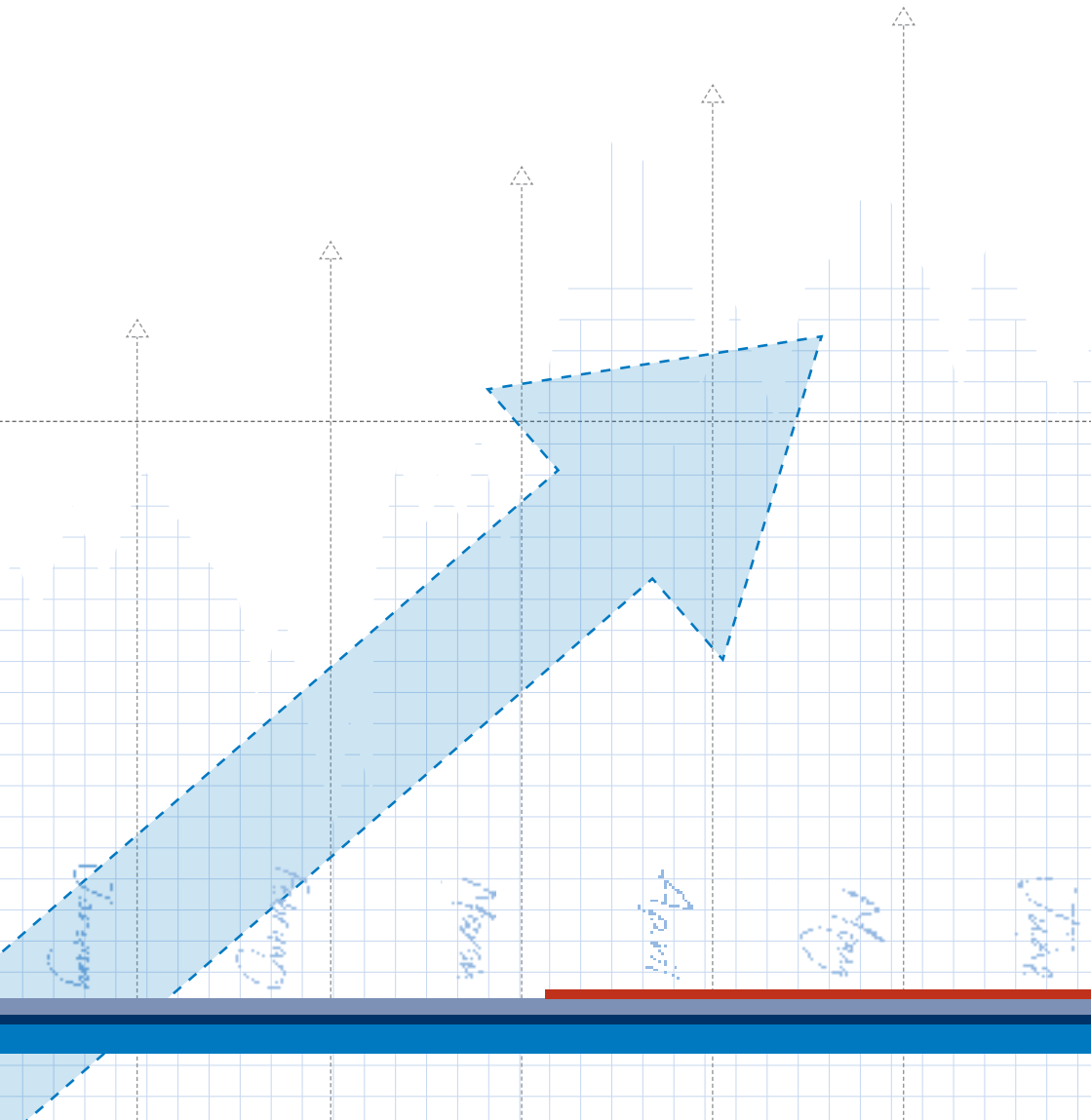


2008



KUMBA IRON ORE

Interim results





HIGHLIGHTS

- Operating profit up
- Interim cash dividend
- Headline earnings up
- Commitment to zero harm

78%
800 cents per share
76%
LTIFR of 0,07

COMMENTARY

Highlights

For the six months ended 30 June 2008 Kumba Iron Ore Limited ('Kumba') continued to deliver strong financial results. Revenue increased by 67% as a result of higher sales volumes, stronger iron ore prices and increased revenue from shipping services. Despite continued pressure on operating expenses, Kumba's operating margin increased to 58% in 2008 (63% from mining activities), from 54% (57% from mining activities) in 2007. Profit for the six months ended 30 June 2008 was R3,5 billion, whilst headline earnings increased 76% from R1,6 billion to R2,8 billion. Cash generated by operations for the period increased to R4,6 billion, up 52% compared to the R3,0 billion generated during the corresponding period in 2007.

