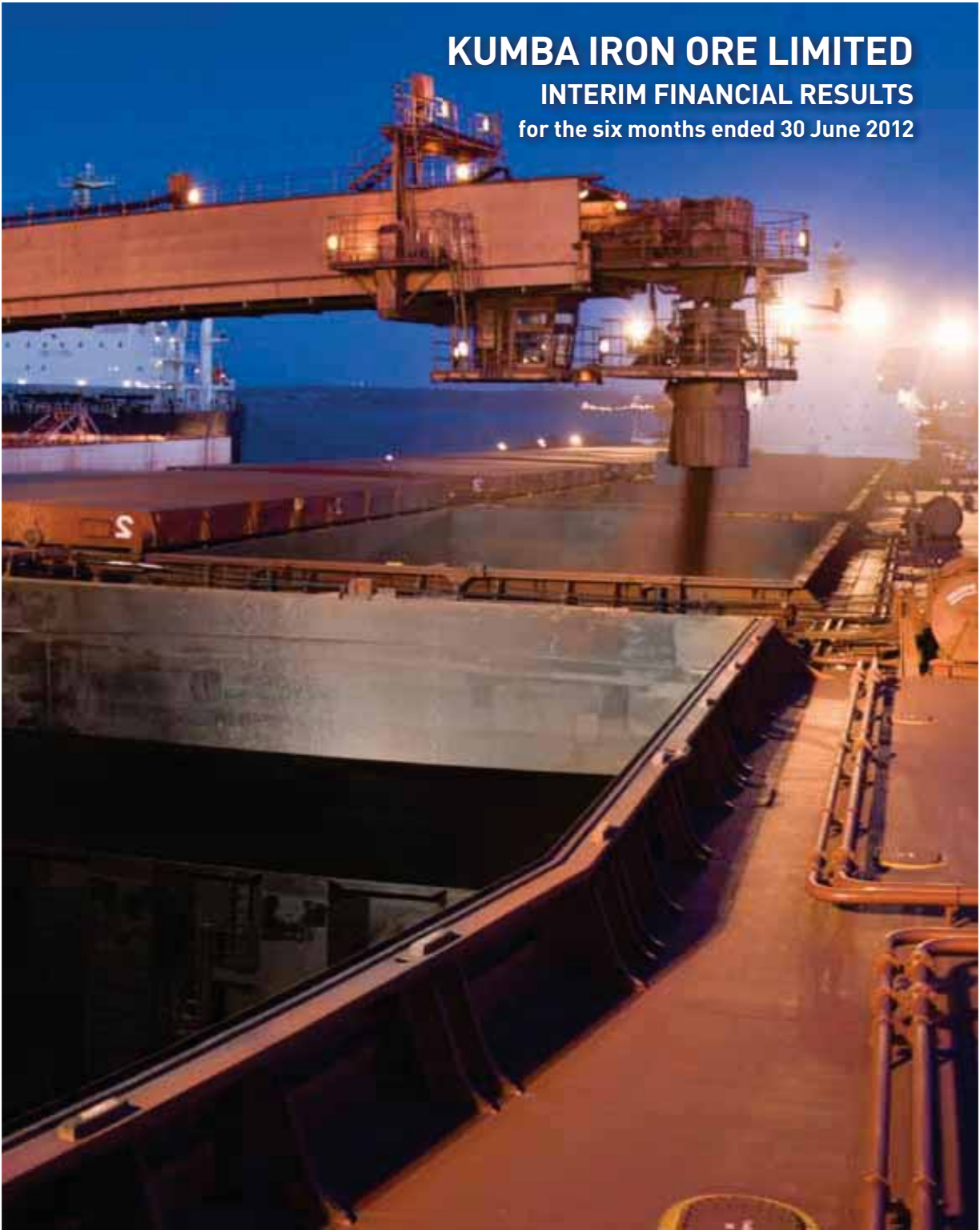


KUMBA IRON ORE LIMITED

INTERIM FINANCIAL RESULTS

for the six months ended 30 June 2012



HIGHLIGHTS

WORLD CLASS
SAFETY
PERFORMANCE
CONTINUES

KOLOMELA MINE
RAMP UP AHEAD OF
GUIDANCE -
PRODUCTION OF **3.3Mt**

RECORD EXPORT
SALES VOLUMES
UP **13%** TO **20.7Mt**

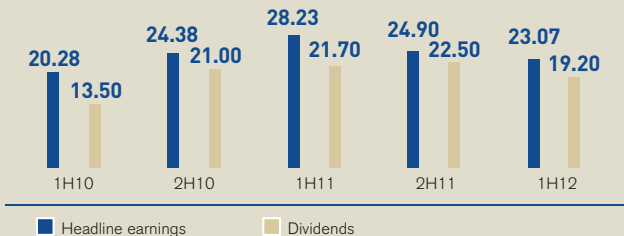
TOTAL
PRODUCTION
UP **13%**
TO **21.6Mt**

HEADLINE
EARNINGS
R23.07
PER SHARE

INTERIM CASH DIVIDEND
R19.20
PER SHARE



HEADLINE EARNINGS AND DIVIDENDS
(R/share)



COMMENTARY

HIGHLIGHTS

Kumba Iron Ore Limited ('Kumba' or 'the group') is pleased to announce its results for the six months ended 30 June 2012. The group's safety performance remains a key priority and, although the group recorded 9 lost-time injuries during the period, all the sites worked the last 20 months without any loss of life.

