	10,203	5,385
Number of members	–	–	–	–	7	5

1 Includes the encashment of leave accrued.

Long-term incentive schemes

The interests of the directors in shares of the company provided in the form of share options, rights and conditional awards are shown in the tables below.

No variations have been made to the terms and conditions of the schemes during the year, including the performance conditions to which the granting and vesting of the options, rights and conditional awards are subject.

	Balance at beginning and end of year (Number)	Weighted average exercise price (Rand)	Share-based payment expense 2007 (R'000)
Management Share Incentive Scheme			
Executive directors			
EJ Myburgh	110,650	32.68	582
Executive committee members	256,720	46.44	2,132
Phantom Share Scheme			
Executive directors			
EJ Myburgh	9,900	40.18	1,823
Executive committee members	6,900	40.18	1,271

Remuneration report

continued

for the year ended 31 December 2007

	Balance at beginning of year (Number)	Rights granted (Number)	Balance at end of year (Number)	Weighted average exercise price (Rand)	Share-based payment expense 2007 (R'000)
Share Appreciation Rights Scheme					
Executive directors					
EJ Myburgh	–	14,030	14,030	135.00	158
VP Uren	–	10,530	10,530	131.62	118
Total	–	24,560	24,560	–	276
Executive committee members	–	17,820	17,820	137.68	200

	Balance at beginning of year (Number)	Conditional award granted (Number)	Balance at end of year (Number)	Weighted average exercise price (Rand)	Share-based payment expense 2007 (R'000)
Long-Term Incentive Plan					
Executive directors					
EJ Myburgh	–	14,042	14,042	–	311
VP Uren	–	10,548	10,548	–	233
Total	–	24,590	24,590	–	544
Executive committee members	–	17,866	17,866	–	395

VP Uren through his employment at Kumba, a member of the Anglo American plc group, retained the awards granted while a participant of the Anglo American long-term incentive schemes. VP Uren no longer receives awards under these schemes.

As at 31 December 2007 the following awards under the Anglo American long-term incentives schemes were held by VP Uren:

	Balance at beginning of year (Number)	Options exercised (Number)	Balance at end of year (Number)	Market price exercise date (GBP)
Anglo American Executive – Share Option Scheme				
Executive directors				
VP Uren	13,500	(13,500)	–	29.73

	Balance at beginning of year (Number)	Conditional awards released (Number)	Balance at end of year (Number)	Market price at release date (Rand)
Anglo American Executive – LTIP				
Executive directors				
VP Uren	21,675	(3,675)	18,000	379.10
			Balance at end of year – bonus share (Number)	Balance at end of year – enhancement share (Number)

Anglo American Executive – Bonus Share Plan

Executive directors				
VP Uren		6,249		4,863
				Balance at end of year (Number)

Anglo American Executive – Restricted shares

Executive directors				
VP Uren				2,734

Directors' beneficial interest in Kumba

The aggregate beneficial interest in Kumba at 31 December 2007 of the directors of the company and their immediate families (none of which have a holding greater than 1%) in the issued shares of the company are detailed below. There have been no material changes in these shareholdings since that date.

Beneficial interest	Number of shares	Number of share options ¹	2007		Total beneficial interest	2006		Total beneficial interest
			Number of SARS ²	Number of LTIPs ³		Number of shares	Number of share options ¹	
Executive directors								
EJ Myburgh	635	110,650	14,030	14,042	139,357	635	110,650	111,285
VP Uren	–	–	10,530	10,548	21,078	–	–	–
Total	635	110,650	24,560	24,590	160,435	635	110,650	111,285

1 Granted under the Kumba Management Share Incentive Scheme.

2 Granted under the Share Appreciation Rights Scheme.

3 Granted under the Long-Term Incentive Plan.

Principal accounting policies

Kumba Iron Ore Limited (Kumba) is the holding company of the Kumba group (the group) and is domiciled in the Republic of South Africa. The following principal accounting policies were applied by the company and the group for the financial year ended 31 December 2007. Except if otherwise disclosed, these policies are consistent in all material respects with those applied in previous years.

Statement of compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of those Standards, the South African Companies Act and the Listings Requirements of the JSE Limited. During the current financial year, the following accounting standard, interpretation and amendment to an issued accounting standard were adopted:

- IFRS 7, Financial Instruments: Disclosures
- Amendments to IAS 1, Presentation of Financial Statements (added disclosures about an entity's capital)
- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions was adopted prior to its effective date.

At balance sheet date, the following accounting standard, interpretation and amendments to issued accounting standards, which are relevant to the group but not yet effective, have not been adopted by the group:

- IFRS 8, Operating Segments
- IFRIC 12, Service Concession Arrangements
- IAS 23, Borrowing Costs
- IAS 1, Presentation of Financial Statements.

The group is currently evaluating the impact of these pronouncements.

Basis of preparation

The financial statements are prepared using the historical cost convention except for financial instruments, biological assets and share-based payments which are measured at fair value.

The consolidated financial statements are prepared on the basis that the group will continue to be a going concern.

These accounting policies are consistently applied throughout the group.

Basis of consolidation

The consolidated financial statements present the financial position and changes therein, operating results and cash flow information of the group. The group comprises Kumba, its subsidiaries and interests in joint ventures and associates.

Where necessary, adjustments are made to the results of subsidiaries, joint ventures and associates to ensure the consistency of their accounting policies with those used by the group.

Intercompany transactions, balances and unrealised profits and losses between group companies are eliminated on consolidation. In respect of joint ventures and associates, unrealised profits and losses are eliminated to the extent of the group's interest in these entities. Unrealised profits and losses arising from transactions with associates are eliminated against the investment in the associate.

Subsidiaries

Subsidiaries are those entities in which the group has the power to exercise control. Control is achieved where the group has the ability, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial 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.

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 recognised 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.

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

Associates

An associate is an entity, other than a subsidiary or joint venture, over which the group has the ability, directly or indirectly, to participate in, but not exercise control or joint control over, the financial and operating policy decisions of an entity so as to obtain economic benefit from its activities. Typically the group owns between 20% and 50% of the voting equity.

Investments in associates are accounted for using the equity method of accounting from the date on which significant influence commences until the date that significant influence ceases.

Under this method the group's share of profits or losses of associates is recognised in the income statement as equity accounted earnings and its share of movements in equity reserves is recognised in the statement of changes in equity. All cumulative post acquisition movements in the equity of associates are adjusted against the cost of the investment. When the group's share of losses in associates equals or exceeds its interest in those associates, the group does not recognise further losses, unless the group has incurred a legal or constructive obligation or made payments on behalf of those associates.

Goodwill relating to associates is included in the carrying value of those associates.

The total carrying value of associates, including goodwill, is evaluated annually for impairment or when conditions indicate that a decline in fair value below the carrying amount is other than temporary. If impaired, the carrying value of the group's share of the underlying assets of associates is written down to its estimated recoverable amount in accordance with the accounting policy on impairment and recognised in the income statement as part of equity accounted earnings of those associates.

Results of associates are equity accounted from their most recent audited annual financial statements or unaudited interim financial statements.

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

Joint ventures

A joint venture is an economic activity over which the group exercises joint control which is established under a contractual arrangement requiring unanimous consent for 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 joint ventures are accounted for using the proportionate consolidation method. The proportionate share of the financial results of joint ventures are consolidated into the consolidated financial statements from date on which joint control commences until such time as joint control ceases. Proportionate consolidation combines on a line-by-line basis with similar items in the consolidated financial statements the group's share of the financial results of the joint venture.

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

Foreign currencies

Items included in the financial results of each group entity are measured using the functional currency of that entity. The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The consolidated financial results are presented in Rand, which is Kumba Iron Ore Limited's functional and presentation currency.

Foreign currency transactions

Transactions are translated into the functional currency of an entity at the rate of exchange ruling at the transaction date.

Monetary assets and liabilities are translated into the functional currency of an entity at the rate of exchange ruling at the balance sheet date.

Foreign exchange gains and losses arising on translation are recognised in the income statement, except where they relate to cash flow hedging activities in which case they are recognised in the statement of changes in equity.

Foreign operations

The financial results of all entities that have a functional currency different from the presentation currency of their parent entity are translated into the presentation currency.

All assets and liabilities, including fair value adjustments arising on acquisitions, are translated at the rate of exchange ruling at the balance sheet date. Income and expenditure transactions of foreign operations are translated at the average rate of exchange. Foreign exchange gains and losses arising on translation are recognised in the statement of changes in equity.

On disposal of part or all of the investment, the proportionate share of the related cumulative gains and losses previously recognised in the foreign currency translation reserve in the statement of changes in equity are recognised in the income statement on disposal of that investment.

Property, plant and equipment

Property, plant and equipment, excluding land and assets that are in the process of being constructed, is stated at cost less accumulated depreciation and impairment. Land and assets that are in the process of being constructed, are measured at cost less accumulated impairment and are not depreciated.

Principal accounting policies continued

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

The cost of items of property, plant and equipment includes all costs incurred to bring the assets to the location and condition necessary for their usage by the group. The cost of self-constructed assets includes expenditure on materials, direct labour and an allocated proportion of project overheads.

The cost of property, plant and equipment may also include:

- The estimated costs of decommissioning the assets and site rehabilitation costs to the extent that they relate to the asset.
- Gains or losses on qualifying cash flow hedges attributable to that asset.

The cost of items of property, plant and equipment is capitalised into its various components where the useful life of the components differ from 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 property, plant and equipment is capitalised and any remaining carrying value of the component replaced is written off as an expense in the income statement. Subsequent expenditure on property, plant and equipment is only capitalised when the expenditure enhances the value or output of the asset beyond original expectations. Costs incurred on repairing and maintaining assets are recognised in the income statement.

Research, development, mineral exploration and evaluation costs are expensed 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. Once these criteria are met, development costs and ongoing mineral exploration and evaluation costs are capitalised.

Gains and losses on the disposal of property, plant and equipment, which are represented by the proceeds on disposal of such assets less their carrying values at that date, are recognised in the income statement.

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. Depreciation commences on self-constructed assets when they are ready for their intended use by the group.

The useful life of an asset 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.

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

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

• Mineral properties	10 – 29 years
• Buildings, infrastructure and residential buildings	5 – 29 years
• Mobile equipment, built-in process computers and reconditionable spares	2 – 29 years
• Fixed plant and equipment	4 – 29 years
• Loose tools and computer equipment	5 years
• Mineral exploration, site preparation and development	5 – 29 years

Business combinations

The purchase method of accounting is used when a business is acquired.

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.

Goodwill is reflected at cost less accumulated impairment, 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. 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 from which the goodwill arose.

Non-current assets and disposal groups held for sale

A non-current asset or disposal group (a business grouping of assets and their related liabilities) is classified as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The classification as held for sale of a non-current asset or disposal group occurs when it is available for immediate sale in its present condition and the sale is highly probable. A sale is considered highly probable if management is committed to a plan to sell the non-current asset or disposal group, an active divestiture programme has been initiated, the non-current asset or disposal group is marketed at a price reasonable to its fair value and the disposal will be completed within one year from classification.

Upon classification as held for sale, the non-current asset or disposal group is measured at the lower of its carrying amount and its fair value less costs to sell. Any resulting impairment is recognised in the income statement.

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

If a non-current asset or disposal group is classified as held for sale, but the criteria for classification as held for sale are no longer met, the disclosure of such non-current asset or disposal group as held for sale is ceased. On ceasing such classification, the non-current assets are reflected at the lower of:

- The carrying amount before classification as held for sale adjusted for any depreciation or amortisation that would have been recognised had the assets not been classified as held for sale.
- The recoverable amount at the date the classification as held for sale ceases.

Any adjustments required to be made on reclassification are recognised in the income statement on reclassification.

A discontinued operation is a disposal group that, pursuant to a single plan, has been disposed of or abandoned or is classified as a disposal group held for sale. Once an operation has been identified as discontinued, or is reclassified as continuing, the comparative information in the income statement is restated.

Impairment of non-financial assets

The group's non-financial assets, other than inventories and deferred tax, are reviewed to determine whether there is any indication that those assets are impaired whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

The impairment recognised in the income statement is the excess of the carrying value over the recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Recoverable amounts are estimated for individual assets or, where an individual asset cannot generate cash inflows independently, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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 cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount and an impairment is recognised in the income statement.

Principal accounting policies continued

A previously recognised impairment will be reversed insofar as estimates change as a result of an event occurring after the impairment was recognised. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the income statement.

Exploration assets are tested for impairment when development of the property commences or whenever facts and circumstances indicate impairment. An impairment is recognised for the amount by which the exploration assets' carrying amount exceeds their recoverable amount. For the purpose of assessing impairment, the relevant exploration assets are included in the existing cash-generating units of producing properties that are located in the same region.

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, with these fair value adjustments recognised as income and expenditure in the income statement in the period in which they occur.

Biological assets comprise livestock and game. The fair value of livestock is determined based on the market prices of the age and size of the animals, on the basis that the animal is sold to be slaughtered. The fair value of game is determined as the market price for the game, using auction selling prices achieved for live game.

Both livestock and game held for sale are classified as consumable biological assets.

Financial instruments

Financial assets (other than derivative financial instruments)

The group classifies its financial assets into the following categories:

- Loans and receivables
- Derivative financial instruments.

The classification is dependent on the purpose for which the financial asset is acquired. Management determines the classification of its financial assets at the time of the initial recognition and re-evaluates such designation annually.

Financial assets are recognised on transaction date when the group becomes a party to the contract and thus obtains rights to receive economic benefits and are derecognised when these rights no longer exist.

Financial assets are initially measured at fair value, including any transaction costs. The fair values of financial assets are based on quoted bid prices or amounts derived using a discounted cash flow model.

Investments held by environmental trust, non-current receivables and trade receivables

Investments held by environmental trusts and non-current and trade receivables are categorised as loans and receivables. Loans and receivables are subsequently measured at amortised cost less accumulated amortisation and impairment.

Loans and receivables are assessed at each balance sheet date to determine whether objective evidence exists that a financial asset is impaired. To the extent that the carrying value of an individual or group of assets exceeds the carrying amounts of those assets, an impairment is recognised by way of an allowance account in the income statement.

An impairment is reversed when evidence exists that an impairment has decreased. The reversal does not result in the carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents are measured 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.

