OUR APPROACH

The management of risk is critical to the success of Kumba as it is exposed to a wide variety of risks which can have a financial, operational and reputational impact on the group. Effective management of risk supports the delivery of Kumba’s strategic objectives.

The approach to management of risk is to:

- Identify the key risks that could have a significant impact on the ability of the group to achieve its strategic objectives
- Analyse risks and controls
- Ensure that appropriate controls and responses are put in place to mitigate identified risks
- Monitor the effectiveness and implementation of controls
- Regular reporting to executive committee, risk committee and the board.

Identification of risks

A consistently applied methodology is used to identify key risks at group business units, operations and projects. The risk management process is undertaken through a series of risk workshops at least annually at business units, sites and at key stages in projects. An update is performed frequently.

Analysis of risks and controls

Once identified, the process will evaluate those risks to establish financial and non-financial impacts, likelihood of occurring and root causes. Consideration of current controls to mitigate those risks is also undertaken to enable a prioritised register of risks to be created.

Determination of management actions required

If additional controls are required these will be identified and responsibilities assigned.

Reporting and monitoring

Management is responsible for monitoring progress of actions to mitigate key risks and is supported through the group’s internal audit programme which evaluates the design and effectiveness of controls to mitigate key risks. The results of key risk management process are reported to the executive committee monthly and the risk committee and board every quarter.

HEADLINE RISK AREAS ARE:

| Regulatory, political and legal | Infrastructure |
| Resources and reserves | Environment |
| Employee safety and health | Employees |
| Social | Foreign exchange |
| Commodity price and demand | Operational performance |
## KEY RISK FACTORS

### 1. REGULATORY, POLITICAL AND LEGAL

Kumba’s businesses may be affected by political or regulatory development including changes to fiscal regimes or other regulatory regimes.

<table>
<thead>
<tr>
<th>Root cause</th>
<th>Impact</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining operations, development and exploration are subject to extensive legislation and regulations.</td>
<td>Unforeseen changes to legislation, regulations and standards could impact Kumba’s licence to operate. Changes in the regulatory environment could also increase Kumba’s cost of production and failure to comply could result in the revocation of Kumba’s consents, licences and rights it requires to conduct its business. Contract disputes may impact Kumba’s reputation, relations with government and key stakeholders as well as future earnings and cash flows.</td>
<td>Kumba actively monitors regulatory developments and develops or updates applicable policies and procedures to ensure compliance. All necessary actions are being taken by Kumba management to protect the interests of the company, its employees and shareholders from legal disputes.</td>
</tr>
</tbody>
</table>

### 2. INFRASTRUCTURE

Inability to obtain adequate supporting facilities, services and installations (water, power, road, rail and port etc).

<table>
<thead>
<tr>
<th>Root cause</th>
<th>Impact</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Kumba does not own or operate any of its logistical assets. Kumba exports iron ore to international customers through a single channel rail and port. Labour and other operational risks associated with managing the rail and port operators’ assets fall outside Kumba’s direct control.</td>
<td>Inadequate support facilities, services and/or installations (water, power and transportation) may affect the sustainability or growth of the business, leading to a loss of competitiveness, market share and reputation.</td>
<td>Kumba promotes the early development of integrated strategies and alignment with the infrastructure owner/operator, development of relationships, participation in industry groups and lobbying to ensure effective provision of services by key utility providers.</td>
</tr>
</tbody>
</table>

### 3. RESOURCES AND RESERVES

Kumba’s mineral resources and ore reserves are subject to a number of assumptions which may be incorrect.

<table>
<thead>
<tr>
<th>Root cause</th>
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</tr>
</thead>
<tbody>
<tr>
<td>All assumptions related to reserves and resources are long term in nature and are subject to volatility owing to economic, regulatory or political influences.</td>
<td>Failure to maintain or enhance existing reserves or develop new operations in sufficient quantities could negatively affect Kumba’s strategic objective of delivering on growth projects and ultimately its prospects. Resource exploration and development are speculative in nature, characterised by a number of significant risks.</td>
<td>Kumba is experienced in managing reserves and resources and has robust procedures to reduce the likelihood of significant variation. All factors are consistently monitored by management. New mining properties are identified through an active exploration programme while current operations are expanded by technological applications to beneficiate medium-grade iron ore.</td>
</tr>
</tbody>
</table>

### 4. ENVIRONMENT

Kumba operations create environmental risks in the form of dust, noise or leakage of polluting substances from site operations and uncontrolled breaches of tailing dam facilities generating harm to employees, the communities near operations, air quality, water purity and land contamination.