Kumba's headline earnings were R7.4 billion for the six months ended 30 June 2012; 18% below the R9.1 billion achieved in the first half of 2011. The decrease in earnings was primarily as a result of substantially weaker iron ore export prices together with cost increases which were partially offset by higher export sales volumes for the six months. The higher export sales volumes and a more favourable Rand/US Dollar exchange rate aided the 5% growth in revenue to R25.2 billion for the six months, another record for the group, despite the decline in iron ore prices. Attributable and headline earnings for the period were R23.05 and R23.07 per share respectively, on which an interim cash dividend of R19.20 per share has been declared.

Despite some operational challenges experienced during the period, total sales for the half year rose to a record 23.4Mt, an increase of 6% over the 22Mt of the same period in 2011. Record export sales volumes of 20.7Mt were achieved as Sishen mine volumes were supplemented with sales from Kolomela mine volumes and stockpiles.

SAFETY PERFORMANCE

The company remains committed to the safety of its employees at all the group's sites and is continually seeking ways to enhance safety initiatives in a drive to achieve zero harm.

Sishen, Thabazimbi and Kolomela mines worked the last 20 months without any loss of life.

The group recorded 9 lost-time injuries (LTI's) for the period, which resulted in a LTIFR (lost-time injury frequency rate) of 0.09 compared to the 0.05 achieved in the first half of 2011. Kolomela mine was LTI-free throughout the period and continued its world class safety performance by recording 26.4 million LTI-free man hours, with the last LTI recorded at the site in January 2010.

MARKET OVERVIEW

Global crude steel production increased marginally to 775Mt for the first half of 2012 compared to 772Mt for the same period in 2011. China's crude steel production for the first half of this year of 355Mt was up 1% year on year. At current run rates it is anticipated that Chinese crude steel production could increase by 4% year on year to around 715Mt for 2012, supporting a 2% increase in global crude steel production. Seaborne iron ore supply of some 533Mt for the first half of 2012 was impacted by adverse weather conditions in Australia and Brazil during the first quarter, but saw a substantial rebound during the second quarter. Iron ore index prices traded in a range between \$130/tonne and \$150/tonne (CFR China 62% Fe), with a high of ~\$150/tonne during April 2012, averaging at \$142/tonne during the first six months (2011: \$179/tonne). Index prices declined steadily from these levels to just above \$130/tonne towards the end of May as Chinese steel mills reduced their off take. Iron ore prices have since stabilised at around \$135/tonne as Chinese steel mills returned to the market to replenish stockpiles.

OPERATIONAL PERFORMANCE

Total tonnes mined at Sishen mine increased by 16% from 76.7Mt for the first six months of 2011 to 88.9Mt, of which waste mined was 68.8Mt, an increase of 33% over the first six months of 2011. Total production at Sishen mine decreased by 4% from 18.6Mt in 2011 to 17.9Mt. Production was impacted by the availability of material supplied to the mine's dense media separation (DMS) and jig plants, as expected in a constrained pit, due to the planned increase in waste stripping. This position was further impacted by wet pit conditions resulting from heavy rainfall and poor operator attendance during the first quarter of 2012. Production run rates recovered in the second quarter of 2012 as the ramp up in waste mining continued to improve resulting in second quarter production from the mine of 9.4Mt, 12% above the 8.5Mt of the first quarter of 2012.

Total tonnes mined at Kolomela mine increased by 25% from 15.3Mt in 2011 to 19.1Mt, of which

COMMENTARY

waste mined was 15.6Mt, an increase of 6% over the first six months of 2011. Following the successful commissioning in 2011, the mine continues to ramp up well with 3.3Mt produced during the six months, more than double the 1.2Mt produced in the fourth quarter of 2011. Should the current ramp up performance be sustained, the mine is on track to outperform the 4Mt to 5Mt production guidance for 2012, ramping up to 9Mtpa design capacity in 2013.

Waste mining at Thabazimbi mine decreased by 31% to 16.2Mt from 23.5Mt as the mine nears the end of its life and geotechnical stoppages impacted the development of one pit. Production at Thabazimbi mine, although planned to be lower in 2012, was also impacted by mining feedstock and quality constraints, and reduced by 21% year on year to 0.4Mt for the six months.

Volumes railed on the Sishen-Saldanha export channel, although impacted by the production shortfalls at Sishen mine, increased by 3% to a new record level of 20Mt (including 0.7Mt railed to Saldanha Steel), which was made possible by the ramp up of volumes railed from Kolomela mine to 3.5Mt for the six months. Kumba shipped 19.5Mt from the Saldanha port destined for the export market, up 4% year on year.

Total sales volumes for the group for the half year rose to 23.4Mt, an increase of 6% over the 22Mt of 2011. Export sales volumes for the half year increased by 2.3Mt or 13% from 18.4Mt in 2011 to 20.7Mt, with 71% of total export volumes directed to China (compared to 69% during the first half of 2011) and Japan increasing its off-take from 1.7Mt to 2.3Mt or 11% of total export volumes. Exports to Europe declined to 11% of total export volumes as weak economic conditions persisted. Finished product stockpiles increased at Sishen mine from 1.1Mt to 1.2Mt whilst at Qingdao and Saldanha ports stocks decreased from 3.0Mt to 1.8Mt in support of export sales, when compared to closing stocks at the end of 2011. Total final product stock of 0.7Mt was held at Kolomela mine at the end of June 2012. Total domestic sales volumes for the six months of 2.7Mt were down by 27% or 1.0Mt due to lower demand.