Attributable and headline earnings for the six months were 890 cents per share, on which an interim cash dividend of 800 cents per share has been declared.

Safety performance

Kumba's commitment to zero harm is reflected in the safety achievements of the first six months of 2008 which have shown meaningful improvement when measured by lost time injuries ('LTI's') as Kumba worked for three of the six months without a single LTI. Sishen Mine achieved a lost time injury frequency rate ('LTIFR') of 0,08 which is the best ever performance in the history of the mine.

Thabazimbi Mine achieved a LTIFR of zero for 2008 which was down from 0,12 in December 2007. Kumba achieved a LTIFR of 0,07 for the six months, recording only 4 LTI's in the period. Notwithstanding this improvement, it is with regret that the group announces that it suffered one fatality for the period when Mr Kagiso Peace Leboa, a 42 year old truck operator, was fatally injured at Sishen Mine during April 2008. The Board expresses its deepest condolences to the family of Mr Kagiso Peace Leboa.

Operating results

World crude steel production continued to increase during the six months ended 30 June 2008, mostly fuelled by demand from China. Demand for iron ore, which is a critical input of the steel industry, has continued to increase. China's imports of iron ore rose to over 200Mt in the first six months of 2008. This is expected to grow to 750Mtpa over the next five years. Export sales for the first three months of 2008 were based on the 9,5% increase in the iron ore benchmark price for the 2007/2008 iron ore year. Final price settlement for the 2008/2009 iron ore year between Kumba and its customers is anticipated in the third quarter of 2008.

In preparing these financial results Kumba has used a prudent estimate of future prices. These price estimates (April to June 2008) are based on settlements announced by the three iron ore majors and take into account Kumba's lump to fines ratio, its importance as a supplier to the Asian market and the physical characteristics of its products.

Strong financial and operational performance for the six months ended 30 June 2008 was achieved, with revenue increasing 67% from R5,4 billion in 2007 to R9,0 billion. Operating profit increased by R2,3 billion or 78% from R2,9 billion in 2007 to R5,2 billion, principally as a result of:

- Average export price increases contributed R1,3 billion to operating profit.
- Improved sales volumes added R588 million.
- The weakening of the average exchange rate of the Rand to the US Dollar (average spot exchange rates – R7,65/US\$1,00 in 2008 compared with R7,15/US\$1,00 in 2007), which contributed R644 million to operating profit.

COMMENTARY *(continued)*

- Increased operating profit from shipping operations of R444 million. Revenue from shipping operations increased by R1,1 billion to R1,4 billion in 2008, while shipping expenses increased by R713 million to R979 million during the same period.
- All of which was partially offset by a R608 million or 27% increase in operating expenses (excluding shipping expenses), mainly as a result of inflationary pressures, including the rising costs of fuels, lubricants and maintenance-related activities.

The group increased total sales volumes by 6% from 16,3Mt in 2007 to 17,3Mt. Export sales volumes from Sishen Mine for the six months increased by 13% from 11,8Mt in 2007 to 13,3Mt. Sales volumes increased on the back of higher volumes from the Sishen Expansion Project ('SEP') jig plant and the sale of stock built up at the port towards the end of 2007. Volumes railed on the Sishen-Saldanha export channel increased by 11%, which is slightly below our commitment to Transnet. Kumba anticipates an increase in volumes railed as production volumes from the jig plant increase. Production at Thabazimbi Mine was stable.

Total tonnes mined at Sishen Mine decreased slightly from 51,2Mt in 2007 to 50,9Mt. During the period an additional 2,8Mt of B-grade material (with an iron content of between 55% and 60%) mined at Sishen Mine at a cost of R160 million was stockpiled for use in the jig plant to bring the total B-grade material stockpiled to some 12Mt with a cost of R600 million. Sishen Mine's unit cost increase of 17% from 31 December 2007 was contained at R93,39 per tonne compared to R79,90 per tonne at the end of 2007, despite inflationary pressures across the mining industry.

