

# KUMBA IRON ORE LIMITED

ANNUAL RESULTS FOR THE YEAR ENDED  
31 DECEMBER 2010

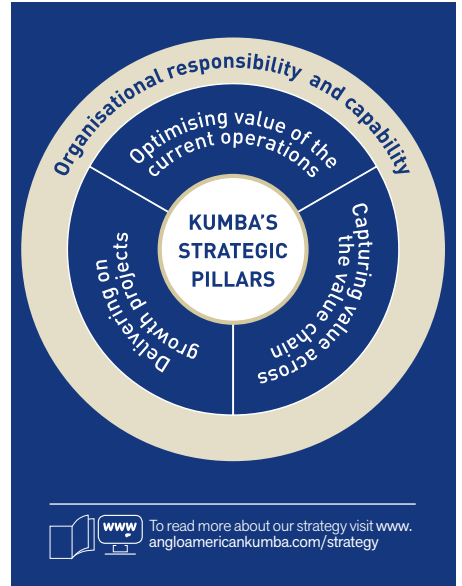


“In 2010, Kumba delivered an exceptional operational and financial performance with substantial returns to its shareholders, through successfully implementing the four pillars of Kumba’s strategy. We also remain committed to achieving ‘zero harm’ at all our operations. During the year under review, we continued to focus on the execution of our growth projects and are pleased to announce that the Kolomela Project remains on track and on budget. We are especially proud of the meaningful contribution we made in 2010 to empowerment in South Africa through the value we shared with the communities in which we operate, and with our employees.”

CEO, Chris Griffith

COMMUNITIES NOW HOLD UNENCUMBERED

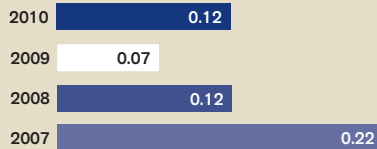
**3%** INTEREST IN SIOC  
VALUE OVER **R5bn**



FINAL CASH DIVIDEND

**R21.00**  
per share

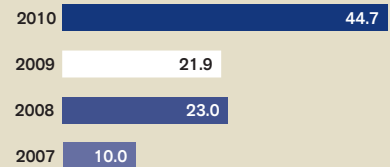
SAFETY (LTIFR)



SAFETY (LTIFR)

declined **71%**  
to 0.12

HEADLINE EARNINGS PER SHARE (Rand per share)



SISHEN MINE PRODUCTION

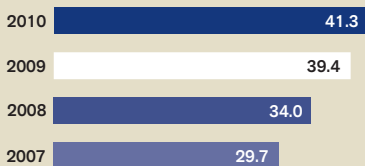
up **5%**  
to 41.3Mt



HEADLINE EARNINGS

up **106%**  
to R14.3bn

SISHEN MINE PRODUCTION (Mt)



EXPORT SALES VOLUMES

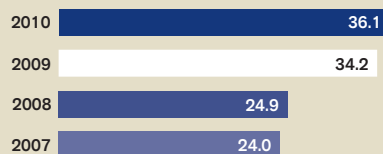
up **6%**  
to 36.1 Mt



SISHEN MINE UNIT CASH COST

up **15%**  
to R113.69

EXPORT SALES VOLUMES (Mt)



KOLOMELA MINE DEVELOPMENT

on schedule  
and on budget

## HIGHLIGHTS

At R14.3 billion Kumba Iron Ore Limited's ('Kumba') headline earnings for the year ended 31 December 2010 was more than double the R6.9 billion achieved in 2009. This financial performance was achieved as a result of a weighted average increase of 92% in export iron ore prices realised by the group, a 6% increase in export sales volumes and cost containment through improved operational efficiencies, offset by a 13% stronger average Rand against the US Dollar. Attributable and headline earnings for the year were R44.66 and R44.67 per share respectively, on which a final cash dividend of R21.00 per share has been declared (total dividend for 2010 was R34.50 per share).

Kumba continues to make a meaningful contribution towards South Africa's broad-based empowerment initiatives, through both capital appreciation and the payment of substantial cash dividends to the Black Economic Empowerment ('BEE') shareholders of Sishen Iron Ore Company (Pty) Limited ('SIOC'). Less than four years after its establishment, using solely the dividends received from SIOC, the SIOC Community Development Trust ('the Trust') redeemed in full the R458 million preference shares issued to pay for its 3% interest in SIOC during the third quarter of 2010. This exceptional BEE progress occurred well ahead of the original projections. The Trust now holds an unencumbered 3% interest in SIOC (valued at R5.1 billion based on Kumba's share price of R425 on 31 December 2010) and, more importantly, has the unfettered ability to apply all future dividend cash flows to progress important community development objectives. With the receipt of this final dividend from SIOC, Envision (SIOC's broad-based employee share participation scheme) will redeem another ~R190 million of its outstanding debt. Since inception in 2006, R163 million has been paid to more than 5 000 participants of the scheme (with ~R33 800 paid to each participant). This, together with the capital appreciation that has occurred since inception, has substantially increased the value proposition that will be distributed when the scheme matures in November 2011. Since 2006, SIOC has paid just under R5.0 billion in dividends to Exxaro Resources Limited, its 20% BEE shareholder and the largest black-owned diversified miner listed on the JSE Limited ('JSE'). These are significant milestones and transformational steps in realising meaningful empowerment in South Africa.

Sishen Mine's production increased by 5% year on year or 1.9Mt to 41.3Mt, principally through the jig plant ramping up to produce 13.3Mt, 0.3Mt in excess of its name plate capacity.

The development of Kolomela Mine in the Northern Cape continues and overall project progress remains on schedule and on budget to deliver initial production at the end of the first half of 2012.

## SAFETY PERFORMANCE

Kumba's overall safety performance regressed in 2010. Regrettably the group suffered three fatalities during the year, one each at Sishen, Thabazimbi and Kolomela mines. The Board and management once again extend our sincere condolences to the family, friends and colleagues of Mr BM Machacha, Mr F Ramalape and Mr K Mashango. As part of our unwavering commitment to achieving zero harm, we have revisited our safety improvement plans and invested significant effort in preventing any recurrence of the events which caused the fatalities.

The group recorded 21 lost-time injuries ('LTI's') for the year, which has resulted in the lost-time injury frequency rate ('LTIFR') of the group increasing to 0.12 compared to the 0.07 achieved in 2009. Sishen Mine recorded 15 LTI's, Thabazimbi Mine 5 LTI's and there was a single LTI at Kolomela Mine. Since that LTI, Kolomela Mine achieved 8.6 million LTI-free man-hours and 350 LTI-free days by 31 December 2010. Kumba remains committed to zero harm at all the group's sites and management has intensified the focus on compliance to operational safety standards and the ongoing dedication of every employee to the zero harm principles.