Financial liabilities (other than derivative financial instruments)

Debt, which constitutes a financial liability, includes short-term and long-term interest-bearing borrowings. Debt is initially recognised at fair value, net of transaction costs incurred and is subsequently stated at amortised cost. Debt is derecognised when the obligation under the contract is discharged, cancelled or has expired. Premiums or discounts arising from the difference between the fair value of debt raised and the amount repayable at maturity date are recognised in the income statement as borrowing costs based on the effective interest rate method.

Derivative financial instruments

All derivative instruments are initially recognised at fair value and are subsequently stated at fair value at balance sheet date. Resulting gains or losses on derivative instruments, excluding designated and effective hedging instruments, are recognised in the income statement.

The group's criteria for a derivative instrument to be designated as a hedging instrument require that:

- The hedge transaction is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk.
- The effectiveness of the hedge can be reliably measured throughout the duration of the hedge.
- There is adequate documentation of the hedging relationship at the inception of the hedge.
- For cash flow hedges, the forecasted transaction that is the subject of the hedge must be highly probable.

Where a derivative instrument is designated as a cash flow hedge of an asset, liability or highly probable forecasted transaction, the effective part of any gain or loss arising on the derivative instrument is classified as a cash flow hedge accounting reserve in the statement of changes in equity until the underlying transaction occurs. The ineffective part of any gain or loss is recognised in the income statement.

If the forecasted transaction results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is transferred from the cash flow hedge accounting reserve in the statement of changes in equity to the underlying asset or liability on the transaction date.

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, which comprise finished products, work-in-progress, plant spares and stores, raw material and merchandise, are measured at the lower of cost, determined on a weighted 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 finance costs. 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 income statement in the period in which the write-downs or losses occur.

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.

Environmental rehabilitation provisions

Estimated long-term environmental provisions, comprising rehabilitation and mine closure, are based on the group's environmental policy taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. Any subsequent changes to assumptions in estimating an obligation are recognised in the income statement.

Principal accounting policies continued

Decommissioning provision

The estimated present value of future decommissioning costs, taking into account current environmental and regulatory requirements, is capitalised as part of property, plant and equipment, to the extent that they relate to the construction of the asset, and the related provisions are raised. These estimates are reviewed at least annually. The effect of subsequent changes to assumptions in estimating obligations that were originally recognised as part of the cost of the asset are adjusted against the asset.

Ongoing rehabilitation expenditure

Ongoing rehabilitation expenditure is recognised in the income statement as incurred.

Taxation

The income tax charge is determined based on net income before tax for the year and includes deferred tax and Secondary Taxation on Companies.

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

Current tax

The current tax charge is the calculated tax payable on the taxable income for the year using substantively enacted tax rates and any adjustments to tax payable in respect of prior years. 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

Deferred tax is provided for using the liability method, on all temporary differences between the carrying values of assets and liabilities for accounting purposes and the amounts used for tax purposes and on any tax losses. No deferred tax is provided on temporary differences relating to:

- The initial recognition of goodwill.
- The initial recognition (other than in a business combination) of an asset or liability to the extent that neither accounting nor taxable profit is affected on acquisition.
- Investments in subsidiaries to the extent they will probably not reverse in the foreseeable future.

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.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, 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 recognised in the income statement, except when it relates to items recognised 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.

Secondary Taxation on Companies (STC)

STC is recognised as part of the current tax charge in the income statement when the related dividend is declared. When dividends received during 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

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 in the income statement during the period in which the employee renders the related service.

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

Post-employment benefits

The group operates defined contribution plans for the benefit of its employees, the assets of which are held in separate funds. The plan is funded by payments from employees and the group. The group's contribution to the funds is recognised in the income statement in the year to which it relates.

The group is also a participating employer in two closed defined benefit plans for its pensioner members who retired before 2001. The group does not, however, provide defined employee benefits to its current employees.

Statutory actuarial valuations on the defined benefit plans are performed every three years, using the projected unit credit method. 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 surplus or deficit of the plan 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 access the future economic benefit is uncertain. Actuarial losses, if any, are recognised in the income statement as and when they arise.

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

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 12 months after balance sheet date, they are discounted to present value.

Equity compensation benefits

The various equity compensation schemes operated by the group allow certain senior employees, including executive directors, the option to acquire shares in Kumba over a prescribed period in return for services rendered. These options are settled by means of the issue of shares. Such equity-settled share-based payments are measured at fair value at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is charged as employee costs on a straight-line basis over the period that the employees become unconditionally entitled to the options, based on management's estimate of the shares that will vest and adjusted for the effect of non market-based vesting conditions. These share options are not subsequently revalued.

The Phantom Share Scheme allows certain senior employees the right to participate in the performance of the Kumba share price, in return for services rendered, through the payment of cash incentives which are based on the market price of the Kumba share. These rights are recognised as a liability at fair value in the balance sheet until the date of settlement. The fair value of these rights is determined at each reporting date and the unrecognised cost amortised to the income statement over the period that the employees provide services to the company.

The fair value of the share options is measured using option pricing modes. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations such as volatility, dividend yield and the vesting period. The fair value takes into account the terms and conditions on which these incentives are granted and the extent to which the employees have rendered services to balance sheet date.

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 is recognised based on the percentage of completion method.

Principal accounting policies continued

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

Royalties are recognised in accordance with the substance of the relevant agreements.

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

Borrowing costs

Borrowing costs are recognised in the income statement as incurred.

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 expensed in the income statement on a straight-line basis over the period of the lease.

Stripping costs

All stripping costs incurred during the production phase of a mine are treated as variable production costs and as a result are included in the cost of inventory produced during the period that the stripping costs are incurred.

Dividends

Dividends payable and the related taxation thereon are recognised by the group when the dividend is declared. These dividends are recorded and disclosed as dividends in the statement of changes in equity. Dividends proposed or declared subsequent to the balance sheet date are not recognised, but are disclosed in the notes to the consolidated financial statements.

Black economic empowerment (BEE) transactions

To the extent that an entity grants shares or share options in a BEE transaction and the fair value of the cash and other assets received is less than the fair value of the shares or share options granted, such difference is charged to the income statement in the period in which the transaction becomes effective. Where the BEE transaction includes service conditions the difference will be charged to the income statement over the period of these service conditions. A restriction on the transfer of the shares or share options is taken into account in determining the fair value of the shares or share options.

Comparatives

During the year under review the group reclassified the pre-acquisition reserve in the statement of changes in equity that arose from the acquisition of Sishen Iron Ore Company (Pty) Limited in 2006 to the separate reserve classes.

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 disclosures have 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 service provided, with the segment representing a strategic business unit that offers a specific product and services a specific market.

Convenience translation from Rand to US Dollars

The presentation currency of the group is Rand.

Supplementary US Dollar information is provided for convenience only. The conversion to US Dollar is performed as follows:

- Assets and liabilities are translated at the closing rate of exchange on balance sheet date.
- Income and expenses are translated at average rates of exchange for the years presented.
- Shareholders' equity, other than attributable earnings for the year, is translated at the closing rate on each balance sheet date.
- The resulting translation differences are included in shareholders' equity.

Key estimates and judgements

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:

- The provision for environmental rehabilitation and decommissioning is based on management's best estimate of the cost to be incurred. The actual liability for rehabilitation and decommissioning can vary from management's estimates and, as a result, the liabilities that are reported can vary if the assessment of the expenditures changes.
- In applying IFRS 2, Share-based Payments, management makes certain judgements in respect of the fair value models to be used in determining the various share-based payment arrangements in respect of employees and special purpose entities. Option pricing models are used to estimate the fair value of the share-based payments. Various assumptions are used in the models. These include, but are not limited to, a dividend yield, risk free rate and share price volatility.
- Depreciation is influenced by ore reserve estimations. The estimate of the total reserves of Kumba's mines could be materially different from the actual ore mined. The actual usage by the mines may be impacted by changes in the factors used in determining Kumba's ore reserves. Any change in management's estimate of the total expected future lives of the mines would impact the depreciation charge as well as Kumba's estimated rehabilitation and decommissioning provisions.
- Estimates made in determining the probability of future taxable income, thereby justifying the recognition of deferred tax assets.

Kumba Iron Ore Limited Group Balance Sheet

as at 31 December

Rand million	Notes	2007	2006
ASSETS			
Property, plant and equipment	1	5,748	3,864
Biological assets	2	6	7
Investments in associates and joint ventures	3	2	–
Investments held by environmental trust	4	165	147
Long-term financial assets and prepayments	5	14	3
Deferred tax assets	11	9	–
Non-current assets		5,944	4,021
Inventories	6	1,310	749
Trade and other receivables	7	1,531	1,005
Cash and cash equivalents	8	952	1,094
Current assets		3,793	2,848
Total assets		9,737	6,869
EQUITY AND LIABILITIES			
Shareholders' equity		2,654	839
Minority interest	23	641	216
Total equity		3,295	1,055
LIABILITIES			
Interest-bearing borrowings	9	1,040	2,840
Provisions	10	339	152
Deferred tax liabilities	11	1,451	485
Non-current liabilities		2,830	3,477
Interest-bearing borrowings	9	2,490	1,179
Trade and other payables	12	1,058	555
Current tax liabilities	13	64	603
Current liabilities		3,612	2,337
Total equity and liabilities		9,737	6,869

Kumba Iron Ore Limited Group Income Statement

for the period ended 31 December

Rand million	Notes	12 Months 2007	2 Months 2006
Revenue	14	11,497	2,171
Operating expenses	15	(5,519)	(1,487)
Operating profit	16	5,978	684
Finance income	18	102	7
Finance costs	18	(410)	(43)
Profit before taxation		5,670	648
Taxation	19	(1,768)	(269)
Profit		3,902	379
Attributable to:			
Equity holders of Kumba		3,100	264
Minority interests		802	115
		3,902	379
Per share information (cents)	20		
Attributable earnings per share		985	84
Diluted attributable earnings per share		970	83
Dividend per share (cents)	20		
interim		350	–
final*		400	80

* The final dividend was declared subsequent to the year end and is presented for information purposes only.

Kumba Iron Ore Limited Group Statement of Changes in Equity

for the period ended 31 December

Rand million	Share capital and share premium (note 21)	Equity-settled share-based payment reserve (note 22)	Foreign currency translation reserve (note 29)	Cash flow hedge accounting reserve	Retained earnings	At acquisition reserve	Shareholders' equity	Minority interest (note 23)	Total equity
Acquisition of business	–	–	–	–	–	371	371	93	464
Reclassification of at acquisition reserve	–	–	29	3	339	(371)	–	–	–
	–	–	29	3	339	–	371	93	464
Shares issued during the period	3	–	–	–	–	–	3	–	3
Equity-settled share-based payments	–	182	–	–	–	–	182	3	185
Profit for the period	–	–	–	–	264	–	264	115	379
Gains/(losses) recognised directly in equity	–	–	24	(5)	–	–	19	5	24
Foreign currency translation differences	–	–	(46)	–	–	–	(46)	6	(40)
Net gains on cash flow hedge accounting	–	–	–	2	–	–	2	–	2
Net cash flow hedge gains transferred from equity	–	–	–	(7)	–	–	(7)	(1)	(8)
Taxation effects	–	–	70	–	–	–	70	–	70
Balance at 31 December 2006	3	182	53	(2)	603	–	839	216	1,055
Shares issued during the period	53	–	–	–	–	–	53	–	53
Equity-settled share-based payments	–	73	–	–	–	–	73	17	90
Profit for the period	–	–	–	–	3,100	–	3,100	802	3,902
(Losses)/gains recognised directly in equity	–	–	(51)	2	–	–	(49)	(11)	(60)
Foreign currency translation differences	–	–	(10)	–	–	–	(10)	(2)	(12)
Net cash flow hedge losses transferred from equity	–	–	–	2	–	–	2	1	3
Taxation effects	–	–	(41)	–	–	–	(41)	(10)	(51)
Dividends paid	–	–	–	–	(1,362)	–	(1,362)	(383)	(1,745)
Balance at 31 December 2007	56	255	2	–	2,341	–	2,654	641	3,295

Equity-settled share-based payment reserve

The equity-settled share-based payment reserve comprises the fair value of goods received or services rendered that has been settled through the issuing of shares or share options.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial results of foreign operations to the functional currency of its parent.

Cash flow hedge accounting reserve

The cash flow hedge accounting reserve comprises the effective portion of the cumulative net change in the fair value of derivative financial instruments designated as cash flow hedges where the forecasted transaction has not yet occurred.

Kumba Iron Ore Limited Group

Cash Flow Statement

for the period ended 31 December

Rand million	Notes	12 Months 2007	2 Months 2006
Cash flows from operating activities			
Cash receipts from customers		10,963	2,012
Cash paid to suppliers and employees		(5,158)	(1,623)
Cash generated from operations			
Cash generated from operations	24	5,805	389
Net finance costs paid	25	(301)	(39)
Taxation paid	13	(1,401)	–
Dividends paid	26	(1,353)	–
		2,750	350
Cash flows from investing activities			
Additions to property, plant and equipment	27	(2,119)	(511)
Investment in associates and joint ventures		(2)	–
Proceeds from disposal of non-current assets		26	6
Acquisition of business	28	–	(3)
Net cash acquired on acquisition of business	28	–	400
Translation effects of cash flows of foreign operations	29	31	(35)
		(2,064)	(143)
Cash flows from financing activities			
Shares issued		53	3
Dividends paid to minority shareholders	26	(392)	–
Interest-bearing borrowings raised	9	1,311	2,840
Interest-bearing borrowings repaid	9	(1,800)	(1,956)
		(828)	887
Net (decrease)/increase in cash and cash equivalents		(142)	1,094
Cash and cash equivalents at beginning of period		1,094	–
Cash and cash equivalents at end of period		952	1,094

Kumba Iron Ore Limited Group

Notes to the Annual Financial Statements

for the period ended 31 December

Rand million	Land	Mineral properties	Residential buildings	Buildings and infrastructure	Machinery, plant and equipment	Mineral exploration, site preparation & development	Assets under construction	Total
1. PROPERTY, PLANT AND EQUIPMENT								
2007								
Cost								
Balance at beginning of period	36	621	46	222	2,820	325	1,954	6,024
Additions	36	–	5	6	256	–	1,816	2,119
Changes in decommissioning provision	–	–	–	10	(2)	–	–	8
Disposals and scrapping	(8)	–	–	–	(13)	–	–	(21)
Balance at 31 December 2007	64	621	51	238	3,061	325	3,770	8,130
Accumulated depreciation								
Balance at beginning of period	–	136	37	97	1,623	267	–	2,160
Depreciation charge	–	25	1	10	171	21	–	228
Disposals and scrapping	–	–	–	–	(6)	–	–	(6)
Balance at 31 December 2007	–	161	38	107	1,788	288	–	2,382
Carrying amount at 31 December 2007	64	460	13	131	1,273	37	3,770	5,748
2006								
Cost								
Acquisition of business	35	621	46	218	2,732	325	1,544	5,521
Additions	1	–	–	4	96	–	410	511
Changes in decommissioning provision	–	–	–	–	(2)	–	–	(2)
Disposals and scrapping	–	–	–	–	(6)	–	–	(6)
Balance at 31 December 2006	36	621	46	222	2,820	325	1,954	6,024
Accumulated depreciation								
Acquisition of business	–	132	37	95	1,594	264	–	2,122
Depreciation charge	–	4	–	2	34	3	–	43
Disposals and scrapping	–	–	–	–	(5)	–	–	(5)
Balance at 31 December 2006	–	136	37	97	1,623	267	–	2,160
Carrying amount at 31 December 2006	36	485	9	125	1,197	58	1,954	3,864

Additional disclosures

Included in the above items of property, plant and equipment are fully depreciated assets still in use with an original cost price of R353 million (2006: R370 million).