<table>
<thead>
<tr>
<th>Root cause</th>
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</tr>
</thead>
<tbody>
<tr>
<td>The mining process including blasting and processing ore bodies can generate dust and noise and will require the storage of waste materials in liquid form.</td>
<td>Potential impacts include fines and penalties, statutory liability for environmental remediation and other financial consequences that may be significant. Any underestimated or unidentified rehabilitation costs will reduce earnings and could materially and adversely affect Kumba’s asset values, earnings and cash flows.</td>
<td>Kumba implements a number of initiatives to monitor and limit the impact its operations have on the environment, including electricity consumption, CO₂ emissions, water quantity and quality, dewatering, biodiversity, waste rock dumps, non-mineral waste, hydrocarbon spillage and dust emissions.</td>
</tr>
</tbody>
</table>
### 5. EMPLOYEE SAFETY AND HEALTH

Failure to maintain the high levels of safety can result in harm to employees, contractors and communities near our operations and damage to the environment.

<table>
<thead>
<tr>
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</tr>
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<tbody>
<tr>
<td>Mining is a hazardous industry. Kumba operates in an industry that is subject to numerous safety and health regulations. A significant growth in mining and production volumes and a consequential increase in employee and contractor numbers across the group increases the risk of injuries. Exposure to noise and dust are the most significant occupational health risks facing Kumba given the hazard profile of the business. HIV/AIDS infections, potential avian or H1N1 flu outbreaks and failure to comply to evolving regulatory health standards and adopt high levels of health management poses further health related risks to Kumba.</td>
<td>Failure to adopt high levels of safety management could result in a number of negative outcomes: harm to employees and communities that live near Kumba’s mines; fines and penalties; reputational damage; and liability to employees and third party for injury.</td>
<td>Kumba sets a very high priority on safety, investing considerable resources and constantly reviewing practices to improve safety performance at all its operations. Health related risk mitigation includes improved occupational hygiene practice through the allocation of sufficient resources (equipment, competent people, facilities and quality assurance systems), improved medical surveillance programmes to enable differentiation between workplace noise-induced hearing loss, off the job noise-induced hearing loss and other medical factors resulting in hearing loss and implementation of a corporate hearing conservation programmes standard. Kumba provides antiretroviral therapy to employees with HIV/AIDS and also undertakes education and awareness programmes to help prevent employees and their families from becoming infected or spreading infection.</td>
</tr>
</tbody>
</table>

### 6. EMPLOYEES

The inability to recruit, develop and retain appropriate skills. A risk of strike or other industrial relations disputes may occur.

<table>
<thead>
<tr>
<th>Root cause</th>
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</thead>
<tbody>
<tr>
<td>Kumba is, to a great extent, reliant on a large number of people employed in its operations. Despite Kumba’s good relations with bargaining unit employees and their trade unions, we remain exposed to risks as a unionised operation posed by organised labour disruptions and disputes. The strong commodity cycle and large number of projects being developed in the resources industry have led to increased demand for skilled personnel.</td>
<td>Failure to retain skilled employees or to recruit new staff may lead to increased costs, interruptions to existing operations and delay in developing of new projects. Labour disruption would result in loss of production and financial losses whilst a high employee turnover could result in loss of critical skill and corporate memory.</td>
<td>Kumba mitigates the unionised environment through a process of constructive dialogue with trade unions and the maintenance of effective working relationships. A number of strategies are implemented to mitigate the employee turnover risk, including attention to an appropriate suite of reward and benefit structures, retention allowances for key skills and a revised housing strategy for existing employees and ongoing refinement of Kumba as an attractive employee proposition.</td>
</tr>
</tbody>
</table>

### 7. SOCIAL

In considering the needs and quality of life of our community stakeholders, Kumba is in discussions with elected representatives of the Dingleton townships (28km from Kathu) and Northern Cape Provincial Government, to develop a mutually beneficial solution to issues arising from the community’s proximity to the mining operation at Sishen Mine.