## CORPORATE RESPONSIBILITY

Kumba has made excellent progress in reducing the occupational health risks faced by our employees. Specifically, the group recorded a 90% reduction in reportable cases of noise induced hearing loss. The group continued its extensive HIV/Aids detection, prevention and treatment programme which contributed to the low and stable HIV prevalence rate among our employees. Kumba is aware that due to the extractive nature of our operations, it has a significant impact on the environment. We are committed to minimising the environmental impact of our operations and to ensure compliance with the relevant legislation and regulations.

Kumba continues to invest in infrastructure, the education and training of community members and enterprise development as part of our commitment to society.

## MARKET OVERVIEW

World crude steel production continued to recover during 2010 and returned to above pre-2008 levels at 1.4 billion tonnes. China's economic growth continues to be robust contributing to a year on year growth in crude steel production despite government initiated macro-economic moderating measures, power restrictions and de-stocking through the supply chain.

Crude steel production in China increased year on year by 9% to 626Mt. Europe, Japan and South Korea saw a 24% year on year increase in crude steel production, bringing total production to 341Mt, slightly below levels achieved in 2008. Despite the continued strength in iron ore demand in China, a surge in high cost Chinese domestic iron ore supply, incentivised by high index prices, resulted in a decrease of 2% to 603Mt in seaborne imports compared to 2009. Global seaborne iron ore demand increased by 5% to 979Mt, driven by a 19% increase in demand from the steel industry in the rest of the world.

Iron ore index prices rose strongly in 2010, with the 62% Fe Platts index averaging approximately US\$147/tonne (CFR), up from US\$80/tonne in 2009. The majority of export sales volumes are currently committed to long-term contracts, which are re-priced on a quarterly basis, and the remainder is sold at index prices mainly to annual customers and as additional volume to long-term customers in China.

## OPERATIONAL PERFORMANCE

Total tonnes mined at Sishen Mine increased by 19% from 128.3Mt in 2009 to 153.2Mt, of which waste material mined comprised 67% or 102.0Mt, an increase of 20.0Mt or 24%. Production at Sishen Mine increased by 5% from 39.4Mt in 2009 to 41.3Mt, as the jig plant completed its ramp up achieving 13.3Mt of production for the year. The improved quality of plant feed material and more efficient shutdown intervals were the main reasons for the outperformance by the jig plant. This plant is now set to deliver ~13Mtpa going forward. Production from the Dense Media Separation ('DMS') plant decreased by 3% to 28.0Mt due to failures of single line equipment and the availability of feedstock from the pit. Further increases in waste mining is planned to ensure the required geological quality of ore is available to be fed to the plants.

The group increased total sales volumes by 8% from 40.0Mt in 2009 to 43.1Mt. Export sales volumes from Sishen Mine increased by 1.9Mt or 6% from 34.2Mt in 2009 to 36.1Mt, of which volumes to China normalised to 61% (75% during 2009), representing a decrease of 13% year on year. As demand from Kumba's traditional markets normalised, export sales volumes to Europe, Japan and Korea increased by 54% to 13.9Mt. Total domestic sales volumes for the year of 7.0Mt were up by 21% or 1.2Mt due to higher demand from ArcelorMittal South Africa Limited ('ArcelorMittal').

Volumes railed on the Sishen-Saldanha line increased by 5% to 36.5Mt. Transnet's overall operating performance was impacted by the industrial action in the second quarter and a number of derailments in the second and third quarters of 2010. During the fourth quarter rail capacity ramped up and Transnet improved its performance markedly through increased focus on locomotive maintenance and the commissioning of new locomotives; railing 33% more volumes than in the third quarter. The increased production from Sishen Mine and the overall performance of the rail resulted in a net 1.1Mt increase in the stock level at the mine to 4.7Mt. Kumba loaded 36.7Mt for the export market, an improvement of 6% from the prior year. This reduced the stock level at the port to 0.9Mt.

Waste mining at Thabazimbi Mine more than doubled to 33.2Mt as the last new pit was developed as part of the extension of the life of mine to 2016. Production at Thabazimbi Mine reduced by 19% to 2.0Mt for the year in line with the progression towards the end of the life of the mine. Domestic sales from the mine, although impacted by logistics constraints, increased by 0.2Mt due to the off-take requirements of ArcelorMittal.

## FINANCIAL RESULTS

The group's total mining revenue (excluding shipping operations – R2.9 billion in 2010; R3.4 billion in 2009) of R35.8 billion for the year was 79% higher than the R20.0 billion of 2009. Operating profit increased by 95% from R12.9 billion to R25.1 billion improving the group's operating profit margin from 55% in 2009 to 65%. Excluding the margin earned from providing a shipping service to customers, the group's mining operating margin increased from 61% in 2009 to 69%. The operating profit achieved was impacted by the implementation of the South African mining royalty effective from 1 March 2010 as well as the relative strengthening of the Rand against the US Dollar. Operating expenses (excluding the royalty expense of R1.4 billion) increased by 16% to R12.2 billion.

Operating profit increased principally as a result of:

- A weighted average increase of 92% in iron ore export prices, which added R18.2 billion to operating profit and a 6% growth in export sales volumes which contributed R1.0 billion; and
- A 21% increase in total domestic sales volumes added R257 million and stronger domestic prices added R1.2 billion to operating profit.

This increase was offset by:

- The strengthening of the average exchange rate of the Rand to the US Dollar (average exchange rates: R7.30/US\$1.00 for 2010 compared with R8.39/US\$1.00 in 2009), which reduced operating profit by R4.9 billion;

- A R1.8 billion or 24% increase in operating expenses (excluding shipping expenses and the mining royalty) as a result of the substantial increase in waste mined at Sishen and Thabazimbi mines, a 3% increase in total volumes produced, and a 7% increase in total volumes railed which was compounded by an increase in logistics costs resulting from a five-yearly rail tariff review. The increase was further due to inflationary pressures and significant increases in the cost of labour, diesel and electricity;
- The commencement of the mining royalty payable for the ten months from March to December 2010 at an effective rate of 4.9% of free-on-rail ('FOR') iron ore revenue, which added R1.4 billion to operating expenditure; and
- A R373 million decrease in profit from shipping operations. Total tonnes shipped by Kumba on behalf of customers decreased by 2.8Mt from 21.5Mt in 2009 to 18.7Mt for 2010, as demand recovered from customers in Europe, Japan and Korea reducing the shipping opportunity to China.