FINANCIAL RESULTS

The group's total revenue of R25.2 billion (including shipping operations of R1.7 billion for the first six months of 2012 and R1.2 billion in 2011) for the period was 5% higher than the R24.1 billion of the same period of 2011. This was principally the result of an increase of 13% in export sales volumes achieved and a weaker Rand/US Dollar exchange rate, offset by a year on year weighted average decrease of 21% in export iron ore prices. Kumba arranged shipping for 11.9Mt during the period, which, together with a 16% increase in freight rates, resulted in a 45% growth in turnover from shipping operations to R1.7 billion.

Kumba's operating profit margin of 57% for the six months (62% from mining activities), decreased by 13% from 70% (73% from mining activities) in 2011.

Operating profit of R14.4 billion decreased from R16.9 billion by 15% or R2.5 billion, principally as a result of:

- A weighted average decrease of 21% in iron ore export prices, which reduced operating profit by R4.9 billion;
- Operating expenses (excluding shipping expenses) increased by R2.7 billion or 14% as a function of a growing company. In addition to above inflationary cost escalations, the company has seen operating expenses grow as a result of the planned increase in waste mined at Sishen mine, the bringing into production of Kolomela mine (for which the capitalisation of operating expenses has ceased) and additional volumes moved from the mines to Saldanha port for export to customers;
- Lower domestic sales volumes of 2.7Mt which reduced operating profit by R417 million; and
- A net freight loss incurred by the group's shipping operations of R63 million (profit of R187 million earned in the first half of 2011) as a result of volatile freight rates.

This decrease was offset mainly by:

- A 2.4Mt growth in export sales volumes which added R2.7 billion to operating profit; and

- The strengthening of the average exchange rate of the Rand to the US Dollar (average exchange rates – R7.93/US\$1.00 for the first six months of 2012 compared with R6.88/US\$1.00 in the same period of 2011), which increased operating profit by R2.6 billion.

As a result of the planned increase in mining activity at Sishen mine and above inflationary cost escalations, the unit cash cost increased by 21% from R150/tonne at the end of 2011 to R182/tonne for the six months. This increase was further impacted by the shortfalls in production for the period. As with the rest of the mining industry, the group has seen above inflationary escalations in key input costs, such as the diesel price which has increased by 15% from R9.28/litre to R10.67/litre and electricity prices which have increased by 16% year on year. However, to mitigate this, Kumba remains focused on achieving further benefit from successful cost management and operational efficiencies from its asset optimisation programmes and participation in the Anglo American Supply Chain procurement organisation. Kolomela mine's unit cash cost was R174/tonne for the six months. This unit cost should benefit from increased production as the mine ramps up to design capacity.

The group continued to generate substantial cash from its operations, with R14.7 billion generated during the six months. These cash flows were used to pay taxation of R3.6 billion, royalties of R795 million and aggregate dividends of R9.6 billion during the six months. Capital expenditure of R1.9 billion was incurred, of which R1.1 billion was to maintain operations and R773 million to expand operations, mainly on Kolomela mine and the Sishen Westerly Expansion Project (SWEP). At 30 June 2012 the group had a net debt position of R668 million (R1.6 billion net cash at the end of 2011).

Net working capital increased by R2.7 billion from 31 December 2011 to R5.5 billion. This increase was due to the growth in the accounts receivable balance on the back of higher export sales volumes as well as a decrease in accounts payable mainly from the payment in the period of the Envision employees' tax accrual that existed at the end of December 2011.

ORE RESERVES AND MINERAL RESOURCES

There have been no material changes to the ore reserves and mineral resources as disclosed in the 2011 Kumba Integrated Report.

PROSPECTS

Although China's crude steel annualised production rate remains above 700Mtpa, underlying steel demand remains weak resulting in depressed steel prices. Iron ore prices are, however, expected to trade in a similar range as seen during the first half of 2012, supported by high-cost Chinese domestic iron ore production. The recently announced monetary policy stimulus of interest rate cuts in China should support demand for steel, but the effect of it remains to be seen, especially in light of economic uncertainty emanating from Europe.

The ramp up in waste mining at Sishen mine is expected to continue, which will support an improvement in production rates at the mine during the second half of 2012. Production at Sishen mine for the full year is anticipated to be in line with 2011 levels. The ramp up in waste mining will put upward pressure on unit cash cost of production.

The ramp up of Kolomela mine remains on track and the mine should produce at least 6Mt in support of export sales volume growth of approximately 3Mt to 4Mt in 2012, which will be offset by the fact that excess finished product stockpiles have been depleted to operating levels.

Domestic sales volumes from Sishen and Thabazimbi mines remain dependent on the off-take requirements or contractual commitments of ArcelorMittal South Africa Limited.

Relative to the US Dollar, the South African Rand has weakened on average by around 5% from the average exchange rate achieved during the first half of 2012. Kumba's operating profit remains highly sensitive to the Rand/US Dollar exchange rate.