<table>
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<tr>
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<tbody>
<tr>
<td>In considering the needs and quality of life of our community stakeholders, Kumba is in discussions with elected representatives of the Dingleton townships (28km from Kathu) and Northern Cape Provincial Government, to develop a mutually beneficial solution to issues arising from the community’s proximity to the mining operation at Sishen Mine.</td>
<td>The community’s proximity to the mining operation at Sishen Mine poses both safety and health risk to the community. The impact of this proximity could result in fines, penalties and liability to third party for injuries.</td>
<td>Kumba has developed comprehensive processes to enable its business units to effectively manage relationships with communities and actively seeks engagement with all affected communities impacted by its operations.</td>
</tr>
</tbody>
</table>
### 8. FOREIGN EXCHANGE

Kumba is exposed to currency risk where transactions are not conducted in Rands.

<table>
<thead>
<tr>
<th>Root cause</th>
<th>Impact</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kumba’s iron ore export prices are determined in US Dollars and the company negotiates iron ore prices in that currency with customers.</td>
<td>Transactions denominated in foreign currencies expose Kumba to exchange rate fluctuations and could result in economic or accounting losses.</td>
<td>Kumba sells US Dollar export proceeds on a short-term rolling forward basis with the view of reducing any short-term cash borrowings and matching the cash requirements of the company on a day-to-day basis. US Dollar export proceeds acts as a natural hedge for operating activities while major capital expenditure is hedged.</td>
</tr>
</tbody>
</table>

### 9. COMMODITY PRICE AND DEMAND

Commodity prices of iron ore is subject to wide fluctuations.

<table>
<thead>
<tr>
<th>Root cause</th>
<th>Impact</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fluctuations in commodity prices (iron ore) and freight rates can occur due to sustained price shifts reflecting underlying global economic and geo-political factors, industry demand and supply balances and product substitution. Demand for Kumba’s products are influenced strongly by world economic growth, particularly that in Europe and Asia (notably China). Kumba remains dependent on strong economic growth in and iron ore demand from China.</td>
<td>Kumba’s exposure to China’s economic fortunes and economic policies has increased. Lower economic growth in China could negatively impact Kumba’s revenues, cash flows, profitability and asset values. If commodity prices remain weak for a sustained period, Kumba’s ability to deliver growth in future years may be adversely affected as growth projects may not be viable at lower prices.</td>
<td>Kumba manages this risk through constant monitoring of the markets in which it operates, including economic growth, iron ore supply and demand, iron ore spot price and freight rate movements.</td>
</tr>
</tbody>
</table>

### 10. OPERATIONAL PERFORMANCE

Failure to meet production targets or project delivery times and cost.

<table>
<thead>
<tr>
<th>Root cause</th>
<th>Impact</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kumba’s operations are subject to the risks and hazards normally encountered in open-cast mining operations. These risks include environmental hazards, such as unexpected geological pressures and ground subsidence, and operational risks relating to materials handling, industrial accidents, blasting and removing material from open-cast pits. Mining and beneficiation processes also rely on key inputs, for example fuel and electricity. Appropriate insurance can provide protection from some, but not all of the costs that may arise from unforeseen events. Kumba seeks to develop new mining properties and expand its existing operations as a means of generating shareholder value. Unanticipated delays and project execution complications along with increasing regulatory, environmental and social approvals may result in significant increases in construction costs and/or delays in construction.</td>
<td>If any of these risks should materialise, such an event could result in serious harm to employees and contractors, delays or losses in production, increased production costs and possible increase in liabilities. Disruption to the supply of key inputs, or changes in their pricing, may have a material and adverse impact on Kumba’s asset values, costs, earnings and cash flows. Failure to meet production targets could result in increased unit costs. The impact is pronounced at operations with a high level of fixed costs. Significant increases in construction costs and/or delays in construction could materially and adversely affect the economics of projects and consequently impact on Kumba’s asset values, costs, earnings, cash flows and prospects.</td>
<td>A number of strategies have been implemented to mitigate this, including management oversight of operational and project performance through regular briefings, increased effectiveness of procurement activities through participation in the One Anglo Supply Chain and other Asset Optimisation business improvement initiatives to reduce costs. Kumba also has established project delivery and management practices, and capabilities to ensure project delivery ahead of schedule and below projected costs.</td>
</tr>
</tbody>
</table>
DEMAND