The group generated proceeds from the disposal of items of property, plant and equipment of R26 million (2006: R6 million).

The estimated replacement value of assets for insurance purposes amounts to R8.6 billion (2006: R5.9 billion).

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

1. PROPERTY, PLANT AND EQUIPMENT continued

Rand million	2007	2006
Capital commitments		
Capital commitments include all items of capital expenditure for which specific board approval has been obtained up to balance sheet date. Capital expenditure still under investigation for which specific board approvals have not yet been obtained are excluded.		
Capital expenditure contracted for plant and equipment	589	2,477
Capital expenditure authorised for plant and equipment but not contracted	1,185	3,176
Capital expenditure will be financed principally from borrowing facilities, available cash resources and cash generated from operations.		
Capital commitments for Thabazimbi Mine (a captive mine) will be financed by ArcelorMittal.		
Capital expenditure contracted for plant and equipment	2	1
Capital expenditure authorised for plant and equipment but not contracted	2	2

	Livestock	Game	Total
2. BIOLOGICAL ASSETS			
Acquisition of business	–	4	4
Gains attributable to physical changes and price changes	1	–	1
Reclassification from inventory	2	–	2
Balance at 31 December 2006	3	4	7
Acquisitions	–	1	1
Disposals	(1)	(2)	(3)
Reclassification from inventory	1	–	1
Balance at 31 December 2007	3	3	6

Biological assets comprise mature livestock and game.

Livestock consists of cattle, sheep and goats and game consists of giraffe, ostrich and a variety of antelope.

Kumba Iron Ore Limited Group

Notes to the Annual Financial Statements continued

for the period ended 31 December

Rand '000	2007	2006
3. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES		
Associates		
Unlisted	50	50
Joint ventures		
Unlisted	2,189	337
Total	2,239	387

Refer to annexure 1 for detail of associated companies and joint ventures and directors' valuations.

	Investments	Loans	Total
Associates			
Balance at beginning of period	–	–	–
Interests acquired	50	–	50
Balance at 31 December 2006	50	–	50
Interests acquired	–	–	–
Balance at 31 December 2007	50	–	50

	2007	2006
Income statement information of associates		
Operating expenses	(114)	–
Operating profit	(114)	–
Net financing income	416	–
Profit before taxation	302	–
Taxation	(88)	–
Profit	214	–
Balance sheet information of associates		
Non-current assets	2,893	2,628
Current assets	–	50
Total assets	2,893	2,678
Shareholders' equity	2,847	2,632
Current liabilities	46	46
Total equity and liabilities	2,893	2,678

The financial information presented represents the group's effective interest.

Rand '000	Investments	Loans	Total
3. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES continued			
Joint ventures			
Balance at beginning of period	–	–	–
Interests acquired	–	337	337
Balance at 31 December 2006	–	337	337
Interests acquired	–	1,852	1,852
Balance at 31 December 2007	–	2,189	2,189
		2007	2006
Income statement information of joint ventures			
Revenue		50,853	7,107
Operating expenses		(11,297)	(1,110)
Operating profit		39,556	5,997
Net financing costs		1,903	305
Profit before taxation		41,459	6,302
Taxation		(37)	94
Profit		41,422	6,396
Balance sheet information of joint ventures			
Non-current assets		2,828	5,100
Current assets		72,170	31,223
Total assets		74,998	36,323
Shareholders' equity		1,267	5,226
Current liabilities		73,731	31,097
Total equity and liabilities		74,998	36,323
Cash flow information of joint ventures			
Cash flows from operating activities		38,865	8,081
Cash flows from investing activities		2,000	7
Foreign currency translations		73	(2,076)
Net increase in cash and cash equivalents		40,938	6,012

The financial information presented represents the group's effective interest.

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Rand million	2007	2006
4. INVESTMENTS HELD BY ENVIRONMENTAL TRUST		
Balance at beginning of period	147	–
Acquisition of business	–	147
Contributions	9	–
Growth in environmental trusts	9	–
Balance at end of period	165	147
These investments may only be utilised for the purposes of settling decommissioning and rehabilitation obligations relating to the group's mining operations. The investment returns are reinvested by the trust. Refer to note 10 for the environmental rehabilitation and decommissioning obligations.		
Maturity profile of investments held by environmental trust		
More than 5 years	165	147
Currency analysis of investments held by environmental trust		
Rand	165	147

Fair value of investments held by environmental trust

The fair value of investments held by the environmental trust is determined using a discounted cash flow method using market-related rates at 31 December.

Rand million	Carrying value	Fair value
Investments held by environmental trust – 2007	165	165
Investments held by environmental trust – 2006	147	147

Credit risk

Investments held by the environmental trust are invested in various financial institutions with long-term investment grade credit rating and with the capacity for payment of financial commitments considered strong.

Interest rate risk

Investments held by the environmental trust are invested in financial instruments with variable interest rates between 6.2% and 10.8%.

Rand million	2007	2006
5. LONG-TERM FINANCIAL ASSETS AND PREPAYMENTS		
Long-term receivables	–	3
Prepayments	14	–
	14	3
Maturity profile of long-term receivables		
1 to 2 years	–	3
Currency analysis of long-term receivables		
US Dollar	–	3

5. LONG-TERM FINANCIAL ASSETS AND PREPAYMENTS continued

Fair value of long-term receivables

The fair value of long-term receivables is determined using a discounted cash flow method using market-related rates at 31 December.

Rand million	Carrying value	Fair value
Long-term receivables – 2007	–	–
Long-term receivables – 2006	3	3

Rand million	2007	2006
Maturity profile of long-term prepayments		
1 to 2 years	4	–
2 to 5 years	10	–
	14	–
6. INVENTORIES		
Finished products	322	285
Work-in-progress	763	353
Plant spares and stores	208	108
Raw materials	15	–
Merchandise	2	3
	1,310	749
No inventories are carried at net realisable value or were encumbered during the year.		
7. TRADE AND OTHER RECEIVABLES		
Trade receivables	1,206	905
Other receivables	312	100
Derivative financial instruments (Refer to note 30)	13	–
	1,531	1,005

Credit risk

Trade receivables are exposed to the credit risk of end-user customers within the steel manufacturing industry.

87% or R1,045 million of the total outstanding trade receivables balance of R1,206 million consists of individual end-user customers with an outstanding balance in excess of 5% of the total trade receivables balance as at 31 December 2007.

The group has an established credit policy under which customers are analysed for creditworthiness before the group's payment and delivery terms and conditions are offered.

Kumba Iron Ore Limited Group

Notes to the Annual Financial Statements continued

for the period ended 31 December

Rand million	2007	2006
7. TRADE AND OTHER RECEIVABLES <small>continued</small>		
Trade receivables credit risk exposure by geographical area		
South Africa	160	148
Europe	285	262
Asia	761	495
	1,206	905
Credit quality of trade receivables		
Not past due	1,200	905
Past due 31 to 60 days	5	–
Past due more than 90 days	1	–
	1,206	905
A provision for impairment of R1 million has been recognised for amounts past due more than 90 days.		
Currency analysis of trade receivables		
Rand	159	136
US Dollar	1,047	769
	1,206	905
Fair value of trade receivables		
The carrying amount of trade receivables approximate their fair value because of the short-period maturity of these instruments.		
Other receivables consist of the following:		
Prepayments	66	17
Outstanding deposits	7	38
Other	239	45
	312	100
8. CASH AND CASH EQUIVALENTS		
Cash	937	1,094
Cash restricted for use	15	–
	952	1,094
Included in cash restricted for use is cash held by SIOC Community Development SPV (Pty) Limited which is considered a special purpose entity and is consolidated for accounting purposes.		
Currency analysis of cash and cash equivalents		
Rand	206	115
US Dollar	739	923
Euro	6	51
Other	1	5
	952	1,094
Fair value of cash and cash equivalents		
The carrying amount of cash and cash equivalents approximate their fair value because of the short-period maturity of these instruments.		
Credit risk		
Cash and cash equivalents are held in various financial institutions with long-term investment grade credit rating and with the capacity for payment of financial commitments considered strong.		

Rand million	2007	2006
9. INTEREST-BEARING BORROWINGS		
Non-current interest-bearing borrowings		
Total non-current interest-bearing borrowings	1,052	2,874
Short-term portion included in current liabilities	(12)	(34)
	1,040	2,840
Current interest-bearing borrowings		
Short-term borrowings	2,478	1,145
Short-term portion of non-current interest-bearing borrowings	12	34
	2,490	1,179
Total interest-bearing borrowings	3,530	4,019
Reconciliation		
Balance at beginning of period	4,019	–
Acquisition of business	–	3,114
Loans raised	1,311	2,840
Loans repaid	(1,800)	(1,956)
Other	–	21
Balance at end of period	3,530	4,019
Maturity profile of interest-bearing borrowings		
Within 1 year	2,490	1,179
1 to 2 years	1,040	–
2 to 3 years	–	2,840
Balance at end of period	3,530	4,019

Rand million	Maturity date	Interest rate at 31 December %	Facility	Outstanding balance	
				2007	2006
Unsecured loans					
Call loan facility	2008	11.97	1,900	1,060	477
Revolving facility "A" at a floating interest rate of 3 month Libor + 100 basis points, reset quarterly but payable semi-annually. Maturity date 28 November 2009	2009	12.07	2,840	1,040	2,840
Anglo South Africa Capital (Pty) Limited facility at a floating rate of 6 month Libor + 70 basis points	2008	12.23	750	750	–
Revolving facility "B" at a floating interest rate of 3 month Libor + 70 basis points, reset quarterly but payable semi-annually. Maturity date 28 November 2008	2008	11.77	660	668	668
Interest on revolving facility "A" – payable 31 May 2008.				12	34
Balance at end of period			6,150	3,530	4,019

The Libor rate at 31 December 2007 was 11.067% (2006: 8.871%).

Kumba Iron Ore Limited Group

Notes to the Annual Financial Statements continued

for the period ended 31 December

9. INTEREST-BEARING BORROWINGS continued

Financial covenants

The group is in compliance with its debt covenants.

Currency analysis of interest-bearing borrowings

All interest-bearing borrowings of the group are denominated in Rand.

Fair value of interest-bearing borrowings

The fair value of interest-bearing borrowings with variable interest rates approximate their carrying amount.

Rand million	Carrying value	Fair value
Interest-bearing borrowings – 2007	3,530	3,530
Interest-bearing borrowings – 2006	4,019	4,019

Rand million	Cash-settled share-based payments	Environmental rehabilitation	Decommissioning	Total
10. PROVISIONS				
Acquisition of business	–	115	42	157
Notional interest	–	(3)	–	(3)
Capitalised to property, plant and equipment	–	–	(2)	(2)
Balance at 31 December 2006	–	112	40	152
Notional interest	–	5	2	7
Charge to income statement	–	140	–	140
Capitalised to property, plant and equipment	–	–	8	8
Cash-settled share-based payments (Refer to note 22)	26	–	–	26
Reclassification from equity (Refer to note 22)	6	–	–	6
Balance at 31 December 2007	32	257	50	339
Expected timing of future cash flows				
1 to 2 years	32	–	–	32
3 to 5 years	–	69	4	73
More than 5 years	–	188	46	234
	32	257	50	339
Estimated undiscounted obligation		677	144	822

10. PROVISIONS continued

Cash-settled share-based payments (Refer to note 22)

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 were not 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. These phantom options were transferred to Kumba on unbundling.

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.

Funding of environmental rehabilitation and decommissioning (Refer to note 4)

Contributions towards the cost of mine closure are also made to the Kumba Rehabilitation Trust Fund and the balance of the trust amounted to R165 million at 31 December 2007 (2006: R147 million).

Significant accounting estimates

The estimation of the environmental rehabilitation and decommissioning provisions are a key area where management's judgement is required.

A change of 1% in the discount rate used in estimating the environmental rehabilitation and decommissioning provision would result in an increase of R59 million or a decrease of R80 million in the carrying value of the provision.

A change of 1 year in the expected timing of the commencement of environmental rehabilitation and decommissioning would result in an increase of R12 million or a decrease of R12 million in the carrying value of the provision.

Change in accounting estimate

At 31 December 2007 management revised the estimate of the timing and amount of the closure cost of Sishen Mine and Thabazimbi Mine and the discount rate used to determine the present value of the environmental rehabilitation and decommissioning provision was reduced from 10.25% to 9.20%.

Rand million	Environmental rehabilitation	Decommissioning	Total
The effect of these changes are detailed below:	140	8	148
Discount rate	50	11	61
Amount of the closure cost	168	12	180
Expected timing of future cash flows	(78)	(15)	(93)

The change in estimate in the environmental rehabilitation provision resulted in a decrease in attributable profit for 2007 of R99 million (effect on earnings per share is a decrease of 31 cents per share) after taking into account taxation of R41 million and minority interest of R19 million. The change in estimate in the decommissioning provision has been capitalised to the related property, plant and equipment (refer to note 2).