Despite the 24% increase in waste mining, Sishen Mine's unit cash cost for the year was contained at R113.69 per tonne compared to R98.83 per tonne at the end of 2009, a 15% increase. The increase was driven by increased mining activity and above inflationary cost increases in diesel, labour and electricity, offset by a 5% (R5.63/tonne) increase in production over 2009 and stringent cost control. Kumba remains focused on achieving further benefit from successful cost management, operational efficiency and revenue enhancement initiatives from its asset optimisation programmes and participation in the Anglo American Supply Chain procurement organisation. Cost control continues to be a major focus of the group as it faces the challenges of increased waste mining at its operations. The flagship Sishen Mine transformation programme ('Bokamoso') has delivered further mining operational efficiency gains and contributed to the increased production of the mine through improvements in the jig plant yield, the reduction in the maintenance shutdown period as well as improvements in the up-current classifier and fine cyclone of the DMS plant. Further value has been extracted by Kumba through its marketing initiatives to enhance the premia achieved on its niche lump products. These asset optimisation and procurement initiatives have delivered:

- R1.6 billion in increased revenues and price benefits;
- Operating cost containment of R779 million; and
- A reduction in capital expenditure of R248 million.

The group continued to generate substantial cash from its operations, with R27.0 billion (before the mining royalty of R1.4 billion) generated during the year, more than double the R12.7 billion of 2009. These cash flows were used to pay taxation of R7.0 billion, mining royalties of R1.4 billion and aggregate dividends of R8.6 billion during 2010. Capital expenditure of R4.7 billion was incurred, of which R1.6 billion was to maintain operations and R3.1 billion to expand operations, mainly on Kolomela Mine. At 31 December 2010 the group was in a net cash position of R1.7 billion (R3.0 billion net debt at the end of 2009).

## KOLOMELA MINE

The development of Kolomela Mine is well advanced in terms of key deliverables and overall project progress is at 81%. The project remains on budget and on schedule to deliver initial production at the end of the first half of 2012. To date 22.6Mt of waste material has been pre-stripped, of which 18.6Mt was mined during 2010, at a cost of R793 million (R604 million for 2010), which amount has been capitalised.

Of the R8.5 billion approved capital expenditure, R5.3 billion has been incurred to date and R1.2 billion has been committed as at 31 December 2010.

## MINERAL RESOURCES AND ORE RESERVES

As at 31 December 2010 Kumba has ore reserves estimated at 1.3 billion tonnes at its three mining operations Sishen, Kolomela and Thabazimbi. Kumba's estimated mineral resources in excess of its ore reserves at these three operations as well as the Zandriverspoort magnetite project are 1.2 billion tonnes. There has been an overall 13% increase in Kumba's ore reserves from 2009 to 2010. This is predominantly the result of converting more mineral resources into ore reserves at Sishen Mine after having revised the life of mine plan and increasing the size of the pit in 2010.

Kumba's mineral resources (not used for life of mine planning), excluding ore reserves, showed a significant net decrease of 39% from 2009 to 2010. Besides the decrease in mineral resources resulting from the bigger pit at Sishen Mine and the concomitant conversion to ore reserves, the remaining decrease is attributed to the geological losses quantified during a refined estimation method applied to the lower-grade jig plant feed material at Sishen Mine.

SIOC applied for a mining right in relation to the 21.4% undivided rights in respect of the Sishen Mine in May 2009. SIOC was subsequently informed, during February 2010, that the Department of Mineral Resources ('DMR') had granted a prospecting right on 30 November 2009 to Imperial Crown Trading 289 (Pty) Limited ('ICT') in relation to the residual undivided 21.4% right of the Sishen Mine. SIOC has initiated High Court proceedings to challenge such decision. SIOC has commenced a process to object to, and appeal against, the recent decision by the DMR to accept an application by ICT for mining rights in respect of the residual 21.4% undivided rights (refer to note 11 of the audited condensed consolidated financial report).

## PROSPECTS\*

Crude steel production in China is expected to grow between 5% and 10% during 2011. The rate of growth of crude steel production in China is anticipated to decrease as the Chinese authorities seek further improvements in overall energy efficiency for the next five-year plan. Domestic iron ore production in China is unlikely to grow significantly beyond the 2010 level of 285Mt mainly due to diminishing qualities and increasing mining costs. The additional demand for iron ore in China during 2011 is expected to be sourced from seaborne supply, with the demand levels in the rest of the world remaining at 2010 levels. Shortfalls in seaborne iron ore supply, in particular from India, are anticipated.

Export sales volumes are anticipated to be in line with volumes achieved during 2010 and are dependent on the performance of the rail and port facilities. Domestic sales volumes remain dependent on the off-take requirements from ArcelorMittal, with any ore not taken by ArcelorMittal available for export.

Waste mining at all the operational sites is anticipated to increase, which will put upward pressure on unit cash costs of production. Annual production volumes during 2011 are expected to remain at levels achieved during 2010 as the jig plant has reached its name plate capacity.

Relative to the US Dollar, the South African Rand has strengthened a further 10% from the end of 2009. Kumba's operating profit remains highly sensitive to the Rand/US Dollar exchange rate.

Management focus will be on optimising value of current operations, capturing value across the value chain and delivering on the group's growth projects.

*\* Any reference to future financial performance included in this announcement has not been reviewed or reported on by the company's auditors and does not constitute an earnings forecast.*

## CHANGES IN DIRECTORATE

The Board of directors of Kumba announced the following changes in Kumba's directorate during the year:

- Following the resignation of Dr Nkosana Moyo and Mr Philip Baum as non-executive directors on 12 January 2010, the company appointed Mr David Weston and Mr Godfrey Gomwe as non-executive directors on 10 February 2010 and 17 May 2010 respectively; and
- The resignation of Mr Lazarus Zim as Chairman and non-executive director with effect from 14 December 2010. The Board and management acknowledge and express appreciation for his able leadership during his tenure as Chairman and wish him well for the future. Mr Allen Morgan, the senior lead independent director has been appointed as the Interim Chairman, effective 15 December 2010.

## NOTICE OF FINAL CASH DIVIDEND

At its Board meeting on 9 February 2011 the directors declared a final cash dividend of R21.00 per share on the ordinary shares from profits accrued during the year ended 31 December 2010. The salient dates are as follows:

- Last day for trading to qualify and participate in the final dividend  
(and change of address or dividend instructions) Friday, 11 March 2011
- Trading ex dividend commences Monday, 14 March 2011
- Record date Friday, 18 March 2011
- Dividend payment date Tuesday, 22 March 2011

Share certificates may not be dematerialised or rematerialised between Monday, 14 March 2011 and Friday, 18 March 2011, both days inclusive.

By order of the Board

VF Malie  
Company secretary

9 February 2011  
Pretoria

## PRODUCTION AND SALES REPORT

Total iron ore production decreased by 7% to 10.7Mt in the fourth quarter from a year earlier, but increased by 3% to 43.3Mt for the year ended 31 December 2010. The decrease for the quarter was due mainly to a 10% decrease in production to 6.8Mt from the DMS plant during the quarter, which was partially offset by an 8% increase in production to 3.4Mt from the jig plant.