During 2010, world crude steel production rose 17%, to approximately 1.4 billion tonnes – 6% higher than 2008’s pre-crisis levels of 1.33 billion tonnes. Crude steel production in Kumba’s traditional markets (Europe, Japan and Korea) grew 24%, but is still slightly below 2008 levels.

In China, crude steel production grew by 9% year on year from 574Mt to a level of 627Mt. This is up 25% on 2008 levels. Chinese crude steel production decreased in the second half of the year when compared to the first half, as a result of lower domestic steel prices and energy conservation measures.

GLOBAL CRUDE STEEL PRODUCTION

While global crude steel production grew by 17% in 2010, total global seaborne iron ore trade rose by only 5%, to a level of 979Mt. Kumba’s traditional markets, Europe, Japan and Korea, increased seaborne imports by 24%, matching their increase in crude steel production. European steel demand during 2010 was largely supported by machinery manufacturing and export growth experienced in Germany and France.

Although China’s crude steel production grew by 9% in 2010, its seaborne imports actually decreased slightly in 2010 – to a level of 610Mt, down from 621Mt in 2009. These numbers include seaborne imports and imports from Mongolia and Kazakhstan, together totalling approximately 9Mt*. The remainder of the iron ore requirements in China were made up of domestic production which increased by 34% year-on-year to 285Mt incentivised by high iron ore prices. This is virtually the same level which was achieved in 2008. Spot prices remained firm and increased during the year due to the availability of ore being tight as supply to the traditional markets returned, the Indian iron ore export ban and extended monsoon, and supply disruptions in Australia and Brazil, affected supply.

* These numbers are also reported on an ‘as is basis’ and not converted to a 62% Fe basis. China’s use of imported ore dropped from 615Mt to 603Mt. These numbers now exclude imports from Kazakhstan and Mongolia, and are reported on a 62% Fe basis.
Steel demand from the European construction industry is expected to remain weak, whilst steel production in Japan and Korea is also expected to remain subdued during 2011. This could impact negatively on seaborne iron ore demand in the aforementioned regions during 2011. However, in China, which remains the mainstay of global seaborne demand, prospects are more positive.

China aims to restructure its economy through the next five-year plan, focusing on sustaining growth instead of rapid expansion. Steel intensive government projects are furthermore expected to remain priority areas for investment, but measures to cool off the property market are expected to dampen growth in steel production somewhat. China’s crude steel production is expected to grow to approximately 670Mt in 2011 – an increase of between 5% and 10% with a subsequent positive impact on seaborne iron ore demand.

SUPPLY

The outlook for the seaborne iron ore market in 2011 remains robust with no major global ‘greenfields’ iron ore projects expected to come on line in 2011. Supply disruptions, for example floods, infrastructure issues, export bans in other iron ore producing regions are also expected to put additional pressure on seaborne iron ore supply during 2011. It is furthermore believed that Chinese domestic iron ore production is operating at or very near full capacity, and is expected to remain in a range between 300 and 330Mt in 2011.

Consequently, with China’s crude steel production expected to grow by circa 5% in 2011, it is anticipated that the global supply-demand balance for iron ore will remain tight in 2011 with an increase in seaborne imports thus required. As a consequence, spot prices are expected to remain strong but potentially volatile during most of 2011.
SISHEN MINE OVERVIEW

Safety and health
Social responsibility and community development
Environment management
Compliance with mining charter
Organisational capability and creating performance culture

Operational review: Sishen Mine

MANAGEMENT TEAM

Andrew Loots [43]
General Manager
BEng (Mech), MBA

Relief Louw [46]
Manager business improvement
BEng (Electrical), Diploma Data Metrie, NEM

Susan Bezuidenhout [38]
Manager human resources
MCom (Industrial Psychology)