COMMENTARY

CHANGES IN DIRECTORATE

The Board of Directors of Kumba announced the following changes to the board during the period:

- Mr Peter Matlare, a non-executive director of Kumba, resigned from the board at 31 March 2012. The board expressed its gratitude to Mr Matlare for his excellent contribution to the board and the company and wished him well in his future endeavours.
- The appointment of Mr Frikkie Kotzee as executive director and chief financial officer, effective 1 June 2012.
- The appointment of Ms Buyelwa Sonjica as a non-executive director, effective 1 June 2012.

PRODUCTION AND SALES REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2012

Total production of 11.4Mt was 11% higher than the second quarter of 2011 as the production from Kolomela mine was offset by a 22% decrease in production from the Sishen mine jig plant as a result of mining feedstock and quality constraints and maintenance on single line conveyor systems. Production run rates recovered in the second quarter of 2012 as the ramp up in waste mining continued to improve resulting in an overall 12% increase in production at Sishen mine. Following the successful commissioning in 2011, Kolomela mine continued to ramp up well with 1.7Mt produced during the quarter, an increase of 15% quarter on quarter.

Unaudited production summary

'000 tonnes	Quarter ended			Quarter ended	
	June 2012	June 2011	% change	March 2012	% change
Mine production	11,449	10,359	11	10,106	13
– Sishen mine	9,448	10,098	(6)	8,455	12
– DMS plant	6,720	6,589	2	5,777	16
– Jig plant	2,728	3,509	(22)	2,678	2
– Kolomela mine	1,739	–	100	1,513	15
– Thabazimbi mine	262	261	–	138	89

Unaudited sales summary

'000 tonnes	Quarter ended			Quarter ended	
	June 2012	June 2011	% change	March 2012	% change
Sales volumes	11,966	11,642	3	11,441	5
– Export sales	10,598	9,806	8	10,121	5
– Domestic sales	1,368	1,836	(25)	1,320	4
– Sishen mine	981	1,272	(23)	1,021	(4)
– Thabazimbi mine	387	564	(31)	299	29

Unaudited production summary

'000 tonnes	Six months ended		% change
	June 2012	June 2011	
Iron ore	21,556	19,153	13
Lump	13,340	11,784	13
Fines	8,216	7,369	12
Mine production	21,556	19,153	13
– Sishen mine	17,904	18,646	(4)
DMS plant	12,498	12,330	1
Jig plant	5,406	6,316	(14)
– Kolomela mine	3,252	–	100
– Thabazimbi mine	400	507	(21)

Unaudited sales summary

'000 tonnes	Six months ended		% change
	June 2012	June 2011	
Sales volumes	23,407	22,025	6
– Export sales	20,719	18,363	13
– Domestic sales	2,688	3,662	(27)
Sishen mine	2,002	2,536	(21)
Thabazimbi mine	686	1,126	(39)

SALIENT FEATURES AND OPERATING STATISTICS

FOR THE PERIOD ENDED

	Unaudited 6 months 30 June 2012	Unaudited 6 months 30 June 2011	Unaudited 12 months 31 December 2011
Share statistics ('000)			
Total shares in issue	322,059	322,052	322,059
Treasury shares	721	957	1,076
Treasury shares (Rand million)	293	243	336
Market information			
Closing share price (Rand)	548	484	500
Market capitalisation (Rand million)	176,488	155,873	161,030
Market capitalisation (US\$ million)	21,289	22,990	19,686
Net asset value (Rand per share)	50.38	51.49	49.16
Capital expenditure (Rand million)			
Incurred	1,868	1,898	5,849
Contracted	2,815	2,147	1,988
Authorised but not contracted	2,237	4,176	2,168
Capital expenditure relating to Thabazimbi mine to be financed by ArcelorMittal			
Contracted	22	186	29
Authorised but not contracted	7	75	7
Operating commitments			
Operating lease commitments	722	95	88
Shipping services	8,836	109	9,469
Economic information			
Average Rand/US Dollar exchange rate (ZAR/US\$)	7.93	6.88	7.25
Closing Rand/US Dollar exchange rate (ZAR/US\$)	8.29	6.78	8.18
Operating statistics (Mt)			
Production	21.6	19.1	41.3
Sishen mine	17.9	18.6	38.9
Kolomela mine	3.3	-	1.5
Thabazimbi mine	0.4	0.5	0.9
Sales	23.4	22.0	43.5
Export	20.7	18.4	37.1
Domestic	2.7	3.6	6.4
Sishen mine	2.0	2.5	5.1
Thabazimbi mine	0.7	1.1	1.3
Sishen mine FOR unit cost			
Unit cost (Rand per tonne)	220.09	159.18	178.90
Cash cost (Rand per tonne)	181.90	131.01	150.47
Unit cost (US\$ per tonne)	27.76	23.14	24.68
Cash cost (US\$ per tonne)	22.95	19.04	20.75
Kolomela mine FOR unit cost			
Unit cost (Rand per tonne)	257.06		
Cash cost (Rand per tonne)	174.30		
Unit cost (US\$ per tonne)	32.43		
Cash cost (US\$ per tonne)	21.99		