Export sales for the fourth quarter of 2010 of 9.0Mt increased by 16% from a year earlier. This was mainly due to improved logistics performance during the fourth quarter of 2010 and the operational problems experienced at the Saldanha port due to a stranded vessel in the fourth quarter of 2009. Total export sales for the year of 36.1Mt were 6% higher than the 34.2Mt sold during 2009.

Yearly overview for the year ended

'000 tonnes	Unaudited		
	31 Dec 2010	31 Dec 2009	% change
<b>Production summary</b>			
<b>IRON ORE</b>	43 384	41 943	3
Lump	25 922	25 300	2
Fines	17 462	16 643	5
<b>MINE PRODUCTION</b>	43 384	41 943	3
Sishen Mine	41 337	39 388	5
DMS plant	28 053	28 958	(3)
Jig plant	13 284	10 430	27
Thabazimbi Mine	2 047	2 555	(20)
<b>Sales summary</b>			
<b>TOTAL</b>	43 107	40 044	8
Sishen Mine	41 121	38 188	8
Export sales	36 086	34 219	6
Domestic sales	5 035	3 969	27
Thabazimbi Mine	1 986	1 856	7

Quarterly overview for the quarter ended

'000 tonnes	Unaudited			Unaudited		
	31 Dec 2010	31 Dec 2009	% change	30 Sept 2010	30 Sept 2009	% change
<b>Production summary</b>						
<b>IRON ORE</b>	10 706	11 466	(7)	10 744	11 330	(5)
Lump	6 274	6 790	(8)	6 434	6 839	(6)
Fines	4 432	4 676	(5)	4 310	4 491	(4)
<b>MINE PRODUCTION</b>	10 706	11 466	(7)	10 744	11 330	(5)
Sishen Mine	10 206	10 705	(5)	10 055	10 651	(6)
DMS plant	6 833	7 586	(10)	6 567	7 755	(15)
Jig plant	3 373	3 119	8	3 488	2 896	20
Thabazimbi Mine	500	761	(34)	689	679	1
<b>Sales summary</b>						
<b>TOTAL</b>	10 701	9 247	16	10 462	10 800	(3)
Sishen Mine	10 362	8 818	18	9 702	10 271	(6)
Export sales	8 978	7 729	16	8 292	9 416	(12)
Domestic sales	1 384	1 089	27	1 410	855	65
Thabazimbi Mine	339	429	(21)	760	529	44

## SALIENT FEATURES AND OPERATING STATISTICS

For the year ended	Unaudited 31 Dec 2010	Unaudited 31 Dec 2009
<b>SHARE STATISTICS ('000)</b>		
Total shares in issue	321 912	320 415
Weighted average number of shares	320 727	318 743
Diluted weighted average number of shares	321 691	320 431
Treasury shares	818	464
Treasury shares (Rand million)	197	62
<b>MARKET INFORMATION</b>		
Closing share price (Rand)	425	305
Market capitalisation (Rand million)	136 652	97 727
Market capitalisation (US\$ million)	20 611	13 224
<b>NET ASSET VALUE (Rand per share)</b>	<b>44.54</b>	<b>22.80</b>
<b>CAPITAL EXPENDITURE (Rand million)</b>		
Incurred	4 723	3 996
Contracted	1 727	2 392
Authorised but not contracted	4 965	6 755
<b>CAPITAL EXPENDITURE RELATING TO THABAZIMBI MINE TO BE FINANCED BY ARCELORMITTAL</b>		
Contracted	38	6
Authorised but not contracted	48	31
<b>OPERATING COMMITMENTS</b>		
Operating lease commitments	104	123
Shipping services	73	99
<b>ECONOMIC INFORMATION</b>		
Average Rand/US dollar exchange rate (ZAR/US\$)	7.30	8.39
Closing Rand/US dollar exchange rate (ZAR/US\$)	6.63	7.39
<b>OPERATING STATISTICS (Mt)</b>		
Production	43.3	41.9
Sishen Mine	41.3	39.4
Thabazimbi Mine	2.0	2.5
Sales	43.1	40.0
Export	36.1	34.2
Domestic	7.0	5.8
Sishen Mine	5.0	4.0
Thabazimbi Mine	2.0	1.8
<b>SISHEN MINE FOR UNIT COST</b>		
Unit cost (Rand per tonne)	128.65	111.12
Cash cost (Rand per tonne)	113.69	98.83
Unit cost (US\$ per tonne)	17.62	13.24
Cash cost (US\$ per tonne)	15.57	11.78

## CONDENSED GROUP BALANCE SHEET

As at	Notes	Audited 31 Dec 2010 Rm	Restated 31 Dec 2009 Rm	Restated 1 Jan 2009 Rm
<b>ASSETS</b>				
Property, plant and equipment	3	15 866	11 568	7 911
Biological assets		6	7	8
Investments in associates and joint ventures		29	20	6
Investments held by environmental trust		372	279	237
Long-term prepayments and other receivables		53	28	32
Deferred tax assets		472	129	11
<b>NON-CURRENT ASSETS</b>		<b>16 798</b>	<b>12 031</b>	<b>8 205</b>
Inventories		3 102	2 559	1 879
Trade and other receivables		3 096	2 195	2 262
Current tax asset		24	131	547
Cash and cash equivalents		4 855	891	3 810
<b>CURRENT ASSETS</b>		<b>11 077</b>	<b>5 776</b>	<b>8 498</b>
<b>TOTAL ASSETS</b>		<b>27 875</b>	<b>17 807</b>	<b>16 703</b>
<b>EQUITY</b>				
Shareholders' equity	4	14 338	7 306	6 857
Non-controlling interest		4 038	1 650	1 649
<b>TOTAL EQUITY</b>		<b>18 376</b>	<b>8 956</b>	<b>8 506</b>
<b>LIABILITIES</b>				
Interest-bearing borrowings	5	3 185	3 859	977
Provisions		672	468	384
Deferred tax liabilities		2 272	2 282	1 990
<b>NON-CURRENT LIABILITIES</b>		<b>6 129</b>	<b>6 609</b>	<b>3 351</b>
Short-term portion of interest-bearing borrowings	5	–	55	2 881
Short-term portion of provisions		11	4	310
Trade and other payables		3 274	2 161	1 655
Current tax liabilities		85	22	–
<b>CURRENT LIABILITIES</b>		<b>3 370</b>	<b>2 242</b>	<b>4 846</b>
<b>TOTAL LIABILITIES</b>		<b>9 499</b>	<b>8 851</b>	<b>8 197</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>27 875</b>	<b>17 807</b>	<b>16 703</b>