South Africa's power constraints have affected Kumba's operations during the period. The direct impact on production volumes was limited to 24 000 tonnes during the period. However, the decision to periodically stop all electricity power-assisted trucking to reduce Sishen Mine's energy usage has resulted in an increase in the use of diesel, at a time when fuel costs have reached record levels. Consequently Sishen Mine has seen an increase of 62% in fuel costs year-on-year.

Cash flows of R4,6 billion were generated from operations, an increase of 52% on the R3,0 billion generated in 2007. These cash flows were used to pay

taxation of R1,6 billion and dividends of R1,3 billion during the period. Capital expenditure of R217 million was incurred to maintain operations and R589 million to expand operations. At 30 June 2008, the group had a gross debt position of R4,3 billion and cash on hand of R2,0 billion. Interest cover remained strong at 27 times (19 times at the end of 2007).

Sishen Expansion Project

Production from the jig plant for the six months to 30 June 2008 was 1,3Mt. This production level was lower than anticipated and was impacted by several technical difficulties as well as the late commissioning of the crushing and sample plants. Through the dedication of the teams involved these technical issues have been systematically identified and are being addressed through redesign and re-engineering of certain of the design aspects. Whilst this process has taken longer than initially anticipated, good progress has been made with the crushers, which are performing at design capacity, and with bringing forward the commissioning of the 7th and 8th jig modules to the third quarter of 2008, these initiatives are expected to contribute to the continued ramp-up of production from the jig plant. It is anticipated that, based on the recent performance from the jig plants, production of some 5Mt should be achieved for 2008.

Sishen South Project

The project entails the development of a greenfield opencast mine on a group of iron ore bodies some 80km south of Sishen Mine. Kumba has been notified by the Department of Minerals and Energy that its application for new order mining rights for Sishen South has been granted. In addition, in June 2008, the Sishen South Project was issued with an integrated water-use licence for the proposed development at Sishen South. The conclusion of an agreement with Transnet is imminent in respect of the expansion of the Sishen-Saldanha export line. The R5,9 billion (real – January 2008) project is progressing through the final approval stages, whereafter an announcement will be made. Based on current forecasts it is anticipated that first production from the new 9Mtpa mine should be in 2012.

Stakeholder value creation

Exxaro Resources Limited holds a 20% interest in Sishen Iron Ore Company (Proprietary) Limited ('SIOC')

and the SIOC Community Development SPV (Proprietary) Limited and SIOC Employee Share Participation Scheme ('Envision') each hold an interest of 3% in SIOC. Of the profit of R3,5 billion, R729 million is attributable to minority interests in SIOC. In preparing the condensed consolidated financial report, SIOC Community Development SPV and Envision are considered special purpose entities and are consolidated for accounting purposes. Of the total shareholders' equity of R4,4 billion at 30 June 2008, R320 million is attributable to these entities through their interests in SIOC.

Envision was formed in November 2006. A total of 4 456 employees who participate in the scheme, have received a total of R11 million in dividends since inception. A further R21 million will be paid to employee participants from the dividend declared by SIOC in July 2008. Since inception of the scheme, meaningful value has been created for employee participants through the appreciation in the Kumba share price from R110 from when Kumba listed on the JSE Limited.

The SIOC Community Development SPV was founded to hold an investment in SIOC for the greater development of the communities in which SIOC operates. R11 million of dividends have flowed to the SIOC Community Development Trust since its inception.

Mineral resources and reserves

There have been no material changes to the resources and reserves as disclosed in the 2007 Kumba Annual Report.

Prospects

Kumba remains positive on the prospects for iron ore given continued strong Chinese demand for steel and upward pressure on iron ore prices, as supply and logistics constraints delay bringing on stream new production in response to increased demand. Final settlement of iron ore prices for the 2008/2009 iron ore year between Kumba and its customers is anticipated in the third quarter of 2008.

Technical difficulties have impeded the ramp up of the SEP jig plant. Good progress is being made in identifying and addressing the remaining technical risks and as a result the ramp up of SEP production should escalate in the second half of 2008.

With significant increases in the costs of diesel, steel, explosives and electricity, as well as the power supply constraints, operating costs will remain under pressure. The anticipated benefits of a reduction in unit costs through the additional SEP jig plant volumes is anticipated only when full design capacity is reached.

Change in directorate

Ras Myburgh handed over the role of Chief Executive Officer of Kumba to Chris Griffith on 1 July 2008, when Ras began his secondment to South Africa's national electricity supplier – Eskom. This forms part of Kumba's efforts to continue to support Eskom in developing solutions to meet the country's energy needs.