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for the period ended 31 December

Rand million	2007	2006
11. DEFERRED TAX		
Deferred tax assets		
Reconciliation		
Balance at beginning of period	–	–
Current period charge per the income statement	9	–
Balance at end of period	9	–
Expected timing		
Deferred tax assets to be recovered after 12 months	9	–
Deferred tax assets attributable to the following temporary differences		
Estimated tax losses	8	–
Other	1	–
Total deferred tax assets	9	–
Deferred tax liabilities		
Reconciliation		
Balance at beginning of period	485	–
Acquisition of business	–	535
Prior year adjustment	473	–
Current period charge		
Per statement of changes in equity	51	(70)
Per the income statement	442	20
Balance at end of period	1,451	485
Expected timing		
Deferred tax liabilities to be recovered after 12 months	1,354	485
Deferred tax liabilities to be recovered within 12 months	97	–
	1,451	485
Deferred tax liabilities attributable to the following temporary differences		
Property, plant and equipment	1,608	619
Environmental rehabilitation provision	(74)	(102)
Decommissioning provision	(12)	(12)
Leave pay accrual	(22)	(20)
Other	(49)	–
Total deferred tax liabilities	1,451	485

Rand million	2007	2006
12. TRADE AND OTHER PAYABLES		
Trade payables	500	413
Other payables	480	71
Leave pay accrual	77	67
Derivative financial instruments (Refer to note 30)	1	4
	1,058	555
Currency analysis of trade payables		
US Dollar	100	15
Rand	958	540
	1,058	555
Fair value of trade payables		
The carrying amount of trade payables approximate their fair value because of the short-period maturity of these instruments.		
13. TAX PAID		
Amounts unpaid at beginning of period	603	–
Acquisition of business	–	358
Income tax per the income statement	862	249
Translation of foreign operations	–	(4)
	1,465	603
Current tax liability per balance sheet	64	603
	1,401	–
Tax paid per the cash flow statement		
Comprising		
Normal tax		
South Africa	1,357	–
Foreign	44	–
	1,401	–

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Rand million	12 Months 2007	2 Months 2006
14. REVENUE		
Sale of iron ore	10,412	1,592
Services rendered – shipping	1,085	579
	11,497	2,171
Sale of iron ore		
Domestic – South Africa	1,349	178
Export	9,063	1,414
Europe	2,999	507
China	3,199	462
Rest of Asia	2,865	445
Services rendered – shipping	1,085	579
	11,497	2,171
15. OPERATING EXPENSES		
Operating expenditure by function		
Production costs	3,740	767
Movement in inventories	(402)	70
Finished products	24	(2)
Work-in-progress	(409)	47
Other	(17)	25
Cost of goods sold	3,338	837
Selling and distribution costs	1,300	172
Cost of services rendered – shipping	887	479
Sublease rentals received	(6)	(1)
Operating expenses	5,519	1,487

Rand million	12 Months 2007	2 Months 2006
15. OPERATING EXPENSES continued		
Cost of goods sold comprises		
Staff costs	1,140	173
Salaries and wages	917	127
Equity-settled share-based payments	96	32
Cash-settled share-based payments	26	–
Pension and medical costs	101	14
Raw materials and consumables	716	99
Depreciation of property, plant and equipment	228	43
Mineral properties	25	4
Residential land and buildings	1	–
Buildings and infrastructure	10	2
Machinery, plant and equipment	171	34
Site preparation and mineral development	21	3
Repairs and maintenance	454	75
General expenses	1,230	372
Energy costs	59	8
Own work capitalised	(93)	(7)
Cost recoveries	6	4
Movement in inventories	(402)	70
Cost of goods sold	3,338	837
Selling and distribution costs	1,300	172
Distribution costs	1,213	161
Selling costs	87	11
Cost of services rendered – shipping	887	479
Sublease rentals received	(6)	(1)
Operating expenses	5,519	1,487

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for the period ended 31 December

Rand million	12 Months 2007	2 Months 2006
16. OPERATING PROFIT		
Operating profit includes		
Staff costs	1,140	173
Depreciation of property, plant and equipment	228	43
Reconditional spares usage	1	2
Research and development cost	1	–
Operating lease rental expenses		
Property	9	2
Equipment	34	10
Operating sublease rentals received		
Property	(6)	(1)
Other	–	–
Net profit on disposal or scrapping of property, plant and equipment	(11)	(5)
Share-based payment expense on the disposal of 3% interest in Sishen Iron Ore Company to the SIOC Community Development SPV (Pty) Limited	–	153
Auditors' remuneration		
Audit fees	5	3
Other services	1	–
Directors' emoluments (Refer to remuneration report on page 112)	6	3
Executive directors		
Emoluments received as directors of the company	5	1
Bonuses and cash incentives	–	1
Non-executive directors - emoluments as directors of the company	1	1
17. FINANCE GAINS/(LOSSES)		
Finance gains/(losses) recognised in operating profit		
Gains/(losses) on derivative financial instruments		
– Realised	43	36
– Unrealised	(12)	–
Foreign currency gains/(losses)		
– Realised	14	(54)
– Unrealised	(5)	(31)
	40	(49)
18. FINANCE INCOME/(COSTS)		
Interest expense	(403)	(46)
Notional interest on non-current provisions (Refer to note 10)	(7)	3
Finance costs	(410)	(43)
Interest received	102	7
Net finance costs	(308)	(36)

Rand million	12 Months 2007	2 Months 2006
19. TAXATION		
Income tax expense		
Current tax	628	249
Deferred tax	906	20
STC	234	–
	1,768	269
Charge to the income statement		
South African normal taxation		
Current year	1,122	210
Prior years	(473)	–
Foreign taxation		
Current year	8	–
Prior years	(29)	–
Capital gains taxation	–	39
STC	234	–
	862	249
Income tax		
Deferred tax		
Current year	433	20
Prior years	473	–
	1,768	269
Reconciliation of taxation rates		
	%	%
Taxation as a percentage of profit before taxation	31.2	41.5
Taxation effect of		
Capital profits	(0.1)	(6.0)
Accruals of a capital nature	–	0.1
Disallowable expenditure*	(0.5)	(8.3)
Exempt income	2.0	1.7
Capital expenditure	–	0.2
Translation difference	–	(0.4)
Exchange rate difference on tax rate	0.1	0.1
STC	(4.2)	–
Prior year overprovision	0.5	–
Other	–	0.1
	29.0	29.0

* Included in disallowable expenditure for the two-month period ended 31 December 2006 is the share-based payment expense of R153 million relating to the sale of a 3% interest in Sishen Iron Ore Company to the SIOC Community Development SPV (Pty) Limited.

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Rand million	12 Months 2007	2 Months 2006
20. PER SHARE INFORMATION		
<p>Attributable earnings per share is calculated by dividing profit attributable to shareholders of Kumba by the weighted average number of ordinary shares in issue during the year.</p> <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. 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.</p>		
Profit attributable to equity holders of Kumba	3,100	264
Number of shares		
Weighted average number of ordinary shares in issue	314,618,406	313,594,471
Potential dilutive effect of outstanding share options	5,041,883	5,409,111
Diluted weighted average number of ordinary shares in issue	319,660,289	319,003,582

Reconciliation of headline earnings

The calculation of headline earnings per share is based on the basic earnings per share calculation adjusted for the following items:

Rand million	12 months 2007		2 months 2006	
	Gross adjustment	Net attributable	Gross adjustment	Net attributable
Profit attributable to equity holders of Kumba		3,100		264
Net (profit)/loss on disposal or scrapping of property, plant and equipment	(13)	(7)	(4)	(2)
Realisation of foreign currency translation reserve	(34)	(31)	-	-
Headline earnings	(47)	3,062	(4)	262

Cents	12 Months 2007	2 Months 2006
Attributable earnings per share		
Basic	985	84
Diluted	970	83
Headline earnings per share		
Basic	974	83
Diluted	958	82
Dividend per share		
Interim	350	-
Final	400	80

Number of shares	2007	2006
21. SHARE CAPITAL AND SHARE PREMIUM		
Authorised		
Ordinary shares of R0.01 each	500,000,000	500,000,000
Issued		
Ordinary shares of R0.01 each	317,103,501	313,594,471
Reconciliation of issued shares		
Number of shares at beginning of period	313,594,471	–
Number of ordinary shares issued	3,509,030	313,594,471
Number of shares at end of period	317,103,501	313,594,471
Shares held in reserve reconciliation		
Authorised shares at beginning of period not issued	186,405,529	500,000,000
Shares issued	(1,742,840)	(313,594,471)
Shares held by the Kumba Iron Ore Management Share Trust	(1,766,190)	–
Unissued shares	182,896,499	186,405,529

The unissued shares are under the control of the directors of Kumba until the next annual general meeting.

Rand million	2007	2006
Reconciliation of share capital and premium		
Share capital	3	3
Share premium	96	–
Shares held by Kumba Iron Ore Management Share Trust	(43)	–
	56	3
22. EQUITY-SETTLED SHARE-BASED PAYMENT RESERVE		
Balance at beginning of period	182	–
Equity-settled share-based payment expense	73	182
Employee share incentive schemes	96	29
Minority interest	(17)	–
Reclassification from equity-settled to cash-settled	(6)	–
Share-based payment expense on the disposal of 3% interest in Sishen Iron Ore Company to the SIOC Community Development SPV (Pty) Limited	–	153
Balance at end of period	255	182

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22. EQUITY-SETTLED SHARE-BASED PAYMENT RESERVE continued

Employee share incentive schemes

Employees of the group participate in the following share incentive schemes:

- Management Share Option Scheme
- Phantom Share Option Scheme
- Long-Term Incentive Plan (LTIP)
- Share Appreciation Rights Scheme (SARS)
- Envision

Management Share Option Scheme

Prior to the unbundling of the then Kumba Resources Limited (Kumba Resources) senior employees and directors of Sishen Iron Ore Company participated in the Kumba Resources Management Share Option Scheme. At the time of unbundling 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 in if they remained shareholders of the then Kumba Resources Limited, the schemes continued in Kumba and in Exxaro Resources. The Management Share Incentive Scheme was adopted by the group post unbundling subject to certain amendments that were made to the Kumba Resources Management Share Option Scheme. As a result the senior employees and directors that participated in the Kumba Resources Management Share Option Scheme subsequently became participants of the new Kumba Iron Ore Management Share Option Scheme.

Under the Kumba Resources Management Share Option Scheme, share options in Kumba Resources were granted to eligible employees at the market price of the underlying Kumba Resources shares at the date of the grant.

The options granted under the scheme vest over a period of five years commencing on the first anniversary of the offer date except for some share options granted in 2005 that vest in multiples of 33.3% per year over a three-year period commencing on the first anniversary of the offer date.

The vesting periods of these share options are as follows:

- 10% after 1st anniversary of offer date.
- Additional 20% after 2nd anniversary of offer date.
- Additional 20% after 3rd anniversary of offer date.
- Additional 25% after 4th anniversary of offer date.
- Additional 25% after 5th anniversary of offer date.

Share options not exercised lapse by the seventh anniversary of the offer date.

Participants of the Kumba Iron Ore Management Share Option Scheme and the Exxaro Resources Management Share Option schemes exchanged each of their Kumba Resources share options for a share option in Kumba and Exxaro Resources. The strike price of each Kumba Resources option was apportioned between Kumba and Exxaro Resources share options with reference to the volume weighted average price (VWAP) at which Kumba (67.19%) and Exxaro Resources (32.81%) traded for the first 22 days post the implementation of the unbundling transaction.

The Sishen Iron Ore Company employees' share options in the Kumba Iron Ore Management Share Option Scheme vest on the dates that the original share options would have vested and their Exxaro Resources share options vest on the earlier of:

- The date that the original share options would have vested.
- Twenty-four months from the date of unbundling.

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

22. EQUITY-SETTLED SHARE-BASED PAYMENT RESERVE continued

	Number of share options	Option price range (Rand)
Movement in the number of share options granted		
Share options transferred from Kumba Resources Management Share Option Scheme	2,264,320	7.89 - 97.74
Share options exercised	(5,770)	7.89 - 97.74
Balance at 31 December 2006	2,258,550	7.89 - 97.74
Net transfers from Exxaro	239,690	8.48 - 86.68
Share options exercised	(451,990)	7.89 - 97.74
Share options lapsed	(59,880)	22.04 - 97.74
Balance at 31 December 2007	1,986,370	7.89 - 97.74
2007		
Vesting period of share options granted		
Already vested		682,150
Within 1 year		527,900
1 to 2 years		366,020
2 to 3 years		251,620
3 to 4 years		158,680
		1,986,370
	Weighted average option price (Rand)	Number of share options
		Expiry date
Range of exercise prices		
7.89	7.89	6,410
17.37 - 18.85	17.51	235,550
7.85 - 32.99	24.07	215,380
14.15 - 40.18	23.52	122,200
20.69 - 28.89	26.40	390,520
30.91 - 67.26	44.93	437,770
68.53 - 97.74	81.33	578,540
		1,986,370
Share options held by Exxaro Resources employees in Kumba		
17.37 - 41.66	18.63	517,400
19.42 - 41.66	21.35	337,560
11.11 - 97.74	52.80	3,876,940
		4,731,900
Rand million	12 Months 2007	2 Months 2006
Share-based payment expense recognised	28	32
Unrecognised share-based payment expense	17	45

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22. EQUITY-SETTLED SHARE-BASED PAYMENT RESERVE continued

The share options granted under the Management Share Scheme are considered equity-settled. The share-based payment expense is measured using the fair value of the share options issued under the Management Share Option Scheme which was determined using the Black-Scholes option pricing model. The exchange of the Kumba Resources share options for Kumba and Exxaro Resources share options was treated as a modification of the scheme.

The incremental increase in fair value was determined immediately before and after the modification using the Black-Scholes option pricing model. The weighted average incremental fair value granted per share option as a result of the modification amounted to R13.42. This incremental increase is recognised over the revised vesting period.

	Before unbundling	After unbundling	
		Kumba	Exxaro
Fair value assumptions			
Share price (Rand)	142	110	39
Weighted average exercise price (Rand)	58.78	39.49	19.29
Annualised expected volatility (%)	37.90	37.90	37.90
Expected share option life (years)	4.34	4.34	4.34
Expected dividend yield (%)	4.00	4.00	4.00
Risk-free interest rate	8.24	8.24	8.24

The risk-free interest rate for the period within the contractual term of the share options is based on South African Government Bonds.

The historical volatility of the Kumba Resources share price is used in determining the expected volatility.