## CONDENSED GROUP INCOME STATEMENT

For the year ended	Notes	Audited 31 Dec 2010 Rm	Restated 31 Dec 2009 Rm
Revenue		38 704	23 408
Operating expenses	7	(13 573)	(10 528)
<b>OPERATING PROFIT</b>	7	<b>25 131</b>	<b>12 880</b>
Finance income		149	286
Finance costs		(178)	(413)
<b>PROFIT BEFORE TAXATION</b>		<b>25 102</b>	<b>12 753</b>
Taxation		(6 813)	(3 949)
<b>PROFIT FOR THE YEAR</b>		<b>18 289</b>	<b>8 804</b>
<b>ATTRIBUTABLE TO:</b>			
Owners of Kumba		14 323	6 992
Non-controlling interest		3 966	1 812
		<b>18 289</b>	<b>8 804</b>
<b>EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE OWNERS OF KUMBA (Rand per share)</b>			
Basic		44.66	21.94
Diluted		44.52	21.82

## CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended	Audited 31 Dec 2010 Rm	Restated 31 Dec 2009 Rm
<b>PROFIT FOR THE YEAR</b>	18 289	8 804
<b>OTHER COMPREHENSIVE LOSSES FOR THE YEAR, NET OF TAX</b>	(217)	(316)
Exchange differences on translation of foreign operations	(215)	(315)
Net effect of cash flow hedges	(2)	(5)
Taxation	-	4
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>18 072</b>	<b>8 488</b>
<b>ATTRIBUTABLE TO:</b>		
Owners of Kumba	14 143	6 734
Non-controlling interest	3 929	1 754
	<b>18 072</b>	<b>8 488</b>

## CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended	Notes	Audited 31 Dec 2010 Rm	Restated 31 Dec 2009 Rm
<b>TOTAL EQUITY AT THE BEGINNING OF THE YEAR</b>		8 956	8 506
Change in accounting policy – share-based payment classification:			
Increase in non-controlling interest		-	2
Decrease in retained earnings		-	(2)
<b>TOTAL EQUITY AT THE BEGINNING OF THE YEAR – RESTATED</b>		<b>8 956</b>	<b>8 506</b>
<b>CHANGES IN SHARE CAPITAL AND PREMIUM</b>			
Shares issued during the year		74	132
Treasury shares issued to employees under employee share incentive schemes		62	-
Purchase of treasury shares		(191)	(60)
<b>CHANGES IN RESERVES</b>			
Equity-settled share-based payment		203	134
Vesting of shares under employee share incentive schemes		(63)	-
Net asset value of SPV on deconsolidation	6	(139)	-
Change in effective ownership of SIOC	6	(301)	-
Total comprehensive income for the year		14 143	6 734
Dividends paid		(6 756)	(6 478)
<b>CHANGES IN NON-CONTROLLING INTEREST</b>			
Total comprehensive income for the year		3 929	1 754
Change in effective ownership of SIOC	6	301	-
Dividends paid		(1 834)	(1 770)
Movement in non-controlling interest in reserves		(8)	4
<b>TOTAL EQUITY AT THE END OF THE YEAR</b>		<b>18 376</b>	<b>8 956</b>
<b>COMPRISING:</b>			
Share capital and premium (net of treasury shares)		153	208
Equity-settled share-based payment reserve		487	466
Foreign currency translation reserve		142	318
Cash flow hedge accounting reserve		(24)	(8)
Retained earnings		13 580	6 322
<b>SHAREHOLDERS' EQUITY</b>		<b>14 338</b>	<b>7 306</b>
Attributable to the owners of Kumba		13 811	6 811
Attributable to the non-controlling interest		527	495
Non-controlling interest		4 038	1 650
<b>TOTAL EQUITY</b>		<b>18 376</b>	<b>8 956</b>
<b>DIVIDEND (Rand per share)</b>			
Interim		13.50	7.20
Final*		21.00	7.40

\* The final dividend was declared after 31 December 2010 and has not been recognised as a liability in this condensed consolidated financial report. It will be recognised in shareholders' equity in the year ending 31 December 2011.

## CONDENSED GROUP CASH FLOW STATEMENT

For the year ended	Notes	Audited 31 Dec 2010 Rm	Restated 31 Dec 2009 Rm
Cash generated from operations		25 555	12 744
Net finance costs paid		(283)	(287)
Taxation paid		(7 031)	(3 232)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>18 241</b>	<b>9 225</b>
Capital expenditure		(4 723)	(3 996)
Proceeds from the disposal of non-current assets		1	39
Investments in associates and joint ventures		(9)	(15)
Net cash outflow on disposal of subsidiaries		(2)	–
Acquisition of business		–	(115)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(4 733)</b>	<b>(4 087)</b>
Share capital issued		74	132
Purchase of treasury shares		(191)	(60)
Increase in non-controlling interest	6	(147)	–
Dividends paid		(6 714)	(6 437)
Dividends paid to non-controlling shareholders		(1 876)	(1 811)
Net interest-bearing borrowings (repaid)/raised		(729)	56
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(9 583)</b>	<b>(8 120)</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>3 925</b>	<b>(2 982)</b>
Cash and cash equivalents at beginning of year		891	3 810
Exchange differences on translation of cash and cash equivalents		39	63
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>4 855</b>	<b>891</b>

## HEADLINE EARNINGS

For the year ended		Audited 31 Dec 2010 Rm	Restated 31 Dec 2009 Rm
<b>RECONCILIATION OF HEADLINE EARNINGS</b>			
Attributable profit		14 323	6 992
Net loss/(profit) on disposal and scrapping of property, plant and equipment		5	(35)
Net loss on disposal of investment		2	–
		<b>14 330</b>	<b>6 957</b>
Taxation effect of adjustments		(1)	10
Non-controlling interest in adjustments		(1)	5
<b>HEADLINE EARNINGS</b>		<b>14 328</b>	<b>6 972</b>
<b>HEADLINE EARNINGS (Rand per share)</b>			
Basic		44.67	21.87
Diluted		44.54	21.76
The calculation of basic and diluted earnings and headline earnings per share is based on the weighted average number of ordinary shares in issue as follows:			
Weighted average number of ordinary shares		320 727 067	318 742 724
Diluted weighted average number of ordinary shares		321 691 135	320 431 059
The adjustment of 964 068 shares to the weighted average number of ordinary shares is as a result of the vesting of share options previously granted under various employee share incentive schemes.			

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

## 1. Corporate information

Kumba is a limited liability company incorporated and domiciled in South Africa. The main business of Kumba, its subsidiaries, joint ventures and associates is the exploration, extraction, beneficiation, marketing, sale and shipping of iron ore. The group has its primary listing on the JSE.

The condensed consolidated financial report of Kumba and its subsidiaries for the year ended 31 December 2010 was authorised for issue in accordance with a resolution of the directors on 9 February 2011.

## 2. Basis of preparation and accounting policies

The condensed consolidated financial report for the year ended 31 December 2010 has been prepared in compliance with the South African Companies Act No 61 of 1973, as amended, and the Listings Requirements of the JSE. The condensed consolidated financial information has been prepared within the framework concepts and recognition and measurement requirements of International Financial Reporting Standards ('IFRS'), the AC500 standards as issued by the Accounting Practices Board and the information as required by International Accounting Standard ('IAS') 34, Interim Financial Reporting.