The Board extends its sincere thanks to Ras for his leadership during the birth of our new company and wishes Ras well in his new important role.

CONDENSED GROUP BALANCE SHEET

as at

| | Reviewed 30 June 2008 Rm | Restated 30 June 2007 Rm | Restated 31 Dec 2007 Rm |
|--|-----------------------------------|-----------------------------------|----------------------------------|
| Assets | | | |
| Non-current assets | | | |
| | 6 605 | 5 111 | 6 085 |
| Property, plant and equipment | 6 359 | 4 948 | 5 889 |
| Biological assets | 6 | 6 | 6 |
| Investments in associates and joint ventures | 3 | 2 | 2 |
| Investment held by environmental trust | 188 | 155 | 165 |
| Long-term prepayments | 34 | — | 14 |
| Deferred tax assets | 15 | — | 9 |
| Current assets | | | |
| | 6 115 | 3 337 | 3 793 |
| Inventories | 1 433 | 966 | 1 310 |
| Trade and other receivables | 2 637 | 1 007 | 1 531 |
| Current tax asset | 36 | — | — |
| Cash and cash equivalents | 2 009 | 1 364 | 952 |
| Total assets | | | |
| | 12 720 | 8 448 | 9 878 |
| Equity and liabilities | | | |
| Equity | | | |
| Shareholders' equity | 4 444 | 2 247 | 2 736 |
| Minority interest | 1 067 | 555 | 661 |
| Total equity | | | |
| | 5 511 | 2 802 | 3 397 |
| Non-current liabilities | | | |
| | 4 809 | 4 156 | 2 869 |
| Interest-bearing borrowings | 2 840 | 2 840 | 1 040 |
| Deferred tax liabilities | 1 611 | 1 141 | 1 490 |
| Provisions | 358 | 175 | 339 |
| Current liabilities | | | |
| | 2 400 | 1 490 | 3 612 |
| Short-term interest-bearing borrowings | 1 463 | 693 | 2 490 |
| Short-term provisions | 7 | — | — |
| Trade and other payables | 930 | 675 | 1 058 |
| Current tax liabilities | — | 122 | 64 |
| Total equity and liabilities | | | |
| | 12 720 | 8 448 | 9 878 |

CONDENSED GROUP INCOME STATEMENT

for the period ended

| | Reviewed 6 months 30 June 2008 Rm | Restated 6 months 30 June 2007 Rm | Restated 12 months 31 Dec 2007 Rm |
|--|--|---|---|
| Revenue | 9 048 | 5 431 | 11 497 |
| Operating expenses | (3 802) | (2 482) | (5 519) |
| Operating profit | 5 246 | 2 949 | 5 978 |
| Net finance costs | (51) | (104) | (168) |
| Profit before taxation | 5 195 | 2 845 | 5 810 |
| Taxation | (1 650) | (827) | (1 807) |
| Profit | 3 545 | 2 018 | 4 003 |
| Attributable to: | | | |
| Equity holders of Kumba | 2 816 | 1 605 | 3 181 |
| Minority interests | 729 | 413 | 822 |
| | 3 545 | 2 018 | 4 003 |
| Attributable earnings per share (cents) | | | |
| Basic | 890 | 510 | 1 011 |
| Diluted | 875 | 502 | 995 |
| Dividend per share (cents) | | | |
| Interim* | 800 | 350 | 350 |
| Final | — | — | 400 |

*The interim dividend was declared subsequent to 30 June 2008 and is presented for information purposes.

HEADLINE EARNINGS

for the period ended

| | Reviewed 6 months 30 June 2008 Rm | Restated 6 months 30 June 2007 Rm | Restated 12 months 31 Dec 2007 Rm |
|--|--|---|---|
| Reconciliation of headline earnings | | | |
| Attributable profit | 2 816 | 1 605 | 3 181 |
| Net profit on disposal or scrapping of property, plant and equipment | — | (4) | (14) |
| Realisation of foreign currency translation reserve | — | — | (34) |
| | 2 816 | 1 601 | 3 133 |
| Taxation effect of adjustments | — | 3 | 1 |
| Minority interest in adjustments | — | — | 9 |
| Headline earnings | 2 816 | 1 604 | 3 143 |
| Headline earnings per share (cents) | | | |
| Basic | 890 | 510 | 1 000 |
| Diluted | 875 | 502 | 983 |
| 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 | 316 563 167 | 314 208 267 | 314 618 406 |
| Diluted weighted average number of ordinary shares | 321 975 153 | 319 356 550 | 319 660 289 |
| The adjustment of 5 411 986 shares to the weighted average number of ordinary shares is as a result of the expected vesting of share options already granted under the various share-based payment arrangements. | | | |