	Weighted average option price (Rand)	Number of share options	Expiry date
Share options held by Kumba employees in Exxaro Resources			
3.86	3.86	4,710	2008
8.48 - 9.20	8.55	154,150	2008
3.84 - 16.11	11.82	207,090	2009
6.91 - 47.73	25.74	1,497,320	2010
12.90	12.90	4,270	2011
19.62	19.62	2,150	2012
		1,869,690	

Phantom Share Option 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 were not 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 share options" to the affected participants within the following framework:

- Awards of "phantom share 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. The senior employees and directors of Sishen Iron Ore Company that participated in the Kumba Resources Phantom Share Option Scheme prior to the implementation of the empowerment transaction subsequently became participants of the Kumba Phantom Share Option Scheme.
- Exxaro Resources and Kumba entered into an agreement that facilitated the settlement of obligations towards participants of the Phantom Share Option Schemes.

The accounting costs of the Kumba Phantom Share 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.

22. EQUITY-SETTLED SHARE-BASED PAYMENT RESERVE continued

	Offer date	Offer price	Number of share options
Phantom share options held by Kumba employees in Kumba	22/4/2005	40.18	16,800

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

Long-term Incentive Plan (LTIP)

Senior employees receive annual grants of conditional awards of Kumba shares.

The conditional award will vest after the performance period of three years, and to the extent that specific performance conditions have been satisfied. No retesting of the performance conditions is allowed. The performance conditions for the LTIP awards made during 2007 are subject to the achievement of stretching performance targets relating to total shareholder return (TSR) and to an operating measure, currently return on capital employed (ROCE), over a fixed three-year period.

The performance conditions will determine if, and to what extent, the conditional award will vest. Upon vesting the employee will be entitled to shares in Kumba to settle the value of the vested portion of the conditional award. The conditional awards which do not vest at the end of the three-year period will lapse.

Upon retrenchment, ill-health, disability, retirement or death a proportion of unvested conditional awards shall vest on the date of cessation of employment. The proportion of awards that vest under the LTIP would reflect the number of months serviced and in the opinion of the remuneration committee the extent to which the performance conditions have been met. On resignation or termination of employment all unexercised (vested and unvested) conditional awards will lapse on the date of cessation of employment.

The main intention of the LTIP is to settle the benefits by delivering shares in Kumba to employees.

The aggregate number of shares which may be allocated under the LTIP when added to the total number of unvested conditional awards, unexercised SARS and share options allocated to employees under any other managerial share scheme, may not exceed 10% of the number of issued ordinary shares of Kumba.

	Number of conditional awards	Price range (Rand)
Movement in the number of conditional awards granted		
Conditional awards issued	91,662	–
Conditional awards lapsed	(6,286)	–
Balance at 31 December 2007	85,376	–

	Weighted average price (Rand)	Number of conditional awards	Expiry date
Vesting period of conditional awards granted			
3 years	–	85,376	2010

Rand million	12 Months 2007
Share-based payment expense recognised	2
Unrecognised share-based payment expense	5

The conditional awards granted under the LTIP are considered equity-settled. The share-based payment expense is measured using the fair value of the conditional award issued under the LTIP which was determined using the Montecarlo option pricing model.

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22. EQUITY-SETTLED SHARE-BASED PAYMENT RESERVE continued

12 Months
2007

Fair value assumptions	
Share price on date of grant (Rand)	126.50
Weighted average exercise price (Rand)	–
Annualised expected volatility (%)	37.2
Expected share option life (years)	3.0
Expected dividend yield (%)	2.65
Risk-free interest rate (%)	7.70

The risk-free interest rate for the period within the contractual term of the share options is based on South African Government Bonds.

The historical volatility of the Kumba and Kumba Resources share price is used in determining the expected volatility.

Share Appreciation Rights Scheme (SARS)

Senior employees receive annual grants of share appreciation rights, which are rights to receive Kumba shares equal to the value of the difference between the market value of a Kumba share on the day immediately preceding the date of exercise (exercise price) of the right and market value of the Kumba share on the day immediately preceding the date of grant of the right (grant price).

The vesting of the rights is subject to specific performance conditions. The duration and specific nature of the conditions as determined by the remuneration committee of Kumba are stated in the letter of grant for each annual grant. The measurement of the performance conditions will be tested after three years. Retesting of the performance condition is permitted on the first and second anniversary of the end of the performance period. After vesting, the rights will become exercisable.

Kumba will settle the value of the difference between the exercise price and the grant price, by delivering shares to the employee. Rights not exercised within seven years will lapse.

Upon retrenchment, ill-health, disability, retirement or death a proportion of unvested rights shall vest on the date of cessation of employment. The proportion of awards that vest under the SARS would reflect the number of months serviced and in the opinion of the remuneration committee the extent to which the performance conditions have been met. On resignation or termination of employment all unexercised (vested and unvested) rights will lapse on the date of cessation of employment.

The main intention of the SARS is to settle the benefits by delivering shares in Kumba to employees.

The aggregate number of shares which may be allocated under the SARS when added to the total number of unexercised SARS, conditional awards under the LTIP and share options allocated to employees under any other managerial share scheme, may not exceed 10% of the number of issued ordinary shares of Kumba.

	Number of rights	Exercise price range (Rand)	
Movement in the number of rights granted			
Rights issued	300,860	124.27 - 207.56	
Rights lapsed	(12,410)	124.27 - 151.57	
Balance at 31 December 2007	288,450	124.27 - 207.56	
	Exercise price range (Rand)	Number of rights	Expiry date
Vesting period of rights granted			
3 to 5 years	124.27 - 267.61	288,450	2014

22. EQUITY-SETTLED SHARE-BASED PAYMENT RESERVE continued

Rand million	12 Months 2007
Share-based payment expense recognised	3
Unrecognised share-based payment expense	9
The rights granted under the SARS are considered equity-settled. The share-based payment expense is measured using the fair value of the share options issued under the SARS which was determined using the Black-Scholes option pricing model.	
Fair value assumptions	
Share price on date of grant (Rand)	126.50
Weighted average exercise price (Rand)	124.27
Annualised expected volatility (%)	37.2
Expected share option life (years)	5.5
Expected dividend yield (%)	2.66
Risk-free interest rate (%)	7.66

The risk-free interest rate for the period within the contractual term of the share options is based on South African Government Bonds. The historical volatility of the Kumba and Kumba Resources share price is used in determining the expected volatility.

Envision

The implementation objective of Envision was to provide an incentive and retention initiative to employees who do not participate in the other share schemes of the group that are permanently employed by Sishen Iron Ore Company in South Africa.

The acquisition of the 3% interest in Sishen Iron Ore Company by Envision was funded by Sishen Iron Ore Company in terms of a contribution agreement. The scheme will have a first term of five years and may have a second term on the same basis as the first term, starting on the expiry of the first term. Envision holds Sishen Iron Ore Company shares for the benefit of employee beneficiaries.

Employee beneficiaries of Envision are entitled to receive 50% of any dividend received by Envision in respect of its underlying shareholding in Sishen Iron Ore Company and a distribution at the end of the first term (five years) of the Sishen Iron Ore Company shares remaining in Envision after the repurchase of certain Sishen Iron Ore Company shares in terms of the subscription agreement. Each employee will be entitled to receive Kumba shares which were swapped for the Sishen Iron Ore Company shares using the specific price earnings ratio of Kumba and the most recent earnings of Sishen Iron Ore Company at the end of the first term.

	Number of share options	Weighted average option price (Rand)
Movement in the number of share options granted		
Share options issued	15,078,277	22.84
Share options lapsed	(591,836)	22.84
Balance at 31 December 2007	14,486,441	22.84
	Number of share options	Expiry date
Vesting period of share options granted		
4 years	14,486,441	2011

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22. EQUITY-SETTLED SHARE-BASED PAYMENT RESERVE continued

12 Months
2007

Rand million	
Share-based payment expense recognised	64
Unrecognised share-based payment expense	215
Envision is considered equity-settled. The share-based payment expense is measured using the fair value of the awards issued under the scheme which was determined using the Montecarlo option pricing model.	
Fair value assumptions	
Share price on date of grant (Rand)	39.48
Weighted average exercise price (Rand)	22.84
Annualised expected volatility (%)	37.00
Expected share option life (years)	5.0
Expected dividend yield (%)	3.25
Risk-free interest rate (%)	8.00

The risk-free interest rate for the period within the contractual term of the share options is based on South African Government Bonds. The historical volatility of the Kumba and Kumba Resources share price is used in determining the expected volatility.

Rand million	2007	2006
23. MINORITY INTEREST		
Balance at beginning of period	216	–
Acquisition of business	–	93
Profit for the period	802	115
Exxaro Resources	784	115
SIOC Community Development SPV	7	–
Envision	11	–
Dividends paid	(383)	–
Exxaro Resources	(373)	–
SIOC Community Development SPV	(7)	–
Envision	(12)	–
Recoupment of Envision dividend	9	–
Interest in movement in equity reserves	6	8
Equity-settled share-based payment reserve	17	3
Foreign currency translation reserve	(2)	6
Cash flow hedge accounting reserve	1	(1)
Taxation effects	(10)	–
Balance at end of period	641	216

The recoupment of the Envision dividend of R9 million arises from Sishen Iron Ore Company's participation as income beneficiary in the SIOC Employee Share Participation Scheme (Envision).

Rand million	12 Months 2007	2 Months 2006
24. CASH GENERATED BY OPERATIONS		
Operating profit	5,978	684
Adjusted for:		
Depreciation of property, plant and equipment	228	43
Movement in provisions	140	–
Foreign currency revaluations and fair value adjustments	(7)	26
Reconditionable spares used	1	2
Profit on disposal of property, plant and equipment	(11)	(6)
Movement in non-current financial assets and prepayments	(16)	2
Equity-settled share-based payment expenses	96	32
Cash-settled share-based payment expenses	26	–
Share-based payment expense on the disposal of 3% interest in Sishen Iron Ore Company to the SIOC Community Development SPV (Pty) Limited	–	153
Cash flows from operations	6,435	936
Working capital movements		
(Increase)/decrease in inventories	(562)	27
Increase in trade and other receivables	(534)	(159)
Increase/(decrease) in trade and other payables	466	(415)
	5,805	389
25. NET FINANCE COSTS PAID		
Net financing costs as per income statement	(308)	(36)
Less: interest adjustment on non-current provisions	7	(3)
	(301)	(39)
26. DIVIDENDS PAID		
Dividends paid		
Dividends per the statement of changes in equity	(1,362)	–
Recoupment of Envision dividend (Refer to note 23)	9	–
	(1,353)	–
Dividends paid to minority shareholders		
Dividends per the statement of changes in equity	(383)	–
Recoupment of Envision dividend (Refer to note 23)	(9)	–
	(392)	–

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Rand million	12 Months 2007	2 Months 2006
27. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT		
Replacement of property, plant and equipment	(349)	(85)
Reconditioned spares	(17)	(2)
Investment to maintain operations	(366)	(87)
Investment to expand operations	(1,753)	(424)
	(2,119)	(511)

28. ACQUISITION OF BUSINESS

2006

As part of the unbundling of Kumba Resources, the Kumba group was formed in November 2006. The unbundling of Kumba was effected by way of a distribution of Kumba 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 distribution share for every one Kumba Resources share held at the close of business on the record date.

The result of the unbundling was that Kumba acquired a 74% shareholding in Sishen Iron Ore Company. The remaining shares in Sishen Iron Ore Company are held by Exxaro Resources (20%), SIOC Community Development SPV (Pty) Limited (3%) and Envision (3%). As part of the various agreements put in place to arrange the sale of the shares to the SIOC Community Development SPV (Pty) Limited and Envision, Kumba accepted terms which resulted in the majority of the risk not being transferred away from Kumba. Based on accounting rules governing the accounting for special purpose entities, it is required that Kumba 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 group.

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

	2 Months 2006
Cash paid on acquisition of business	(3)
Pre-acquisition reserves acquired	(371)
Purchase consideration	(374)
Fair value of net assets acquired	
Property, plant and equipment	3,399
Biological assets	4
Investments in associates and joint ventures	1
Investments held by environmental trust	147
Long-term financial assets and prepayments	3
Inventories	785
Trade and other receivables	912
Cash and cash equivalents	403
Non-current provisions	(157)
Deferred taxation	(535)
Short-term borrowings	(3,114)
Trade and other payables	(1,023)
Current tax liabilities	(358)
Minority interest	(93)
Total purchase consideration	374
Cash paid on acquisition of business	(3)
Cash and cash equivalents held by business on acquisition	403
Net cash acquired on acquisition of business	400

No fair value adjustments were made to the carrying value of net assets acquired and no plant closure or other restructuring provisions were created on acquisition.

Rand million	12 Months 2007	2 Months 2006
29. TRANSLATION EFFECTS OF CASH FLOWS OF FOREIGN OPERATIONS		
Balance at beginning of period	(24)	–
Reclassification of at acquisition reserve	(29)	–
At acquisition of subsidiary	–	(29)
Closing balance	2	24
Movement for the period	(51)	(5)
Unrealised gains/(losses) in relation to foreign transactions	1	(5)
Transfer (from)/to foreign currency translation reserve	(55)	224
Less: arising on translation of foreign entities:	148	243
Inventories	1	(6)
Accounts receivable	23	(68)
Accounts payable	16	55
Taxation paid	(1)	3
Investments acquired	–	(1)
Long-term loans	66	260
Share capital	43	–
Minority interest	(12)	(6)
	31	(35)

30. FINANCIAL INSTRUMENTS

The group is exposed to credit risk, liquidity risk and market risk (currency risk and interest rate risk) from the use of financial instruments. Overall responsibility for establishment and oversight of the risk management framework rests with the board of directors. The audit and risk committee, a committee of the board, is responsible for the development and monitoring of the group's risk management process.

The group 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 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.

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.

Sishen Iron Ore Company provides a treasury function to the group, co-ordinates access to domestic and international financial markets, and manages the financial risks relating to the group's operations.

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30. FINANCIAL INSTRUMENTS continued

Credit risk

Credit risk is the risk of financial loss to the group if a counterparty to a financial instrument fails to meet its contractual obligations. 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.