The condensed consolidated financial report has been prepared in accordance with the historical cost convention except for certain financial instruments, share-based payments and biological assets which are stated at fair value, and is presented in Rand, which is Kumba's functional and presentation currency.

Except as disclosed below, the accounting policies and methods of computation applied in the preparation of the condensed consolidated financial report are consistent with those applied for the year ended 31 December 2009.

The group adopted the following amendments to existing standards with effect from 1 January 2010.

### IFRS 2, Share-based Payment (amendment)

In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and Treasury Share Transactions' into the standard, the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The amended standard provides that an entity receiving goods or services in a share-based payment transaction that is settled by any other entity in the group or any shareholder of such an entity in cash or other assets is now required to recognise the goods or services received in its financial statements.

The amendment did not affect the classification of share-based payments in the consolidated financial statements, but has an impact on the classification of share-based payments in the stand-alone accounts of its subsidiary, SIOC, with a consequential impact on the non-controlling interest reported in the consolidated financial statements.

The amendments to the standard have been applied retrospectively to all employee share incentive schemes outstanding at the reporting date. The effect on headline earnings per share was an increase of 9.4 cents and 4.6 cents for the years ended 31 December 2010 and 2009 respectively.

The effect on earnings and equity is disclosed in the table below:

	Audited 31 Dec 2010 Rm	Restated 31 Dec 2009 Rm
Decrease in earnings attributable to non-controlling interests for the year	29	15
Increase in earnings attributable to the owners of Kumba for the year	29	15
Cumulative decrease in total non-controlling interests disclosed in equity	67	26
Cumulative increase in equity-settled share-based payment reserve disclosed in equity	24	11
Cumulative increase in retained earnings disclosed in equity	43	15
Increase in opening non-controlling interests disclosed in equity	–	2
Decrease in opening retained earnings disclosed in equity	–	2

### IAS 27 (revised), Consolidated and Separate Financial Statements

The group applied IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains or losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss.

This has resulted in a change in the group's accounting policies for changes in ownership interests in subsidiaries, specifically where those changes do not result in loss of control.

In prior years, the group applied a policy of treating all transactions with non-controlling interests as transactions with parties external to the group. That is, disposals to non-controlling interests resulted in gains and losses for the group that were recognised in the income statement and purchases from non-controlling interests resulted in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary. Under IAS 27 (revised), all such increases or decreases that do not result in loss of control are dealt with in equity, with no impact on goodwill or profit or loss.

The adoption of the revised Standard has affected the accounting for the deconsolidation of the SIOC Community Development SPV (Pty) Limited from the group during the year (refer to note 6).

## Annual Improvements Projects: 2008 and 2009

As part of its annual improvements project, the International Accounting Standards Board ('IASB') issued a single amendment in 2008 and 15 amendments in 2009 to various issued accounting standards, effective for the reporting period commencing 1 January 2010. These amendments consist of various necessary, but non-urgent, amendments to issued accounting standards and interpretations that will not be part of another major project of the IASB. Kumba adopted these amendments in 2010, the application of which has not had an effect on the reported results, with the exception of the amendment to IAS 7, 'Statement of Cash Flows' noted below.

### IAS 7, Statement of Cash Flows (amendment)

The guidance provided in IAS 7 has been amended to clarify that only expenditure that results in a recognised asset in the balance sheet can be classified as a cash flow from investing activities. This amendment is effective prospectively for the reporting period commencing 1 January 2010.

Consequently, to the extent that no corresponding asset(s) has been recognised, the translation effects of cash flows of foreign operations previously disclosed in the line item 'Other' as part of cash flows from investing activities in the group cash flow statement, has been reallocated to cash flows from operating activities as well as to the new line item 'Exchange differences on translation of cash and cash equivalents' included on the face of the group cash flow statement for the year ended 31 December 2010.

### Conceptual Framework for Financial Reporting 2010

The Conceptual Framework for Financial Reporting 2010 was issued in September 2010 with no stated effective date and it was therefore effective from the date of issue. It replaced the Framework for the Preparation and Presentation of Financial Statements previously in issue and has not had a significant impact on the reported results for the year ended 31 December 2010.

### Early adoption of new standards, amendments and interpretations

The accounting standards, amendments to issued accounting standards and interpretations, which are relevant to the group, but not yet effective at 31 December 2010, have not been adopted. The group is currently evaluating the impact of these pronouncements.

## 3. Property, plant and equipment

The group incurred capital expenditure on property, plant and equipment of R4.7 billion for the year ended 31 December 2010 (2009: R4.0 billion).

R3.1 billion (2009: R2.8 billion) was incurred for the expansion of its operations, mainly on the development of Kolomela Mine, and R 1.6 billion (2009: R1.2 billion) to maintain its operations, mainly for the acquisition of heavy mining equipment for Sishen Mine. A total of R1.5 billion (2009: R1.3 billion) was transferred from assets under construction to machinery, plant and equipment during the year as these assets were brought into production.

## 4. Share capital

The group acquired 528 229 (2009: 325 707) of its own shares through purchases on the JSE during the year. The total amount paid to acquire the shares was R191 million (2009: R60 million). This includes 124 515 shares repurchased for a cash consideration of R53 million during December 2010 as part of a share repurchase programme (refer to note 12). The shares are held as treasury shares and the purchase consideration has been deducted from equity.

210 404 (2009: 293 359) of these shares have been allocated as conditional share awards under the Kumba Bonus Share Plan. 168 801 (2009: 'nil' shares) of these shares were utilised to redeem conditional awards and share appreciation rights that have vested under the Long Term Incentive Plan and Share Appreciation Rights Scheme. The remaining shares are held as treasury shares and the purchase consideration has been deducted from equity.

During the year, Kumba issued 1 496 640 shares (2009: 953 660 shares) to the Management Share Option Scheme Trust. Options exercised by participating employees resulted in 1 480 962 shares being issued (2009: 2 610 960 shares) under the Management Share Option Scheme during the year ended 31 December 2010. The related exercise proceeds was R74 million (2009: R132 million).