CONDENSED GROUP BALANCE SHEET

AS AT

Rand million	Reviewed 30 June 2012	Reviewed 30 June 2011	Audited 31 December 2011
Assets			
Property, plant and equipment	22,037	17,447	20,878
Biological assets	6	5	6
Investments in associates and joint ventures	38	24	33
Investments held by environmental trust	606	423	568
Long-term prepayments and other receivables	86	50	95
Deferred tax assets	805	617	658
Non-current assets	23,578	18,566	22,238
Inventories	3,716	3,398	3,864
Trade and other receivables	4,872	5,167	3,537
Current tax assets	12	30	32
Cash and cash equivalents	2,526	5,382	4,742
Current assets	11,126	13,977	12,175
Total assets	34,704	32,543	34,413
Equity			
Shareholders' equity	16,226	16,583	15,833
Non-controlling interest	4,867	4,976	4,759
Total equity	21,093	21,559	20,592
Liabilities			
Interest-bearing borrowings	–	3,188	–
Provisions	977	815	901
Deferred tax liabilities	5,923	3,533	4,942
Non-current liabilities	6,900	7,536	5,843
Short-term portion of interest-bearing borrowings	3,194	–	3,191
Short-term portion of provisions	21	9	11
Trade and other payables	3,106	3,078	4,556
Current tax liabilities	390	361	220
Current liabilities	6,711	3,448	7,978
Total liabilities	13,611	10,984	13,821
Total equity and liabilities	34,704	32,543	34,413

CONDENSED GROUP INCOME STATEMENT

FOR THE PERIOD ENDED

Rand million	Reviewed 6 months 30 June 2012	Reviewed 6 months 30 June 2011	Audited 12 months 31 December 2011
Revenue	25,236	24,066	48,553
Operating expenses	(10,787)	(7,149)	(16,587)
Operating profit	14,449	16,917	31,966
Finance income	82	114	241
Finance costs	(210)	(60)	(149)
Profit before taxation	14,321	16,971	32,058
Taxation	(4,588)	(5,135)	(9,760)
Profit for the period	9,733	11,836	22,298
Attributable to:			
Owners of Kumba	7,401	9,052	17,042
Non-controlling interest	2,332	2,784	5,256
	9,733	11,836	22,298
Earnings per share for profit attributable to the owners of Kumba (Rand per share)			
Basic	23.05	28.20	53.11
Diluted	23.00	28.11	52.97

CONDENSED GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE PERIOD ENDED

Rand million	Reviewed 6 months 30 June 2012	Reviewed 6 months 30 June 2011	Audited 12 months 31 December 2011
Profit for the period	9,733	11,836	22,298
Other comprehensive income for the period, net of tax	61	49	404
Exchange differences on translation of foreign operations	99	46	363
Net effect of cash flow hedges	(38)	3	41
Total comprehensive income for the period	9,794	11,885	22,702
Attributable to:			
Owners of Kumba	7,462	9,081	17,340
Non-controlling interest	2,332	2,804	5,362
	9,794	11,885	22,702

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED

Rand million	Reviewed 6 months 30 June 2012	Reviewed 6 months 30 June 2011	Audited 12 months 31 December 2011
Total equity at the beginning of the period	20,592	18,376	18,376
Changes in share capital and premium			
Shares issued during the period	5	4	16
Treasury shares issued to employees under employee share incentive schemes	89	102	139
Purchase of treasury shares	(51)	(140)	(278)
Changes in reserves			
Equity-settled share-based payment	286	58	265
Vesting of shares under employee share schemes	(109)	(102)	(139)
Vesting of Envision share scheme	–	–	(2,013)
Total comprehensive income for the period	7,462	9,081	17,340
Dividends paid	(7,244)	(6,758)	(13,835)
Changes in non-controlling interest			
Total comprehensive income for the period	2,332	2,804	5,362
Envision share scheme second phase increase	–	–	(4)
Dividends paid	(2,339)	(1,882)	(4,078)
Movement in non-controlling interest in reserves	70	16	(559)
Total equity at the end of the period	21,093	21,559	20,592
Comprising			
Share capital and premium (net of treasury shares)	73	119	30
Equity-settled share-based payment reserve	536	538	307
Foreign currency translation reserve	498	177	423
Cash flow hedge accounting reserve	(20)	(30)	(6)
Retained earnings	15,139	15,779	15,079
Shareholders' equity	16,226	16,583	15,833
Attributable to the owners of Kumba	15,591	15,934	15,214
Attributable to the non-controlling interest in SIOC	635	649	619
Non-controlling interest	4,867	4,976	4,759
Total equity	21,093	21,559	20,592
Dividend (Rand per share)			
Interim *	19.20	21.70	21.70
Final	–	–	22.50

* The interim dividend was declared after 30 June 2012 and has not been recognised as a liability in this interim financial report. It will be recognised in shareholders' equity in the year ending 31 December 2012.