Rand million	2007	2006
The carrying amount of financial assets represents the maximum exposure to credit risk		
Investments held by the environmental trust (Refer to note 4)	165	147
Long-term receivables (Refer to note 5)	–	3
Trade receivables (Refer to note 7)	1,206	905
Derivative financial instruments	13	–
Cash and cash equivalents (Refer to note 8)	952	1,094
	2,336	2,149

An analysis of the credit risk of these financial assets is provided under the individual notes specified above. The group has established policies and guidelines that are followed for specific exposure limits when transacting in derivative financial instruments.

Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its financial obligations as they become due. The group manages liquidity risk by ensuring sufficient liquidity through cash resources and credit facilities to meet its liabilities when due. The group's credit facilities are provided under note 9.

The maturity profile of the group's financial instruments is analysed below:

Rand million	Within 1 year	1 to 2 years	More than 3 years	Total
2007				
Financial assets				
Investments held by the environmental trust (Refer to note 4)	–	–	165	165
Trade receivables (Refer to note 7)	1,206	–	–	1,206
Derivative financial instruments	13	–	–	13
Cash and cash equivalents (Refer to note 8)	952	–	–	952
Financial liabilities				
Interest-bearing borrowings (Refer to note 9)	(2,490)	(1,040)	–	(3,530)
Trade payables (Refer to note 12)	(500)	–	–	(500)
Derivative financial instruments	(1)	–	–	(1)
	(820)	(1,040)	165	(1,695)
2006				
Financial assets				
Investments held by the environmental trust (Refer to note 4)	–	–	147	147
Long-term receivables (Refer to note 5)	–	3	–	3
Trade receivables (Refer to note 7)	905	–	–	905
Cash and cash equivalents (Refer to note 8)	1,094	–	–	1,094
Financial liabilities				
Interest-bearing borrowings (Refer to note 9)	(1,179)	–	(2,840)	(4,019)
Trade payables (Refer to note 12)	(413)	–	–	(413)
Derivative financial instruments	(4)	–	–	(4)
	403	3	(2,693)	(2,287)

30. FINANCIAL INSTRUMENTS continued

Currency risk

The group undertakes transactions denominated in currencies other than the respective functional currencies of the entities within the group. Through these transactions the group is exposed to currency risk.

The group's financial instrument exposure to currency risk is analysed under the individual note for each financial instrument at balance sheet date.

The group uses derivative financial instruments to reduce the uncertainty over future cash flows arising from movements in currencies in which it transacts. Currency risk is managed within board-approved policies and guidelines, which restrict the use of derivative financial instruments to the hedging of specific underlying currencies. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts (FECs).

The group maintains a fully covered exchange rate position in respect of 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 short-term FECs.

The group has the following outstanding exposure at 31 December in respect of derivative financial instruments:

	Foreign amount (m)	Market related value (Rand m)	Contract value (Rand m)	Recognised fair value in equity (Rand m)
Derivative instruments – cash flow hedges				
2007				
Related to future commitments for the import of capital equipment				
US Dollar – FECs	1	6	6	–
Euro – FECs	2	18	17	(1)
Japanese Yen – FECs	262	16	16	–
	265	40	39	(1)
2006				
Related to future commitments for the import of capital equipment				
US Dollar – FECs	10	71	71	–
Euro – FECs	4	40	42	2
Japanese Yen – FECs	262	15	17	2
Great British Pound – FECs	–	2	2	–
	276	128	132	4
	Foreign amount (m)	Market related value (Rand m)	Contract value (Rand m)	Recognised fair value gains/(losses) (Rand m)
Derivative instruments – held for trading				
2007				
Related to the repatriation of foreign cash receipts				
US Dollar – FECs	80	550	563	13
Related to future commitments for the import of capital equipment				
US Dollar – FECs	–	2	2	–
	80	552	565	13

There were no held for trading derivative instruments outstanding as at 31 December 2006.

Kumba Iron Ore Limited Group

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30. FINANCIAL INSTRUMENTS continued

Fair value of derivative instruments

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 instrument.

Sensitivity analysis

The average US Dollar/Rand exchange rate for 2007 of US\$1: R7.03 (US\$1: R7.13 for two months ended 31 December 2006) has been used to translate income and cash flow statements, whilst the balance sheet has been translated at the closing rate at the last day of the reporting year using an exchange rate of US\$1: R6.81 (US\$1: R6.98 as at 31 December 2006).

A movement in exchange rates of 5% with all other variables held constant against the US Dollar, the principal currency to which the group is exposed at 31 December, equity and profit and loss would have increased/(decreased) by the amounts shown below:

Rand million	Impact on profit and loss		Impact on equity	
	Increase	Decrease	Increase	Decrease
2007				
US Dollar	57	(57)	40	(40)
2006				
US Dollar	84	(84)	60	(60)

Interest rate risk

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. For further details on long-term debt refer to note 9.

Sensitivity analysis

A movement in interest rates of 50 basis points with all other variables held constant the equity and profit and loss would have increased/(decreased) by the amounts shown below:

	Impact on profit and loss		Impact on equity	
	Increase	Decrease	Increase	Decrease
2007				
Floating interest instruments	14	(14)	10	(10)
2006				
Floating interest instruments	12	(12)	9	(9)

Capital management

The group strives to maintain strong credit ratings. In managing its capital, the group focuses on a sound net debt position, return on shareholders' equity (or return on capital employed) and the level of dividends to shareholders. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

The group's net debt position at balance sheet dates was as follows:

	2007	2006
Long-term interest-bearing borrowings	1,040	2,840
Short-term interest-bearing borrowings	2,490	1,179
Total	3,530	4,019
Cash and cash equivalents	(952)	(1,094)
Net debt	2,578	2,925
Total equity	3,295	1,055

30. FINANCIAL INSTRUMENTS *continued*

Through strong cash flow generation, the net debt position of Kumba has reduced from R2.9 billion in 2006 to R2.6 billion in 2007.

It is the intention of management to fund Kumba's capital expansion projects through debt financing. At 31 December 2007 Kumba was revolving certain of its debt facilities and, for this reason, a significant portion of the interest-bearing borrowings are considered short term. However, as debt is used to finance Kumba's expansion, the debt profile will return to a longer-term profile.

The maximum debt in terms of current covenants is R4.5 billion. Kumba was not in breach of any of its covenants during the current year, with interest cover at a healthy 19 times earnings.

There has been no change in the group's objectives, policies and processes for managing its capital from the prior year.

31. EMPLOYEE BENEFITS

Retirement fund

Independent funds provide pension and other benefits for all permanent employees and their dependants. At the end of 2007 the following funds were in existence:

- 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.
- Iscor Retirement Fund, operating as a defined benefit fund. This fund is closed now to new entrants.
- Mittal Steel South Africa Pensioenfonds (formerly the Yskor Pensioenfonds), operating as a defined benefit fund. This fund is closed now to new entrants.

In compliance with the Pension Funds Act, after the unbundling of Kumba Resources Limited, the members' funds of SIOC employees were transferred to the Kumba Iron Ore Selector Pension and Provident funds, once all regulatory approvals were 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:

Rand million	2007		2006
	Working members (number)	Employer contributions	Employer contributions
Kumba Iron Ore Selector Pension and Provident Funds	2,046	32	–
Kumba Selector Pension and Provident Funds	–	–	4
Iscor Employees' Provident Fund	3,735	25	4
Other Funds	6	–	–
Total	5,787	57	8

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

Defined benefit funds

Kumba previously disclosed its interest as a participating employer in the closed defined benefit funds namely the Mittal Steel South Africa Pensioenfonds and Iscor Retirement Fund. Such interest was disclosed while final confirmation was awaited on either the approval by the Registrar of Pension Funds of the scheme for the apportionment of an existing surplus, or the permission to not submit a surplus apportionment scheme in terms of section 15B of the Act. Final confirmations have now been received and Kumba does not have any continuing obligations in respect of these funds.

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 R44 million (2006 : R6 million). The group has no obligation to fund medical aid contributions for current or retired employees.

Kumba Iron Ore Limited Group

Notes to the Annual Financial Statements continued

for the period ended 31 December

Rand million	2007	2006
32. GUARANTEES AND LEGAL PROCEEDINGS		
Guarantees		
Environmental trust closure liability	13	13
Bank guarantee for low-cost housing development	–	10
	13	23

Legal proceedings

Lithos has increased its claim for damages brought against Kumba from US\$196 million to US\$421 million. Kumba continues to defend the merits of the claim and is of the view and has been so advised, that the basis of the claim and the quantification thereof is fundamentally flawed. Pleadings have closed and a trial date is awaited. Lithos has put up security for costs of R1.3 million to cover Kumba's legal costs for the first seven days and if the trial exceeds seven days further security for costs will be applied for. No liability has been recognised for this litigation.

During 2007 ArcelorMittal paid an amount of R60 million in respect of the export parity pricing element for 0.2Mt acquired during the period, the price of which it now disputes. This matter may potentially be subject to further arbitration. No liability has been recognised for this matter.

Kumba has initiated arbitration proceedings against La Societe Des Mines De Fer Du Senegal Oriental (Miferso) and the Republic of Senegal under the Rules of Arbitration of the International Chamber of Commerce. This process is confidential in nature.

Kumba and ArcelorMittal have agreed to arbitration to resolve the differences of interpretation of the Sishen Supply Agreement. Arbitration proceedings have now been initiated by Kumba and are confidential. Arbitrators have been appointed.

33. COMMITMENTS

Operating lease commitments

The future minimum lease payments under non-cancellable operating leases are as follows:

Rand million	2007	2006
Property		
Within 1 year	6	5
2 to 5 years	17	19
More than 5 years	–	4
	23	28
Plant and equipment		
Within 1 year	–	21
1 to 2 years	21	7
	21	28
Computer equipment		
Within 1 year	2	–
2 to 5 years	10	–
	12	–
Total operating lease commitments	56	56
Commitments - shipping services		
The future commitments under contracts for afreightment are as follows:		
Within 1 year	448	–
2 to 5 years	250	–
	698	–

Kumba Iron Ore Limited Group

Notes to the Annual Financial Statements continued

for the period ended 31 December

34. RELATED PARTY TRANSACTIONS

During the year the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase of goods and services with the ultimate holding company, Anglo American plc, its subsidiaries, associates and joint ventures. Certain borrowings are also placed with the holding company (refer to note 9). The effect of these transactions is included in the results of the group. These transactions occurred under terms that are no less favourable than those arranged with third parties.

Holding company

Anglo American plc is the group's ultimate holding company. The interest in the group is held through Anglo South Africa Capital (Pty) Limited (53.61%) and Stimela Mining Holdings (Pty) Limited (9.81%).

Subsidiaries

Details of investments in and loans to/(from) subsidiaries are disclosed in Annexure 2.

Associates and joint ventures

Details of investments in associates and joint ventures are disclosed in note 3 of the group financial statements and Annexure 1.

Special purpose entities

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

Entity	Nature of business
Sishen Iron Ore Community Development SPV (Pty) Limited	Investment vehicle
Sishen Iron Ore Employee Share Purchase Scheme (Envision)	Investment vehicle
Kumba Iron Ore Rehabilitation Trust	Trust fund for mine closure

Directors and senior management

Details relating to directors' and the group's executive committee remuneration and shareholdings (including share options) are disclosed in the Kumba Iron Ore Limited remuneration report on pages 112 to 117.

Shareholders

The major shareholders of the company are detailed under "Share ownership" on page 181.

Rand million	12 Months 2007	2 Months 2006
Material related party transactions		
Purchase of goods and services		
Holding company	57	1
Associates and joint ventures	50	7
	107	8
Sale of goods and services		
Holding company	7	1
Associates and joint ventures	5	–
	12	1

34. RELATED PARTY TRANSACTIONS continued

Rand million	12 Months 2007	2 Months 2006
Amounts owing to related parties (after eliminating intercompany balances)		
Holding company	753	1
Trade payables	2	–
Derivative financial instruments	1	1
Borrowings	750	–
	753	1
Amounts owing by related parties (after eliminating intercompany balances)		
Holding company	14	1
Trade receivables	1	–
Derivative financial instruments	13	1
Associates and joint ventures - trade payables	50	12
Loans to associates and joint ventures	2	–
	66	13

35. 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 disclosures have been given in the financial statements. The secondary reporting format is geographical segments. Segment revenue is disclosed by the geographical location of the group's customers. The segment assets, liabilities and capital expenditure has been disclosed by geographical location of the specific assets and related liabilities. The business is managed and organised according to the nature of the products and service provided, with the segment representing a strategic business unit that offers a specific product and services a specific market.