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

for the period ended

| | Reviewed 6 months 30 June 2008 Rm | Restated 6 months 30 June 2007 Rm | Restated 12 months 31 Dec 2007 Rm |
|--|---|---|---|
| Total equity at the beginning of the period – as previously disclosed | 3 397 | 1 055 | 1 055 |
| Change in accounting policy – borrowing costs | — | 1 | 1 |
| Total equity at the beginning of the period – as restated | 3 397 | 1 056 | 1 056 |
| Changes in share capital and premium | | | |
| Shares (including treasury shares) issued during the period | 25 | 26 | 53 |
| Changes in reserves | | | |
| Equity-settled share-based payment | 35 | 28 | 73 |
| Profit for period | 2 816 | 1 605 | 3 181 |
| Foreign currency translation differences | 103 | (3) | (51) |
| Movement in the revaluation of financial instruments | — | 2 | 2 |
| Dividends paid | (1 271) | (251) | (1 362) |
| Changes in minority interest | | | |
| Profit for period | 729 | 413 | 822 |
| Dividends paid | (358) | (77) | (383) |
| Movement in minority interest in reserves | 35 | 3 | 6 |
| Total equity at the end of the period | 5 511 | 2 802 | 3 397 |
| Comprising | | | |
| Share capital and premium | 81 | 29 | 56 |
| Equity-settled share-based payment reserve | 290 | 210 | 255 |
| Foreign currency translation reserve | 104 | 20 | 2 |
| Cash flow hedge accounting reserve | — | (3) | — |
| At acquisition reserves | — | 371 | — |
| Retained earnings | 3 969 | 1 620 | 2 423 |
| Shareholders' equity | 4 444 | 2 247 | 2 736 |
| – attributable equity holders of Kumba Iron Ore | 4 124 | 2 080 | 2 538 |
| – attributable to the minority interest in SIOC | 320 | 167 | 198 |
| Minority interest | 1 067 | 555 | 661 |
| Total equity | 5 511 | 2 802 | 3 397 |

CONDENSED GROUP CASH FLOW STATEMENT

for the period ended

| | Reviewed 6 months 30 June 2008 Rm | Reviewed 6 months 30 June 2007 Rm | Audited 12 months 31 Dec 2007 Rm |
|---|--|---|--|
| Cash flows from operating activities | 1 494 | 1 953 | 2 750 |
| Cash generated from operations | 4 581 | 3 017 | 5 805 |
| Net finance costs paid | (185) | (147) | (301) |
| Taxation paid | (1 639) | (666) | (1 401) |
| Dividends paid | (1 263) | (251) | (1 353) |
| Cash flows from investing activities | (869) | (1 155) | (2 064) |
| Capital expenditure | (806) | (1 177) | (2 119) |
| Proceeds from the disposal of non-current assets | 1 | 13 | 26 |
| Acquisition of investments | (1) | (2) | (2) |
| Other | (63) | 11 | 31 |
| Cash flows from financing activities | 432 | (528) | (828) |
| Share capital issued | 25 | 26 | 53 |
| Dividends paid to minority shareholders | (365) | (77) | (392) |
| Interest-bearing borrowings raised/(repaid) | 772 | (477) | (489) |
| Increase/(decrease) in cash and cash equivalents | 1 057 | 270 | (142) |
| Cash and cash equivalents at beginning of the period | 952 | 1 094 | 1 094 |
| Cash and cash equivalents at end of the period | 2 009 | 1 364 | 952 |