CONDENSED GROUP CASH FLOW STATEMENT

FOR THE PERIOD ENDED

Rand million	Reviewed 6 months 30 June 2012	Reviewed 6 months 30 June 2011	Audited 12 months 31 December 2011
Cash generated from operations	13,890	15,037	32,631
Net finance costs paid	(91)	(49)	(96)
Taxation paid	(3,552)	(3,739)	(7,035)
Cash flows from operating activities	10,247	11,249	25,500
Capital expenditure	(1,868)	(1,898)	(5,849)
Proceeds from the disposal of non-current assets	1	–	2
Investments in associates and joint ventures	(4)	5	(4)
Cash flows from investing activities	(1,871)	(1,893)	(5,851)
Share capital issued	5	4	16
Purchase of treasury shares	(51)	(140)	(278)
Vesting of Envision share scheme	(968)	–	(1,694)
Dividends paid	(7,245)	(6,758)	(13,742)
Dividends paid to non-controlling shareholders	(2,358)	(1,925)	(4,170)
Cash flows from financing activities	(10,617)	(8,819)	(19,868)
(Decrease)/increase in cash and cash equivalents	(2,241)	537	(219)
Cash and cash equivalents at beginning of period	4,742	4,855	4,855
Exchange differences on translation of cash and cash equivalents	25	(10)	106
Cash and cash equivalents at end of period	2,526	5,382	4,742

HEADLINE EARNINGS

FOR THE PERIOD ENDED

Rand million	Reviewed 6 months 30 June 2012	Reviewed 6 months 30 June 2011	Audited 12 months 31 December 2011
Reconciliation of headline earnings			
Attributable profit	7,401	9,052	17,042
Net loss on disposal and scrapping of property, plant and equipment	13	10	10
	7,414	9,062	17,052
Taxation effect of adjustments	(2)	2	(3)
Non-controlling interest in adjustments	(3)	(3)	(1)
Headline earnings	7,409	9,061	17,048
Headline earnings (Rand per share)			
Basic	23.07	28.23	53.13
Diluted	23.03	28.13	52.99
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	321,146,494	320,991,881	320,895,696
Diluted weighted average number of ordinary shares	321,739,718	322,065,729	321,719,426

The adjustment of 593,224 shares to the weighted average number of ordinary shares is as a result of the vesting of share options previously granted under the various employee share incentive schemes.

NOTES TO THE INTERIM 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 Limited (JSE).

The condensed consolidated financial report of Kumba and its subsidiaries for the six months ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 18 July 2012.

2. BASIS OF PREPARATION

The condensed consolidated financial report has been prepared, under the supervision of Frikkie Kotzee CA(SA), chief financial officer, in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS), including the information required by International Accounting Standard (IAS) 34, Interim Financial Reporting, the AC 500 standards issued by the Accounting Practices Board or its successor, the Listings Requirements of the JSE, and the requirements of the South African Companies Act No 71 of 2008, as amended.

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.

3. ACCOUNTING POLICIES

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 2011.

In 2012, the group did not early adopt any new, revised or amended accounting standards or interpretations. The accounting standards, amendments to issued accounting standards and interpretations, which are relevant to the group but not yet effective at 30 June 2012, are being evaluated for the impact of these pronouncements.

4. PROPERTY, PLANT AND EQUIPMENT

Rand million	Reviewed 30 June 2012	Reviewed 30 June 2011	Audited 31 December 2011
Capital expenditure	1,868	1,898	5,849
Expansion	773	1,301	3,104
Stay in business	1,095	597	2,745
Transfers from assets under construction to property, plant and equipment	1,250	342	8,951

Expansion capital expenditure comprised mainly of housing expenditure and procurement of heavy mining equipment for Kolomela mine. Stay in business capital expenditure to maintain operations was principally for the acquisition of heavy mining equipment and workshop infrastructure for Sishen mine.

5. SHARE CAPITAL

Rand million	Reviewed 30 June 2012	Reviewed 30 June 2011	Audited 31 December 2011
Reconciliation of share capital and share premium (including treasury shares):			
Balance at beginning of period	30	153	153
Total shares issued for cash consideration	5	4	16
Shares issued – share premium	–	12	16
Net movement in shares held by Kumba Iron Ore Management Share Trust	5	(8)	–
Net movement in treasury shares under employee share incentive schemes	38	(38)	(139)
Purchase of treasury shares	(51)	(140)	(278)
Shares issued to employees	89	102	139
Share capital and share premium	73	119	30
Number of shares			
	Reviewed 30 June 2012	Reviewed 30 June 2011	Audited 31 December 2011
Reconciliation of number of shares in issue:			
Balance at beginning of period	322,058,624	321,911,721	321,911,721
Ordinary shares issued	–	140,000	5,377,770
Ordinary shares repurchased and cancelled	–	–	(5,230,867)
Balance at end of period	322,058,624	322,051,721	322,058,624
Reconciliation of treasury shares held:			
Balance at beginning of period	1,075,970	818,272	818,272
Shares purchased	92,129	286,785	550,781
Share issued to employees under the Long-Term Incentive Plan and Share Appreciation Rights Scheme	(366,391)	(215,639)	(252,985)
Net movement in shares held by Kumba Iron Ore Management Share Trust	(80,266)	67,730	(40,098)
Balance at end of period	721,442	957,148	1,075,970
Treasury shares held as conditional share awards under the Kumba Bonus Share Plan	670,311	714,167	722,701

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL REPORT

6. INTEREST-BEARING BORROWINGS

Kumba's net debt/(cash) position at the balance sheet dates was as follows:

Rand million	Reviewed 30 June 2012	Reviewed 30 June 2011	Audited 31 December 2011
Interest-bearing borrowings	3,194	3,188	3,191
Cash and cash equivalents	(2,526)	(5,382)	(4,742)
Net debt/(cash)	668	(2,194)	(1,551)
Total equity	21,093	21,559	20,592
Interest cover (times)	113	209	206

Movements in interest-bearing borrowings are analysed as follows:

Rand million	Reviewed 30 June 2012	Reviewed 30 June 2011	Audited 31 December 2011
Opening balance as at 1 January	3,191	3,185	3,185
Deferred transaction costs recognised	3	3	6
Closing balance	3,194	3,188	3,191

The group has successfully negotiated a R3.2 billion revolving credit facility to ensure that its available long-term debt facilities are maintained at R8.6 billion when the current R3.2 billion term facility matures on 24 July 2012.