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

Rand million	South Africa	Europe	Asia	Other	Total
Secondary reporting format – Geographical segments					
	12 Months 2007				
Revenue					
Sales to external customers	1,349	2,999	7,149	–	11,497
Other segment information					
Segment assets	8,055	590	1,045	47	9,737
Segment liabilities	6,312	8	121	1	6,442
Capital expenditure	2,119	–	–	–	2,119
	2 Months 2006				
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

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

Kumba Iron Ore Limited Company

Balance Sheet

as at 31 December

Rand million	Notes	2007	2006
ASSETS			
Long-term financial assets	1	458	458
Investments in subsidiaries	2	108	17
Deferred income tax assets	3	12	–
Non-current assets		578	475
Other receivables		15	2
Cash and cash equivalents	4	74	–
Current assets		89	2
Total assets		667	477
EQUITY AND LIABILITIES			
Share capital and premium	5	99	3
Reserves		531	432
Total equity		630	435
LIABILITIES			
Loans from subsidiary companies	2	6	–
Provisions	6	24	–
Non-current liabilities		30	–
Other payables		7	3
Current tax liabilities		–	39
Current liabilities		7	42
Total equity and liabilities		667	477

Kumba Iron Ore Limited Company Income Statement

for the period ended 31 December

Rand million	Notes	12 Months 2007	2 Months 2006
Net operating (expenses)/income	7	(34)	457
Operating (loss)/profit		(34)	457
Finance income		58	–
Income from investments	8	1,384	–
Profit before taxation		1,408	457
Income tax	9	12	(39)
Profit		1,420	418

Kumba Iron Ore Limited Company

Cash Flow Statement

for the period ended 31 December

Rand million	Notes	12 Months 2007	2 Months 2006
Cash flows from operating activities			
Cash utilised by operations	10	(23)	–
Net finance income		58	–
Income from investments		1,384	–
Taxation paid	11	(39)	–
Dividends paid		(1,355)	–
		25	–
Cash flows from investing activities			
Net increase in loans to/from subsidiaries		(47)	–
Acquisition of business		–	(3)
		(47)	(3)
Cash flows from financing activities			
Share capital issued	5	96	3
		96	3
Net increase in cash and cash equivalents		74	–
Cash and cash equivalents at end of year		74	–

Kumba Iron Ore Limited Company

Statement of Changes in Equity

for the period ended 31 December

Rand million	Share capital	Share premium	Equity-settled share-based payment	Retained earnings	Total
Shares issued during the period	3	–	–	–	3
Equity-settled share-based payments	–	–	14	–	14
Profit for the period	–	–	–	418	418
Balance at 31 December 2006	3	–	14	418	435
Shares issued during the period	–	96	–	–	96
Equity-settled share-based payments	–	–	34	–	34
Profit for the period	–	–	–	1,420	1,420
Dividends paid	–	–	–	(1,355)	(1,355)
Balance at 31 December 2007	3	96	48	483	630

Kumba Iron Ore Limited Company

Notes to the Annual Financial Statements

for the period ended 31 December

Rand million	2007	2006
1. LONG-TERM FINANCIAL ASSETS		
Investment in SIOC Community Development SPV (Pty) Limited	458	458
Fully paid up redeemable preference shares at the option of the issuer.		
2. INVESTMENTS IN SUBSIDIARIES		
Reflected as non-current assets		
Shares at cost	3	3
Share-based payment expenditure*	32	–
Long-term loans to subsidiaries	73	14
	108	17
Reflected as non-current liability		
Long-term loans from subsidiaries	(6)	–
Net investments in subsidiaries	102	17
* Arising from the accounting for share-based payment transactions in terms of IFRIC 11, IFRS 2 – Group and Treasury Share Transactions.		
Investments in subsidiaries are accounted for at cost.		
For further details of interest in significant subsidiaries, refer to Annexure 1.		
3. DEFERRED TAX ASSET		
Current period charge per the income statement	12	–
Balance at end of period	12	–
Deferred tax asset attributable to the following temporary differences		
Share-based payments	5	–
Estimated tax losses	6	–
Other	1	–
Total deferred tax assets	12	–
4. CASH AND CASH EQUIVALENTS		
Cash	74	–
Currency analysis of cash and cash equivalents		
Rand	74	–

Credit risk

Cash and cash equivalents are held in various financial institutions with long-term investment grade credit rating and with the capacity for payment of financial commitments considered strong.

Fair value of cash and cash equivalents

The carrying amount of cash and cash equivalents approximate their fair value because of the short-period maturity of these instruments.

Number of shares	2007	2006
5. SHARE CAPITAL AND SHARE PREMIUM		
Authorised		
Ordinary shares of R0,01 each	500,000,000	500,000,000
Issued		
Ordinary shares of R0.01 each	317,103,501	313,594,471
Reconciliation of issued shares		
Number of shares at beginning of period	313,594,471	–
Number of ordinary shares issued	3,509,030	313,594,471
Number of shares at end of period	317,103,501	313,594,471
For further detail refer to the group annual financial statements.		
Rand million		
Reconciliation of share capital and premium		
Share capital	3	3
Share premium	96	–
	99	3
		Cash-settled share-based payments

6. PROVISIONS

Cash-settled share-based payments	24
Balance at 31 December 2007	24
Expected timing of future cash flows	
1 to 2 years	24

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 were able to receive certain grants of options which would otherwise 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. These phantom options were transferred to Kumba on unbundling.

Kumba Iron Ore Limited Company

Notes to the Annual Financial Statements continued

for the period ended 31 December

Rand million	12 Months 2007	2 Months 2006
7. OPERATING (EXPENSES)/INCOME		
Cost by type		
Salaries and wages	(13)	(3)
Share-based payments	(20)	–
Pension and medical costs	(1)	–
General charges	(10)	–
Net profit on sale of investment	–	458
Cost recoveries	10	2
	(34)	457
The above costs are stated after including		
Net profit on disposal of investment	–	(458)
Directors' emoluments	6	3
Executive directors		
Emoluments received as directors of the company	5	1
Bonuses and cash incentives	–	1
Non-executive directors - emoluments as directors of the company	1	1
8. INCOME FROM INVESTMENTS		
Dividends received from subsidiaries	1,384	–
9. TAXATION		
Charge to income		
Deferred tax	12	–
Capital gains taxation	–	(39)
Total	12	(39)
Reconciliation of taxation rates		
	%	%
Taxation as a percentage of profit before taxation	(0.8)	8.5
Taxation effect of		
Capital profits	–	(8.5)
Receipts/accruals of a capital nature	–	29.0
Exempt income	29.5	–
Other	0.3	–
Standard tax rate	29.0	29.0

Rand million	12 Months 2007	2 Months 2006
10. CASH UTILISED BY OPERATIONS		
Operating (loss)/profit	(34)	457
Adjusted for		
Net profit on disposal of investments	–	(458)
Share-based payment expense	20	–
Cash flows from operations	(14)	(1)
Working capital movements		
Increase in other receivables	(13)	(2)
Increase in other payables	4	3
	(23)	–
11. NORMAL TAXATION PAID		
Amounts unpaid at beginning of period	39	–
Amounts charged to the income statement	–	(39)
Amount paid during the period	39	–
Amounts unpaid at end of period	–	(39)

Annexure 1: Investments in associates, joint ventures and other investments

for the period ended 31 December

Rand '000	Nature of business ¹	Number of shares held	Percentage holding	Investment at cost	Group		Company	
					Loan balance 2007	Loan balance 2006	Loan balance 2007	Loan balance 2006
Associates								
Unlisted								
Manganore Iron Mining Limited ²	A	25,000	50%	50	–	–	–	–
Incorporated joint ventures								
Unlisted								
Pietersburg Iron Company (Pty) Limited	A	4,000	50%	3,740	1,682	(316)	–	–
Safore (Pty) Limited ²	B	400	40%	–	–	–	–	–
Sishen Shipping (Pty) Limited ²	B	400	40%	–	–	–	–	–
Trans Orient Ore Supplies Limited	C	2,000	50%	–	–	–	–	–
Sibelo Resources Development (Pty) Limited	D	1	50%	–	507	653	–	–
				3,740	2,189	337		
Other investments								
SIOC Community Development SPV (Pty) Limited ³	E	458	100%	–	–	–	473,347	458,000
Directors' valuation of investments at 31 December								
Unlisted investments in associates				50	–	–	–	–
Unlisted investments in joint ventures				3,740	2,189	337	–	–
Other investments				–	–	–	473,347	458,000

The financial year-end for Manganore Iron Mining and Sibelo Resources Development is 30 June. Where the financial year ends are not co-terminous with that of the group, 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 development

2 Dormant

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

All above entities are incorporated in South Africa other than Trans Orient Ore Supplies Limited which is incorporated in Hong Kong.

Annexure 2: Investments in subsidiaries

for the period ended 31 December

Rand	Country of incorporation ¹	Nature of business ²	Percentage holding	Nominal issued capital	Investment at cost	Loans to/ (from) subsidiaries
Direct investments						
Kumba Holdings West Africa BV	NE	E	100%	173,035	173,035	(6,184,384)
Sishen Iron Ore Company (Pty) Limited	RSA	A	74%	100	3,008,810	73,422,569
Indirect investments						
Groler Investments Limited	SWL	E	100%	258,958	–	–
Kumba Hong Kong Limited	HK	B	100%	832	–	–
Kumba Hong Kong Shipping Limited	HK	C	100%	816	–	–
Kumba International BV	NE	B	100%	10,806,511	–	–
Kumba International Trading BV	NE	B	100%	142,487	–	–
Kumba Investment West Africa BV	NE	E	100%	173,034	–	–
Kumba Investments West Africa SA	SE	D	100%	142,925	–	–
Kumba Iron Ore Holdings BV	NE	E	100%	154,654	–	–
Kumba Investments Guinea BV	NE	D	100%	151,511	–	–
Kumba West Africa SARL	SE	D	100%	14,290	–	–
Sishen South Mining (Pty) Limited	RSA	A	100%	1	–	–
Downs Holding BV	NE	F	100%	119,209	–	–
Mineco Limited	MAU	F	100%	21	–	–
Oreco Leasing Limited	MAU	F	75%	17	–	–
Vulcan Leasing Limited	MAU	F	100%	19	–	–
Total investments in subsidiaries					3,181,845	67,238,185

Rand million

Aggregate attributable after tax profits/losses of subsidiaries:

Profits	3,917
Losses	(3)

1 RSA – South Africa, NE – Netherlands, HK – Hong Kong, SWL – Switzerland, MAU – Mauritius, SE - Senegal

2 A – Mining, B – Iron ore marketing and sales, C – Shipping charter, D – Exploration, E – Investment holding, F – Dormant

Annexure 3: Income Statement – 12-month comparative period (unaudited supplementary information)

for the year ended 31 December

Rand million	2007	2006
Revenue	11,497	8,654
Operating expenses	(5,519)	(3,301)
Operating profit	5,978	5,353
Finance income	102	39
Finance costs	(410)	(103)
Profit before taxation	5,670	5,289
Taxation	(1,768)	(1,014)
Profit	3,902	4,275
Attributable to:		
Equity holders of Kumba	3,100	3,381
Minority interests	802	894
	3,902	4,275
Per share information (cents)		
Attributable earnings per share	985	1,078
Diluted attributable earnings per share	970	1,060

Annexure 4: Balance Sheet – US Dollar convenience translation (unaudited supplementary information) as at 31 December

US Dollar million	2007	2006
ASSETS		
Property, plant and equipment	845	554
Biological assets	1	1
Investments held by environmental trust	24	22
Long-term financial assets and prepayments	2	–
Deferred tax assets	1	–
Non-current assets	873	577
Inventories	193	107
Trade and other receivables	225	144
Cash and cash equivalents	140	157
Current assets	558	408
Total assets	1,431	985
EQUITY AND LIABILITIES		
Shareholders' equity	390	120
Minority interest	94	31
Total equity	484	151
LIABILITIES		
Interest-bearing borrowings	153	407
Provisions	50	22
Deferred tax liabilities	213	70
Non-current liabilities	416	499
Interest-bearing borrowings	366	169
Trade and other payables	156	80
Current tax liabilities	9	86
Current liabilities	531	335
Total equity and liabilities	1,431	985
Exchange rate		
Translated at closing Rand/US Dollar exchange rate	6.81	6.98

Annexure 5: Income Statement – US Dollar convenience translation

(unaudited supplementary information)
for the year ended 31 December

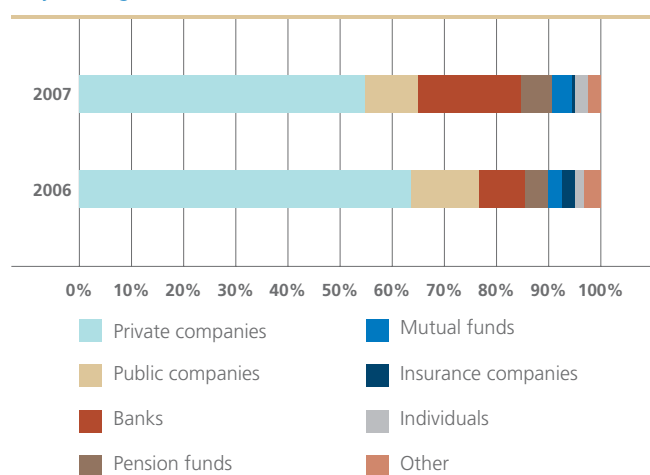
US Dollar million	2007	2006
Revenue	1,681	1,286
Operating expenses	(807)	(490)
Operating profit	874	796
Finance income	15	6
Finance costs	(60)	(15)
Profit before taxation	829	787
Taxation	(259)	(151)
Profit	570	636
Attributable to:		
Equity holders of Kumba	453	502
Minority interests	117	134
	570	636
Per share information (cents)		
Attributable earnings per share	144	160
Diluted attributable earnings per share	142	157
Exchange rate		
Translated at average Rand/US Dollar exchange rate	6.84	6.73