SALIENT FEATURES AND OPERATING STATISTICS

for the period ended

| | Unaudited 6 months 30 June 2008 | Unaudited 6 months 30 June 2007 | Unaudited 12 months 31 Dec 2007 |
|---|--|--|--|
| Share statistics ('000) | | | |
| Total shares in issue | 317 104 | 313 594 | 317 104 |
| Treasury shares | 900 | 742 | 1 766 |
| Treasury shares (Rand million) | 18 | 29 | 43 |
| Market information | | | |
| Closing share price (Rand) | 315 | 185 | 285 |
| Market capitalisation (Rand million) | 99 888 | 58 220 | 90 374 |
| Market capitalisation (US\$ million) | 12 636 | 8 223 | 13 281 |
| Net asset value per share (cents) | 1 401 | 717 | 863 |
| Capital expenditure (Rand million) | | | |
| Incurred | 806 | 1 166 | 2 119 |
| Contracted | 1 271 | 461 | 589 |
| Authorised but not contracted | 1 989 | 1 937 | 1 185 |
| Capital expenditure relating to Thabazimbi Mine to be financed by ArcelorMittal (Rand million) | | | |
| Contracted | 1 | 2 | 2 |
| Authorised but not contracted | 40 | 12 | 2 |
| Operating commitments | | | |
| Operating lease commitments | 49 | 67 | 56 |
| Shipping services | 600 | — | 698 |
| Economic information | | | |
| Average Rand/US dollar exchange rate (Rand/US\$) | 7,65 | 7,15 | 7,03 |
| Closing Rand/US dollar exchange rate (Rand/US\$) | 7,91 | 7,08 | 6,81 |
| Operating statistics (Mt) | | | |
| Production | 17,1 | 15,6 | 32,4 |
| Sales | 17,3 | 16,3 | 32,9 |
| – export | 13,3 | 11,8 | 24,0 |
| – domestic | 4,0 | 4,5 | 8,9 |
| Sishen Mine unit cost (Rand per tonne) | 93,39 | 77,11 | 79,90 |
| Sishen Mine cash cost (Rand per tonne) | 86,14 | 69,37 | 74,32 |
| Sishen Mine unit cost (US\$ per tonne) | 12,21 | 10,78 | 11,37 |
| Sishen Mine cash cost (US\$ per tonne) | 11,18 | 9,70 | 10,57 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

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 and marketing and sale of iron ore. The group has its primary listing on the JSE Limited.

The condensed consolidated financial report of Kumba and its subsidiaries for the six months ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 23 July 2008.

Basis of preparation and accounting policies

The condensed consolidated financial report for the six months ended 30 June 2008 has been prepared in compliance with the South African Companies Act No 61 of 1973, as amended, the Listings Requirements of the JSE Limited and International Accounting Standard 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 interim financial report are consistent with those applied for the period ended 31 December 2007, which comply with International Financial Reporting Standards (IFRS).

Kumba has effected the early adoption of IAS 23 Borrowing costs before its effective date, with effect from 1 January 2008. IAS 23 requires the capitalisation of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The requirements of the standard have been applied retrospectively from the date when borrowing costs were first incurred in 2006. The effect on earnings and headline earnings per share is an increase of 26 cents and 8 cents for the six months ended 30 June 2008 and 2007 respectively. The effect on equity is disclosed in the table below.

| | 6 months 30 June 2008 Rm | 6 months 30 June 2007 Rm | 12 months 31 Dec 2007 Rm |
|---|---|-----------------------------------|-----------------------------------|
| Increase in opening balance | 82 | 1 | 1 |
| Increase in profit before taxation for the period | 140 | 46 | 140 |
| Taxation | (39) | (13) | (39) |
| Increase in equity attributable to equity holders of Kumba | 183 | 34 | 102 |
| Minority interest | (20) | (7) | (20) |
| Increase in shareholders' equity | 163 | 27 | 82 |

IFRIC 12, Service Concession Arrangements and IFRIC 14, IAS 19 limit on defined benefit asset, which are effective from 1 January 2008, have no impact on the financial position, results or cash flow information of the group for the period under review.

Net debt

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

| | 30 June 2008 Rm | 30 June 2007 Rm | 31 Dec 2007 Rm |
|--|--------------------------------|-----------------------|----------------------|
| Long-term interest-bearing borrowings | 2 840 | 2 840 | 1 040 |
| Short-term interest-bearing borrowings | 1 463 | 693 | 2 490 |
| Total | 4 303 | 3 533 | 3 530 |
| Cash and cash equivalents | (2 009) | (1 364) | (952) |
| Net debt | 2 294 | 2 169 | 2 578 |
| Total equity | 5 511 | 2 802 | 3 397 |
| Interest cover (times) | 27 | 20 | 19 |

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 were considered short-term. However, as debt is used to finance Kumba's expansion, the debt profile is returning to a longer-term profile. The maximum net debt in terms of current covenants is R4,5 billion. Kumba remained within its covenants during the year. A process is currently underway to increase Kumba's debt capacity.

Segmental reporting

Kumba's single business segment is the mining, extraction and production of iron ore. The financial disclosures of the business segment are presented in the condensed consolidated financial report.