At 30 June 2012, R3.2 billion of the total R11.8 billion long-term debt facilities has been drawn down. Kumba was not in breach of any of its covenants during the period. The group had undrawn long-term borrowings and uncommitted short-term facilities at 30 June 2012 of R11.7 billion (2011: R9.3 billion).

7. SIGNIFICANT ITEMS INCLUDED IN OPERATING PROFIT

Operating expenses is made up as follows:

Rand million	Reviewed 6 months 30 June 2012	Reviewed 6 months 30 June 2011	Audited 12 months 31 December 2011
Production costs	6,162	3,888	8,910
Movement in inventories	109	(243)	(149)
Finished products	291	46	247
Work-in-progress	(182)	(289)	(396)
Cost of goods sold	6,271	3,645	8,761
Mineral royalty	718	842	1,762
Selling and distribution costs	2,037	1,682	3,698
Cost of services rendered – shipping	1,766	984	2,374
Sublease rent received	(5)	(4)	(8)
Operating expenses	10,787	7,149	16,587

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

Rand million	Reviewed 6 months 30 June 2012	Reviewed 6 months 30 June 2011	Audited 12 months 31 December 2011
Employee expenses	1,280	1,151	2,408
Share-based payment expenses	372	123	369
Depreciation of property, plant and equipment	702	465	997
Net loss on disposal and scrapping of property, plant and equipment	13	10	10
Finance gains	(43)	(313)	(587)
(Gains)/losses on derivative financial instruments	(14)	(109)	486
Foreign currency gains	(29)	(204)	(1,073)
Operating expenses capitalised	–	(505)	(971)

The capitalisation of operating expenses for the year ended 31 December 2011 mainly related to operating costs of R953 million incurred on 34.6Mt of material mined at Kolomela mine that have been capitalised to property, plant and equipment as part of the directly attributable cost of bringing the mine into production in December 2011.

8. SEGMENTAL REPORTING

Rand million	Sishen mine	Kolomela mine¹	Thabazimbi mine	Shipping operations	Total
Reviewed six months ended 30 June 2012					
Revenue (from external customers)	19,156	3,871	506	1,703	25,236
EBIT	12,601	2,528	19	(64)	15,084
Total segment assets	531	162	180	–	873
Reviewed six months ended 30 June 2011					
Revenue (from external customers)	22,451	–	444	1,171	24,066
EBIT	17,069	–	15	187	17,271
Total segment assets	504	–	252	–	756
Audited 12 months ended 31 December 2011					
Revenue (from external customers)	44,903	32	907	2,711	48,553
EBIT	32,661	(80)	112	337	33,030
Total segment assets	392	133	268	–	793

¹ Kolomela mine delivered initial production during 2011 and the financial performance for the audited 12 months ended 31 December 2011 represented the month of December 2011.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL REPORT

8. SEGMENTAL REPORTING *continued*

Rand million	Reviewed 6 months 30 June 2012	Reviewed 6 months 30 June 2011	Audited 12 months 31 December 2011
Revenue from external customers analysed by goods and services			
Sale of products*	23,533	22,895	45,842
Shipping services	1,703	1,171	2,711
Total revenue	25,236	24,066	48,553
Reconciliation of EBIT to total profit before taxation:			
EBIT for reportable segments	15,084	17,271	33,030
Other segments	(635)	(354)	(1,064)
Operating profit	14,449	16,917	31,966
Net finance (costs)/income	(128)	54	92
Profit before taxation	14,321	16,971	32,058
Reconciliation of reportable segments' assets to total assets:			
Segment assets for reportable segments	873	756	793
Other segments and WIP inventory	2,843	2,642	3,071
Inventory per balance sheet	3,716	3,398	3,864
Other current assets	7,410	10,579	8,311
Non-current assets	23,578	18,566	22,238
Total assets	34,704	32,543	34,413

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

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 taxation (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.

Geographical analysis of revenue and non-current assets

Rand million	Reviewed 6 months 30 June 2012	Reviewed 6 months 30 June 2011	Audited 12 months 31 December 2011
Total revenue from external customers			
South Africa	1,546	1,602	3,388
Export	23,690	22,464	45,165
China	16,325	15,943	29,904
Rest of Asia	4,821	3,441	9,274
Europe	2,422	2,865	5,450
Middle East	122	81	227
Americas	–	134	310
	25,236	24,066	48,553
Total non-current assets*			
South Africa	22,646	17,873	21,450
China	3	3	2
	22,649	17,876	21,452

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

9. RELATED PARTY TRANSACTIONS

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

Included in cash and cash equivalents at 30 June 2012 is a short-term deposit facility placed with Anglo American SA Finance Limited of R1,489 million (30 June 2011: R4,081 million). Interest earned on this facility during the year was market related and amounted to R74 million (30 June 2011: R87 million) at a weighted average interest rate of 8.44% (30 June 2011: 5.36%).