## 5. Interest-bearing borrowings

Kumba's net debt position at balance sheet dates was as follows:

	Audited 31 Dec 2010 Rm	Restated 31 Dec 2009 Rm
Long-term interest-bearing borrowings	3 185	3 859
Short-term interest-bearing borrowings	–	55
Interest-bearing borrowings	3 185	3 914
Cash and cash equivalents	(4 855)	(891)
<b>NET (CASH)/DEBT</b>	<b>(1 670)</b>	<b>3 023</b>
<b>TOTAL EQUITY</b>	<b>18 376</b>	<b>8 956</b>
<b>INTEREST COVER (TIMES)</b>	<b>77</b>	<b>43</b>

Movements in interest-bearing borrowings are analysed as follows:

	Audited 31 Dec 2010 Rm	Audited 31 Dec 2009 Rm
Opening balance as at 1 January	3 914	3 858
Debt raised	4 771	2 881
Repayment of borrowings	(5 500)	(2 825)
<b>CLOSING BALANCE</b>	<b>3 185</b>	<b>3 914</b>

At 31 December 2010 R3.2 billion of the total R8.6 billion long-term debt facilities has been drawn down to finance Kumba's expansion. As a result of the strong cash flow generation of the group due to higher export iron ore prices and sales volumes, Kumba was able to repay a net amount of R1 729 million drawn down against its R5.4 billion term debt facility during the current year. Kumba was not in breach of any of its covenants during the year. The group had undrawn long-term borrowing and uncommitted short-term facilities at 31 December 2010 of R9.3 billion (2009: R8.1 billion).

#### 6. SIOC Community Development SPV (Pty) Limited

On 17 August 2010 the SIOC Community Development SPV (Pty) Limited ('the SPV') redeemed the remaining R38 million of the R458 million redeemable preference shares issued by the SPV to facilitate the acquisition of its 3% shareholding in SIOC, in September 2006.

The SPV was previously consolidated into Kumba as a special purpose entity, and the SPV's 3% shareholding in SIOC formed part of Kumba's controlling interest in SIOC. At the redemption of the outstanding preference shares by the SPV, the control over the SPV that was established in terms of the preference share agreement, ceased and Kumba consequently deconsolidated the SPV effective from this date. The non-controlling interest in SIOC increased by 3% and the controlling and non-controlling interests were adjusted to reflect the changes in the relative interests in SIOC.

The change in non-controlling interest was recognised directly in equity and attributed to the owners of Kumba as no consideration was received by Kumba. This transaction resulted in an increase of R301 million in non-controlling interest with a corresponding decrease in the following reserves:

	Rm
Equity-settled share-based payment reserve	16
Foreign currency translation reserve	11
Cash flow hedge accounting reserve	1
Retained earnings	273
<b>TOTAL</b>	<b>301</b>

#### Deconsolidation of the SPV:

	As at 17 Aug 2010 Rm
Cash and cash equivalents held by the SPV	147
Other payables	(8)
Net asset value of SPV on deconsolidation	139
Vesting of IFRS 2 share-based payment reserve	(153)
<b>REALLOCATED TO RETAINED EARNINGS ON DECONSOLIDATION</b>	<b>(14)</b>

#### 7. Significant items included in operating profit

##### Operating expenses

Operating expenses is made up as follows:

	Audited 12 months 31 Dec 2010 Rm	Audited 12 months 31 Dec 2009 Rm
Production costs	7 029	5 601
Movement in inventories	(459)	(600)
– Finished products	(171)	(440)
– Work-in-progress	(288)	(160)
<b>COST OF GOODS SOLD</b>	<b>6 570</b>	<b>5 001</b>
Mining royalty	1 410	–
Selling and distribution costs	3 041	2 838
Cost of services rendered – shipping	2 560	2 697
Sublease rent received	(8)	(8)
<b>OPERATING EXPENSES</b>	<b>13 573</b>	<b>10 528</b>

## 7. Significant items included in operating profit (continued)

Operating profit has been derived after taking into account the following items:

	Audited 12 months 31 Dec 2010 Rm	Audited 12 months 31 Dec 2009 Rm
Employee expenses	2 078	1 672
Share-based payment expenses	206	142
Depreciation of property, plant and equipment	765	530
Net loss/(profit) on disposal and scrapping of property, plant and equipment	5	(35)
Net loss on disposal of investment	2	–
Finance gains	(286)	(329)
Gains on derivative financial instruments	(636)	(736)
Foreign currency losses	350	407
Operating expenses capitalised	(581)	(181)

## 8. Segmental reporting

The Kumba executive committee considers the business principally according to the nature of the products and service provided, with the identified segments each representing a strategic business unit.

The total reported segment revenue comprises revenue from external customers as the group does not have any inter-segment revenue and is measured in a manner consistent with that disclosed in the income statement.

The performance of the operating segments are assessed based on a measure of earnings before interest and tax ('EBIT'), which is consistent with 'Operating profit' in the financial statements. Finance income and finance costs are not allocated to segments, as treasury activity is managed on a central group basis.

Total segment assets comprise finished goods inventory only, which is allocated based on the operations of the segment and the physical location of the asset.

'Other segments' comprise corporate, administration and other expenditure not allocated to the reported segments.

Year ended 31 December 2010	Sishen Mine Rm	Thabazimbi Mine Rm	Kolomela Mine <sup>1</sup> Rm	Shipping operations Rm	Total Rm
Revenue (from external customers)	35 159	666	–	2 879	38 704
EBIT	25 540	(44)	–	319	25 815
Total segment assets	682	306	–	–	988
<b>Year ended 31 December 2009</b>					
Revenue (from external customers)	19 473	543	–	3 392	23 408
EBIT	12 677	44	–	675	13 396
Total segment assets	724	240	–	–	964

<sup>1</sup> Kolomela Mine represents a strategic business unit for Kumba, although it does not yet qualify as a reportable segment in terms of IFRS 8, Operating Segments. The development of the mine is well advanced in terms of key deliverables and remains on budget and on schedule to deliver initial production at the end of the first half of 2012.

### Revenue from external customers analysed by goods and services

	Audited 12 months 31 Dec 2010 Rm	Audited 12 months 31 Dec 2009 Rm
Sale of products *	35 825	20 016
Shipping services	2 879	3 392
<b>TOTAL REVENUE</b>	<b>38 704</b>	<b>23 408</b>

\* Derived from extraction, production and selling of iron ore.

### Reconciliation of EBIT to total profit before taxation

EBIT for reportable segments	25 815	13 396
Other segments	(684)	(516)
<b>OPERATING PROFIT</b>	<b>25 131</b>	<b>12 880</b>
Net finance costs	(29)	(127)
<b>PROFIT BEFORE TAXATION</b>	<b>25 102</b>	<b>12 753</b>

## Reconciliation of reportable segments' assets to total assets

	Audited 12 months 31 Dec 2010 Rm	Audited 12 months 31 Dec 2009 Rm
Segment assets for reportable segments	988	964
Other segments and WIP inventory	2 114	1 595
INVENTORY PER BALANCE SHEET	3 102	2 559
Other current assets	7 975	3 217
Non-current assets	16 798	12 031
<b>TOTAL ASSETS</b>	<b>27 875</b>	<b>17 807</b>
<b>Geographical analysis</b>		
Kumba is domiciled in South Africa. The result of its revenue from external customers and its non-current assets disclosed on a geographical basis, are set out below:		
South Africa	2 874	1 359
Export	35 830	22 049
China	23 112	16 770
Rest of Asia	7 465	3 128
Europe	4 896	2 151
Middle East	300	-
South America	57	-
<b>TOTAL REVENUE FROM EXTERNAL CUSTOMERS</b>	<b>38 704</b>	<b>23 408</b>
South Africa	16 243	11 853
China	2	1
<b>TOTAL NON-CURRENT ASSETS *</b>	<b>16 245</b>	<b>11 854</b>

\* Excluding prepayments, investments in associates and joint ventures and deferred tax assets.