Kumba generated its revenue through the sale of iron ore to customers in the following geographical regions:

| | 6 months 30 June 2008 Rm | 6 months 30 June 2007 Rm | 12 months 31 Dec 2007 Rm |
|-------------------------|---|-----------------------------------|-----------------------------------|
| Domestic – South Africa | 603 | 634 | 1 349 |
| Export | 8 445 | 4 797 | 10 148 |
| Europe | 2 207 | 1 557 | 2 999 |
| China | 4 482 | 1 877 | 4 284 |
| Rest of Asia | 1 756 | 1 363 | 2 865 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

(continued)

Significant items included in operating profit

Operating expenses

Operating expenses is made up as follows:

| | 6 months 30 June 2008 Rm | 6 months 30 June 2007 Rm | 12 months 31 Dec 2007 Rm |
|--------------------------------------|---|-----------------------------------|-----------------------------------|
| Production costs | 1 864 | 1 701 | 3 740 |
| Movement in inventories | 97 | (73) | (402) |
| Finished products | 219 | 148 | 7 |
| Work-in-progress | (122) | (221) | (409) |
| Cost of goods sold | 1 961 | 1 628 | 3 338 |
| Selling and distribution costs | 865 | 590 | 1 300 |
| Cost of services rendered – shipping | 979 | 267 | 887 |
| Sublease rent received | (3) | (3) | (6) |
| Operating expenditure | 3 802 | 2 482 | 5 519 |

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

| | 6 months 30 June 2008 Rm | 6 months 30 June 2007 Rm | 12 months 31 Dec 2007 Rm |
|---|---|-----------------------------------|-----------------------------------|
| Staff costs | 601 | 467 | 1 017 |
| Share-based payment expenses | 54 | 48 | 122 |
| Depreciation of property, plant and equipment | 134 | 129 | 228 |
| Profit on disposal and scrapping of property, plant and equipment | — | (4) | (14) |
| Finance gains | (159) | (38) | (40) |
| Operating profit/(loss) capitalised (jig plant) | 352 | (42) | (93) |
| – Revenue | 574 | — | — |
| – Expenses | (222) | (42) | (93) |

Share-based payment expenses

The increase in the share-based payment expense for the six months ended 30 June 2008 is due to additional grants that were awarded to employees during March 2008 on the Long-Term Incentive Plan ('LTIP') and the Share Appreciation Rights Scheme ('SARS'). In addition to this a further 613 929 share options were awarded to participants of the Envision scheme during the period.

Operating profit capitalised (jig plant)

The capitalisation of operating profit for the six months ended 30 June 2008 relates to operating costs (production costs of R165 million and distribution costs of R57 million) incurred on 0,9Mt of ore from the jig plant that has been capitalised to property, plant and equipment as part of the directly attributable cost of bringing the jig plant to the location and condition necessary for it to be capable of operating in the manner intended by management. The related revenue of R574 million from the sale of ore from the jig plant earned during this development stage was also capitalised.

On 1 June 2008 the capitalisation of the revenue and expenses was ceased as substantially all the activities for bringing the jig plant in the location and condition necessary for it to be capable of operating in the manner intended by management had been completed.

Property, plant and equipment

Capital expenditure on property, plant and equipment was R806 million for the six months ended 30 June 2008. This includes the R352 million capitalised operating profit as discussed above.

Related party transactions

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

Included in short-term interest-bearing borrowings at 30 June 2008 is a facility from Anglo South Africa (Pty) Limited of R750 million. Included in cash and cash equivalents at 30 June 2008 is a short-term deposit facility placed with Anglo American SA Finance Limited of R1 490 million.

Changes in contingent liabilities since 31 December 2007

There have been no significant changes in the contingent liabilities disclosed at 31 December 2007 that arise from the guarantees provided for environmental rehabilitation and decommissioning obligations of the Kumba Rehabilitation Trust Fund.

Legal proceedings

Lithos Corporation (Pty) Limited ('Lithos')

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. A trial date is awaited. No liability has been raised for this matter.

Miferso – Falémé

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

Sishen Supply Agreement

- 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 in nature.
- 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 still disputes. This matter may potentially be subject to further arbitration.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

(continued)

Post-balance sheet date events

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

Corporate governance

The group subscribes to the Code of Good Corporate Practices and Conduct as contained in the King II Report on corporate governance and the board has satisfied itself that Kumba has complied throughout the period under review in all material aspects with the code.