10. CONTINGENT ASSETS AND LIABILITIES

There have been no significant changes to the contingent assets or liabilities disclosed at 31 December 2011.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL REPORT

11. LEGAL PROCEEDINGS

11.1 Sishen Supply Agreement arbitration

A dispute arose between Sishen Iron Ore Company Proprietary Limited (SIOC) and ArcelorMittal South Africa Limited (ArcelorMittal) in February 2010, in relation to SIOC's contention that the contract mining agreement concluded between them in 2001 had become inoperative as a result of the fact that ArcelorMittal had failed to convert its old order mining rights. This dispute has been referred to arbitration. On 9 December 2011, SIOC and ArcelorMittal agreed to postpone the arbitration until final resolution of the mining right dispute (see 11.2 below).

The current Interim Pricing Agreement (IPA) between SIOC and ArcelorMittal expires on 31 July 2012. Letters to commence the negotiations regarding the extension or renewal of the IPA have been exchanged between the parties, and the parties have commenced with negotiations.

11.2 21.4% undivided share of the Sishen mine mineral rights

On 3 February 2012 both the Department of Mineral Resources (DMR) and Imperial Crown Trading 289 Proprietary Limited (ICT) submitted applications for leave to appeal against the High Court judgement delivered in December 2011. SIOC has noted an application for leave to present a conditional cross appeal, in order to protect its rights. The application for leave to appeal was heard by the High Court on 11 May 2012. The High Court granted the DMR and ICT the leave to appeal at the Supreme Court of Appeal and SIOC leave to conditionally cross appeal. It is anticipated that the hearing before the Supreme Court of Appeal will occur during the first quarter of 2013.

The High Court order does not affect the interim supply agreement between ArcelorMittal and SIOC, which will endure until 31 July 2012 as indicated in note 11.1 above.

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

11.3 Lithos Corporation (Pty) Limited

Lithos Corporation Proprietary Limited 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 now been set for the first quarter of 2013.

11.4 Project Phoenix dispute

A dispute exists between ArcelorMittal and SIOC concerning ArcelorMittal's contention that it holds an entitlement to require SIOC to supply ArcelorMittal with iron ore produced from the Phoenix Project in terms of the Thabazimbi Supply Agreement. SIOC contends that, as a consequence of ArcelorMittal's election to withdraw from participation in the project in 2006, ArcelorMittal holds no such entitlement.

Mediation discussions between the parties were unable to resolve the dispute, and the matter will proceed to arbitration proceedings in accordance with the provisions of the Thabazimbi Supply Agreement.

12. CORPORATE GOVERNANCE

The group subscribes to the Code of Good Corporate Practices and Conduct and complies with the recommendations of the King III Report. Full disclosure of the group's compliance is contained in the 2011 Kumba Integrated Report.

13. EVENTS AFTER THE REPORTING PERIOD

No material events have occurred between the end of the reporting period and the date of the release of these condensed consolidated financial statements.

14. INDEPENDENT AUDITORS' REVIEW REPORT

The auditors, Deloitte & Touche, have issued their unmodified review report on the condensed consolidated interim financial report for the six months ended 30 June 2012. The review was conducted in accordance with ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A copy of their unmodified review 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



CI Griffith

Chief executive officer

18 July 2012

Pretoria

NOTICE OF INTERIM CASH DIVIDEND

At its Board meeting on 18 July 2012 the directors declared a gross interim cash dividend of R19.20 per share on the ordinary shares from profits accrued during the year ending 31 December 2012. The dividend has been declared from income reserves.

The company has utilised Secondary Tax on Companies' (STC) credits amounting to R0.50 per share. The balance of the dividend will be subject to a dividend withholding tax of 15% for all shareholders who are not exempt from or do not qualify for a reduced rate of withholding tax. The net dividend payable to shareholders subject to withholding tax at a rate of 15% amounts to R16.39 per share.

The issued share capital at the declaration date is 322,058,624 ordinary shares.

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, 10 August 2012
- Trading ex dividend commences Monday, 13 August 2012
- Record date Friday, 17 August 2012
- Dividend payment date Monday, 20 August 2012

Share certificates may not be dematerialised or rematerialised between Monday, 13 August 2012 and Friday, 17 August 2012, both days inclusive.

By order of the Board



VF Malie

Company secretary

18 July 2012

Pretoria

ADMINISTRATION

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Republic of South Africa

Tel: +27 (0) 12 683 7000
Fax: +27 (0) 12 683 7009

Transfer secretaries:

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

Sponsor to Kumba:

Rand Merchant Bank (a division of FirstRand
Bank Limited)

Directors:

Non-executive – AJ Morgan (interim chairman),
ZBM Bassa, GG Gomwe, GS Gouws, DD Mokgatle,
LM Nyhonyha, BP Sonjica, DM Weston

Executive – CI Griffith (chief executive officer),
FT Kotzee (chief financial officer)

Company secretary:

VF Malie

Company registration number:

No 2005/015852/06

Incorporated in the Republic of South Africa

Income tax number:

9586/481/15/3

JSE code:

KIO

('Kumba' or 'the company' or 'the group')

ISIN:

ZAE000085346

Real Mining. Real People. Real Difference.