Share ownership

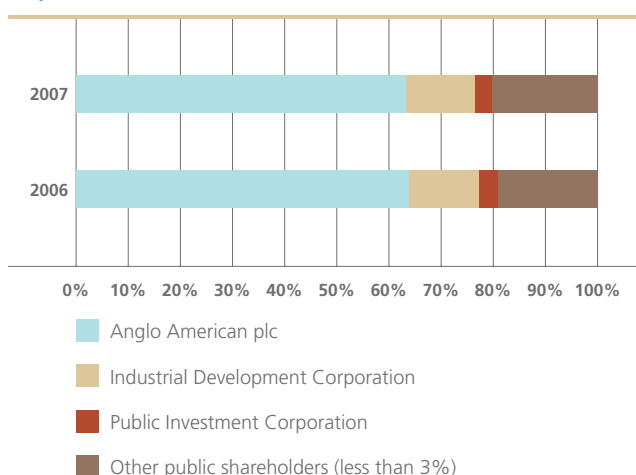
as at 28 December 2007

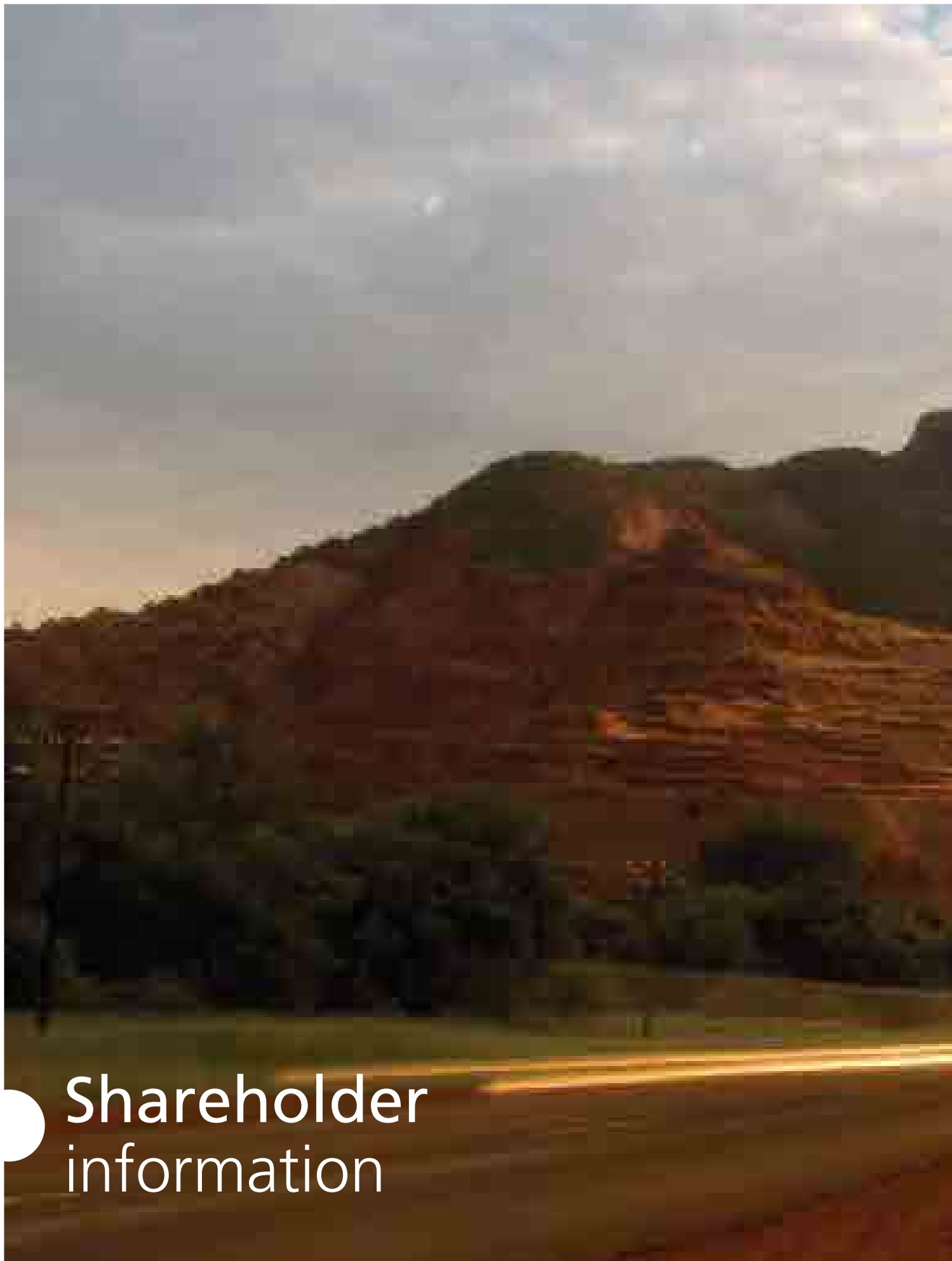
	Number of shareholders	% of shareholders	Number of shares	% of shares
Shareholder classification				
1 - 1000 shares	13,083	87.78	3,217,938	1.01
1 001 - 10 000 shares	1,434	9.62	4,323,200	1.36
10 001 - 100 000 shares	299	2.01	8,770,624	2.77
100 001 - 1 000 000 shares	73	0.49	21,565,467	6.80
1 000 001 shares or more	15	0.10	279,226,272	88.06
	14,904	100.00	317,103,501	100.00
Public/non-public shareholding				
Public	14,901	99.98	74,511,751	23.50
Non-public				
Directors and their associates	1	0.01	635	–
Strategic holdings in excess of 10%	2	0.01	242,591,115	76.50
	14,904	100.00	317,103,501	100.00
Major shareholders				
Anglo American plc			201,092,500	63.42
Anglo South Africa Capital (Proprietary) Limited			169,999,200	53.61
Stimela Mining Holdings (Proprietary) Limited			31,093,300	9.81
Industrial Development Corporation of South Africa Limited			41,498,615	13.09
Public Investment Corporation Limited			10,401,730	3.28
Major categories of shareholders				
Private companies	264	1.77	201,940,067	63.68
Public companies	6	0.04	41,509,806	13.09
Banks	146	0.98	28,464,302	8.98
Pension funds	254	1.70	14,020,056	4.42
Mutual funds	337	2.26	8,646,044	2.73
Insurance companies	56	0.38	7,646,447	2.41
Individuals	12,043	80.81	5,622,928	1.77
Other	1,798	12.06	9,253,851	2.92
	14,904	100.00	317,103,501	100.00

Major categories of shareholders (% of shares)



Major shareholders (% of shares)





Shareholder information



Notice of annual general meeting

Kumba Iron Ore Limited

A member of the Anglo American plc group
(Incorporated in the Republic of South Africa)

Registration number: 2005/015852/06

JSE share code: KIO

ISIN code: ZAE000085346

("Kumba" or "the company")

Notice is hereby given that the second annual general meeting of members of Kumba Iron Ore Limited will be held at the Johannesburg Country Club, Auckland Park at 12:00 on Wednesday, 28 May 2008, 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 12-month period ended 31 December 2007, including the directors' report and the report of the auditors thereon and to confirm all matters and actions undertaken and discharged by the directors on behalf of the company.

2. Ordinary resolution number 2

Re-appointment of independent auditors

To re-appoint Deloitte & Touche as independent auditors of the company, and to appoint BW Smith as designated auditor, for the ensuing year.

3. Ordinary resolution number 3

Rotation of directors

To re-elect the following directors who retire by rotation in terms of clause 16.1 of the articles of association of the company and who are available for re-election:

- 3.1 PM Baum
- 3.2 GS Gouws
- 3.3 PB Matlare

Such re-elections are to be voted on individually.

Abridged curricula vitae in respect of directors offering themselves for re-election are set out on pp18-19 of the annual report.

4. Ordinary resolution number 4

Remuneration of non-executive directors

To approve the proposed remuneration of the non-executive directors with effect from 1 January 2008:

Chairman:	R600 000
Director:	R140 000
Audit committee chairman:	R150 000
Audit committee member:	R90 000
Other board committee chairman:	R120 000
Other board committee member:	R60 000

5. Ordinary resolution number 5

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 Limited (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).

6. Ordinary resolution number 6

General authority to issue shares for cash

To RESOLVE that in terms of the Listings Requirements of the JSE, the directors are hereby authorised by way of a general authority to issue the authorised but unissued ordinary shares of one cent each in the capital of the company for cash, as and when suitable opportunities arise, subject to the articles of association of the company, the Act and the JSE Listings Requirements and the following conditions:

- The equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue.
- Any such issue will only be made to "public shareholders" as defined by the JSE Listings Requirements and not to related parties.
- This authority shall only be valid until the next annual general meeting of the company but shall not extend beyond 15 (fifteen) months from the date this authority is given.
- A paid press announcement giving full details, including the impact on the net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of shares in issue prior to the issue concerned.
- The issues in aggregate in any one financial year shall not exceed 5% (five percent) of the number of shares of the company's issued ordinary share capital (for purposes of determining the securities comprising the 15% (fifteen percent) number in any one year, account must be taken of the dilution effect, in the year of issue of options/convertible securities, by including the number of any equity securities which may be issued in future arising out of the issue of such options/convertible securities), and of a particular class, will be aggregated with any

securities that are compulsorily convertible into securities of that class, and, in the case of the issue of compulsorily convertible securities, aggregated with the securities of that class into which they are compulsorily convertible.

- As regards the number of securities which may be issued (the 15% number), shall be based on the number of securities of that class in issue added to those that may be issued in future (arising from the conversion of options/convertible securities), at the date of such application.
- Less any securities of the class issued, or to be issued in future arising from options/convertible securities issued, during the current financial year.
- Plus any securities of that class to be issued pursuant to:
 - A rights issue which has been announced, is irrevocable and is fully underwritten.
 - Acquisition (which has had final terms announced) may be included as though they were securities in issue at the date of application.
- that in determining the price at which an issue of shares for cash may be made in terms of this authority post the listing of the company, the maximum discount permitted shall be 10% (ten percent) 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 (thirty) business days prior to the date that the price of the issue is agreed by the directors of the company and the party subscribing for the securities.

A 75% (seventy-five percent) majority of votes cast in favour of the resolution by all equity securities present or represented by proxy at the annual general meeting is required for the approval of the above resolution.

7. Special resolution 1: general approval to repurchase shares

“RESOLVED THAT, as a general approval contemplated in sections 85 to 89 of the Act, the acquisitions by the company and any of its subsidiaries, from time to time, of the issued ordinary shares of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, but subject to the articles of association of the company, the provisions of the Act and the JSE Listings Requirements, when applicable, and provided that:

- 1 The general repurchase of securities will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter party (reported trades are prohibited).
- 2 This approval shall be valid only until the next annual general meeting of the company and shall not extend beyond 15 (fifteen) months from the date of passing of this resolution.
- 3 At any point in time, a company may only appoint one agent to effect any repurchases on the company's behalf.

- 4 After such repurchase the company will still comply with the JSE Listings Requirements concerning shareholder spread requirements.
- 5 The company or its subsidiary may not repurchase securities during a prohibited period as defined in the JSE Listings Requirements unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period.
- 6 When the company or any of its subsidiaries collectively have cumulatively repurchased 3% (three percent) of the initial number of the relevant class of securities, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, an announcement will be made.
- 7 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% (ten percent) of the number of shares in the company in issue from the date of grant of this approval.
- 8 Shares issued by the company may not be acquired at a price greater than 10% (ten percent) above the weighted average traded price of the company's shares for the five business days immediately preceding the date of the repurchase.

Reason and effect of Special Resolution number 1

The reason for and effect of this special resolution number 1 is to authorise, by way of a general authority, any of its subsidiary companies to acquire its own issued shares on such terms, conditions and in such amounts as determined from time to time by the directors of the company subject to the limitations set out above.

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 repurchase of shares, if implemented, will only be dealt with via the formal JSE trading system.

Disclosures required in terms of the JSE Listings Requirements

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 repurchase 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 are in a position to repay their debt in the ordinary course of business for a period of 12 months after the date of the general repurchase.
- The assets of the company and the group, being fairly valued in accordance with International Financial Reporting Standards, are in excess of the liabilities of the company and the group for a period of 12 months after the date of the general repurchase.

Notice of annual general meeting continued

- The share capital and reserves of the company and the group are adequate for ordinary business purposes for the next 12 months following the date of the general repurchase.
- The available working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the general repurchase.
- Before entering the market to proceed with the general repurchase, the company's sponsor has confirmed the adequacy of the company's and the group's working capital in writing to 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 18-19 of the annual report, 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.

Directors' responsibility statement

The directors, whose names are given on pages 18 to 19 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all information required by law and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in these annual financial statements, there have been no material changes in the financial or trading position of the company and its subsidiaries 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 18-21
- Major shareholders of the company – page 181
- Directors' interest in the company's shares – page 117
- Share capital of the company – page 149

Voting and proxies

Members who have not dematerialised their shares or who have dematerialised their shares with "own name" registration are entitled to attend and vote at the meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a member. Proxy forms must be forwarded to reach the company's transfer secretaries, Computershare Investor Services (Pty) Ltd [70 Marshall Street, Johannesburg, 2001], by no later than 12:00 on Tuesday 27 May 2008. Proxy forms must only be completed by members who have not dematerialised their shares or who have dematerialised their shares with "own name" registration.

On a show of hands, every member of the company present in person or represented by proxy shall have one vote only. On a poll, every member of the company shall have one vote for every share held in the company by such member.

Members who have dematerialised their shares, other than those members who have dematerialised their shares with "own name" registration, should contact their CSDP or broker in the manner and time stipulated in their agreement:

- To furnish them with their voting instructions.
- In the event that they wish to attend the meeting, to obtain the necessary authority to do so.

By order of the board



VF Malie

Company secretary

Centurion

13 February 2008

Kumba Iron Ore Limited

(Incorporated in the Republic of South Africa)

Registration number: 2005/015852/06

JSE share code: KIO

ISIN code: ZAE000085346

("Kumba" or "the company")

To be completed by certificated shareholders and dematerialised shareholder with "own name" registration only

Form of proxy

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 Wednesday 28 May 2008, at the Johannesburg County Club or at any adjournment thereof.

I/We _____

of (address) _____

being the holder/s or custodians of ordinary shares in the company, do hereby appoint:

1. _____ or failing him/her,
2. _____ or failing him/her,
3. the chairman of the general meeting, as my/our proxy to act for me/us at the general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary resolutions to be proposed thereat and at each adjournment thereof and to vote on such resolutions in respect of the ordinary shares in the issued capital of the company registered in my/our name/s in accordance with the following instructions:

	Number of votes (one vote per share)		
	In favour of	Against	Abstain
1. Ordinary resolution number 1 (To consider the financial statements for the year ended 31 December 2007)			
2. Ordinary resolution number 2 (To reappoint Deloitte & Touche as independent auditors and BW Smith as designated auditor)			
3. Ordinary resolution number 3 (To re-elect the directors who retire in terms of article 16.1 of the articles of association)			
3.1 PM Baum			
3.2 GS Gouws			
3.3 PB Matlare			
4. Ordinary resolution number 4 (To approve non-executive directors' remuneration with effect from 1 January 2008)			
5. Ordinary resolution number 5 (Authority to place shares under control of the directors)			
6. Ordinary resolution number 6 (General authority to issue shares for cash)			
7. Special resolution number 1 (General authority to repurchase shares)			

Insert an "X" in the relevant space above according to how you wish your votes to be cast, however, if you wish to cast your votes in respect of less than all of the shares that you own in the company, insert the number of ordinary shares held in respect of which you desire to vote.

Signed at _____ on _____

Signature _____

Assisted by me (where applicable) _____

Each member is entitled to appoint one or more proxies (none of whom need be a member of the company) to attend, speak and, on a poll, vote in place of that member at the general meeting. **Please read the notes on the reverse side hereof.**

Notes:

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 number 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 (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
Tel: (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 Limited administration

Secretary and registered office

VF Malie
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

From July 2008

Centurion Gate – Building 2
Corner John Vorster and Akkerboom Roads
Zwartkop Extension 22

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

Rand Merchant Bank (A division of First RandBank Ltd)
Registration number: 1929/001225/06
1 Merchant Place,
Corner Rivonia Road and Fredman Drive
Sandton, 2146
South Africa
PO Box 786273, Sandton, 2146

Corporate law advisors

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

Shareholders' diary

Financial year end

31 December 2008

Reports and accounts

Announcement of interim results	Published
Interim report for the half-year ending 30 June	July 2008
Announcement of annual results	August 2008
Annual report	15 February 2009
	May 2009

Distribution

Final dividend declaration	15 February 2008
Payment	26 March 2008
Interim dividend declaration	July 2008
Payment	September 2008