Independent review opinion

The auditors, Deloitte & Touche have issued their unmodified review opinion on the condensed consolidated financial report for the six months ended 30 June 2008. A copy of their unmodified review opinion is available for inspection at the company's registered office.

On behalf of the board

PL Zim
Chairman

CI Griffith
Chief Executive Officer

23 July 2008
Pretoria

Notice of interim cash dividend

At its board meeting on 23 July 2008 the directors declared an interim cash dividend of 800 cents per share on the ordinary shares from profits accrued during the year ending 31 December 2008. The salient dates are as follows:

- Last day for trading to qualify and participate in the interim dividend (and change of address or dividend instructions) Friday, 15 August 2008
- Trading ex dividend commences Monday, 18 August 2008
- Record date Friday, 22 August 2008
- Dividend payment date Monday, 25 August 2008

Share certificates may not be dematerialised or rematerialised between Monday, 18 August 2008 and Friday, 22 August 2008, both days inclusive.

By order of the board

VF Malie
Company secretary

23 July 2008
Pretoria

Production report

Production summary

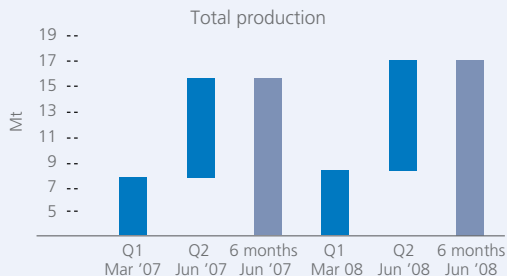
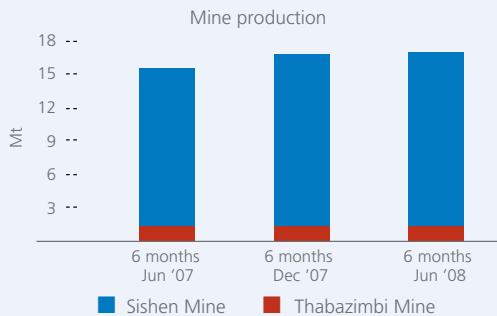
Total iron ore production increased 12% in the second quarter from a year earlier to 8,87Mt. This was due mainly to the additional production delivered by the SEP jig plant and stable performance from the DMS plant.

Quarterly overview

| '000 tonnes | Quarter ended | | | Quarter ended | | |
|-------------------|---------------|--------------|----------|---------------|---------------|----------|
| | 30 June 2008 | 30 June 2007 | % change | 31 March 2008 | 31 March 2007 | % change |
| Iron ore | 8 873 | 7 957 | 12 | 8 190 | 7 638 | 7 |
| – Lump | 5 292 | 4 666 | 13 | 4 888 | 4 495 | 9 |
| – Fines | 3 581 | 3 291 | 9 | 3 302 | 3 143 | 5 |
| Mine production | 8 873 | 7 957 | 12 | 8 190 | 7 638 | 7 |
| – Sishen Mine | 8 247 | 7 306 | 13 | 7 541 | 6 943 | 9 |
| – Thabazimbi Mine | 626 | 651 | (4) | 649 | 695 | (7) |

Six-month overview

| '000 tonnes | Year-to-date | | |
|-------------------|---------------|--------------|----------|
| | 30 June 2008 | 30 June 2007 | % change |
| Iron ore | 17 063 | 15 595 | 9 |
| – Lump | 10 180 | 9 161 | 11 |
| – Fines | 6 883 | 6 434 | 7 |
| Mine production | 17 063 | 15 595 | 9 |
| – Sishen Mine | 15 788 | 14 249 | 11 |
| – Thabazimbi Mine | 1 275 | 1 346 | (5) |





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Republic of South Africa. Tel: +27 12 683 7000 Fax: +27 12 683 7009

With effect from 24 July 2008 the registered address of Kumba will be as follows:
Centurion Gate, Building 2B, 124 Akkerboom Road, Centurion, 0157. Republic of South Africa

Transfer secretaries: Computershare Investor Services (Pty) Limited, 70 Marshall Street. Republic of South Africa.
PO Box 61051, Marshalltown, 2107

Directors: *Non-executive* – PL Zim (Chairman), PM Baum, GS Gouws, PB Matlare, DD Mokgatle, AJ Morgan, N Moyo
Executive – CI Griffith (Chief Executive Officer), VP Uren (Chief Financial Officer)

Company secretary: VF Malie

Company registration number: 2005/015852/06. Incorporated in the Republic of South Africa

JSE code: KIO **ISIN:** ZAE000085346