### 9. Related party transactions

During the year, Kumba, in the ordinary course of business, entered into various sale and purchase transactions with associates, joint ventures and its holding company. These transactions were subject to terms that are no less favourable than those offered by third parties.

Included in cash and cash equivalents at 31 December 2010 is a short-term deposit facility placed with Anglo American SA Finance Limited of R1 391 million (2009: Rnil).

### 10. Contingent assets and liabilities

#### 10.1 Falémé Project

Kumba initiated arbitration proceedings against La Société des Mines De Fer Du Sénégal Oriental ('Miferso') and the Republic of Senegal under the rules of the Arbitration of the International Chamber of Commerce in 2007, in relation to the Falémé Project.

Following the arbitration award rendered in July 2010, a mutually agreed settlement was concluded between the parties. The parties agreed that the precise terms of the settlement agreement will remain confidential. The net settlement amount will be recovered from the Republic of Senegal equally over the five year period from 2011, on which contingent legal costs will be payable. A portion of the amount recovered will be committed over a five year period to social and community development projects to benefit the population of Senegal.

#### 10.2 Environmental obligations

During January 2010 SIOC issued financial guarantees to the DMR to the value of R567 million in respect of the environmental rehabilitation and decommissioning obligations of Sishen Mine.

There have been no other significant changes in the contingent liabilities disclosed at 31 December 2009.

### 11. Legal proceedings

#### Sishen Supply Agreement arbitration

SIOC notified ArcelorMittal on 5 February 2010, that it was no longer entitled to receive 6.25Mtpa of iron ore contract mined by SIOC at cost plus 3% from Sishen Mine, as a result of the fact that ArcelorMittal had failed to convert its old order mining rights. This contract mining agreement, concluded in 2001, was premised on ArcelorMittal owning an undivided 21.4% interest in the mineral rights of Sishen Mine and as a result of ArcelorMittal's failure to convert its old order mining right, the contract mining agreement automatically lapsed and became inoperative in its entirety as of 1 May 2009.

## 11. Legal proceedings (continued)

As a result, a dispute arose between SIOC and ArcelorMittal, which SIOC has referred to arbitration. SIOC and ArcelorMittal reached an interim pricing arrangement in respect of the supply of iron ore to ArcelorMittal from the Sishen Mine. This arrangement will endure until 31 July 2011.

Both parties have exchanged their respective pleadings, and the arbitration panel has been appointed.

### 21.4% undivided share of the Sishen Mine mineral rights

After ArcelorMittal failed to convert its old order rights, SIOC applied for the residual 21.4% mining right previously held by ArcelorMittal and its application was accepted by the DMR on 4 May 2009. A competing application for a prospecting right over the same area was also accepted by the DMR. SIOC objected to this acceptance. Notwithstanding this objection, a prospecting right over the 21.4% interest was granted by the DMR to Imperial Crown Trading 289 (Pty) Limited ('ICT'). SIOC initiated a review application in the North Gauteng High Court on 21 May 2010 in relation to the decision of the DMR to grant a prospecting right to ICT.

SIOC initiated an application on 14 December 2010 to interdict ICT from applying for a mining right in respect of the Sishen Mine and the DMR from accepting an application from ICT or granting such 21.4% mining right to ICT pending the final determination of the review application. This application is currently pending.

The DMR informed SIOC on 12 January 2011 that ICT had applied for a 21.4% mining right over Sishen Mine on 9 December 2010, and that the DMR had accepted this application on 23 December 2010. The DMR's acceptance of the application means that the mining right application will now be evaluated according to the detailed process stipulated in the Mineral Resources & Petroleum Development Act 2004 before a decision is made as to whether or not to grant the mining right.

SIOC does not believe that it was lawful for the DMR to have accepted ICT's application, pending the High Court Review initiated in May 2010, and has formally objected to and appealed against the DMR's acceptance of ICT's mining right application. SIOC has also requested that its interdict application be determined on an expedited basis, in order to prevent the DMR from considering ICT's mining rights application until the finalisation of the review proceedings.

In addition, SIOC is in the process of challenging the DMR's decision of 25 January 2011 to reject SIOC's May 2009 application to be granted the residual 21.4% mining right. Finally, on 26 January 2011, SIOC lodged a new application for the residual 21.4% mining right.

On 4 February 2011, SIOC made an application to join ArcelorMittal as a respondent in the review proceedings.

SIOC will continue to take the necessary steps to protect its shareholders' interests in this regard.

### Lithos Corporation (Pty) Limited ('Lithos')

Lithos is claiming US\$421 million from Kumba for damages in relation to the Falémé project in Senegal. 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. The trial date has been postponed indefinitely. No liability has been recognised for this litigation.

## 12. Post balance sheet date events

Kumba entered into a general repurchase programme to repurchase ordinary shares which continued into its closed period. This closed period commenced on 31 December 2010 and ended with the release of the company's annual results. In terms of the programme the broker has been mandated to repurchase 349 800 ordinary shares in the share capital of the company at prices not exceeding a premium of 10% to the volume weighted average trading price of the company's ordinary shares over the five trading days preceding any particular repurchase from time to time. The repurchases were effected within the limits of the programme, as per the special resolution approved by shareholders at the annual general meeting held on 31 March 2010 and the JSE. During the period before 31 December 2010 Kumba purchased 124 515 shares (refer to note 4) and the remaining 225 285 shares under the programme were purchased subsequent to 31 December 2010 for a cash consideration of R99 million. The shares repurchased will reduce the dilution impact of the vesting of share schemes in 2011.

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

## 13. Corporate governance

The group subscribes to the Code of Good Corporate Practices and Conduct as contained in the King II report on corporate governance. The Board has satisfied itself that Kumba has complied with the Code throughout the period under review in all material aspects. The Board is currently in the process of implementing the recommendations of the King III Report.

## 14. Independent audit opinion

The auditors, Deloitte & Touche, have issued their opinion on the consolidated annual financial statements for the year ended 31 December 2010. The audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified audit opinion. These condensed consolidated financial statements have been derived from the consolidated annual financial statements and are consistent in all material respects with the consolidated annual financial statements. A copy of their audit report is available for inspection at the company's registered office. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the company's auditors.

On behalf of the Board

AJ Morgan  
Interim Chairman

Cl Griffith  
Chief Executive Officer

9 February 2011  
Pretoria

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