Tanya Aucamp [42]
Acting Manager sustainable development
BA (Hons) (Comm)

Nico Smit [35]
Manager plant
BEng (Met) and MBA (cum laude)

Prajay Maharaj [35]
Manager finance and admin
BCompt (Hons), CA(SA)
PERFORMANCE SUMMARY

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total tonnes mined (Mt)</td>
<td>153.2</td>
<td>128.3</td>
<td>108.8</td>
<td>104.4</td>
</tr>
<tr>
<td>ROM production</td>
<td>51.2</td>
<td>46.2</td>
<td>44.6</td>
<td>38.9</td>
</tr>
<tr>
<td>Waste mined</td>
<td>102.0</td>
<td>82.1</td>
<td>64.2</td>
<td>65.5</td>
</tr>
<tr>
<td>Final product (Mt)</td>
<td>41.3</td>
<td>39.4</td>
<td>34.0</td>
<td>29.7</td>
</tr>
<tr>
<td>DMS</td>
<td>28.0</td>
<td>29.0</td>
<td>28.4</td>
<td>29.5</td>
</tr>
<tr>
<td>Jig</td>
<td>13.3</td>
<td>10.4</td>
<td>4.7</td>
<td>0.2</td>
</tr>
<tr>
<td>Additional initiatives</td>
<td>–</td>
<td>–</td>
<td>0.9</td>
<td>–</td>
</tr>
<tr>
<td>Stripping ratio (times)</td>
<td>1.9</td>
<td>1.8</td>
<td>1.4</td>
<td>1.7</td>
</tr>
<tr>
<td>Cost per tonne (R/tonne)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total cost</td>
<td>128.7</td>
<td>111.1</td>
<td>110.8</td>
<td>79.9</td>
</tr>
<tr>
<td>Cash cost</td>
<td>113.7</td>
<td>98.8</td>
<td>101.9</td>
<td>74.3</td>
</tr>
<tr>
<td>Total sales (Mt)</td>
<td>41.1</td>
<td>38.2</td>
<td>30.5</td>
<td>30.5</td>
</tr>
<tr>
<td>Export</td>
<td>36.1</td>
<td>34.2</td>
<td>24.9</td>
<td>24.0</td>
</tr>
<tr>
<td>Domestic</td>
<td>5.0</td>
<td>4.0</td>
<td>5.6</td>
<td>6.5</td>
</tr>
<tr>
<td>Safety</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lost-time injury frequency rate</td>
<td>0.15</td>
<td>0.09</td>
<td>0.12</td>
<td>0.23</td>
</tr>
<tr>
<td>Fatalities</td>
<td>1</td>
<td>–</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

HIGHLIGHTS

Contained at R113.69

UNIT COST/TONNE

0.15

LTIFR

One

FATALITY

Bioremediation

OF LEGACY HYDROCARBON POLLUTION

Social and community spend

R77.4 MILLION

TOTAL TONNES MINED (Mt)

51.2Mt ROM production

102.0Mt waste mined

FINAL PRODUCT (Mt)

28Mt DMS plant

13.3Mt jig plant

Hannes Cronje [37]
Manager mining
BEng [Mining],
MBA, MMCC

Howard Nicholas [52]
Manager safety,
health, environment and quality SHEQ
NDIP Safety Management NADSAM

Gerrit Brits [54]
Sishen head of projects
BSc [Eng] [Civil]

Lambert Mostert [54]
Manager engineering
NDIP and GCC Electrical
**GEOLOGY**

- Mining started in 1953, first ore exported in 1976
- Large haematite ore body: ±14km x 3.2km x 400m
- Lump to fine ratio of 60:40 compared with 30:70 globally. Lump ore is highly valued by steelmakers. Lump ore is a rare commodity and on the decline globally.

**SUSTAINING OUR FINANCIAL PERFORMANCE**

Total production at Kumba’s flagship Sishen Mine increased 5% year on year to 41.3Mt. Run of mine production increased 11% to 51.2 million, whilst waste mined was substantially higher at 102 million tonnes, up 24%, which resulted in a stripping ratio of 1.9 for the year.

The DMS plant at Sishen Mine produced 28Mt for the year, just below its design capacity of 28.4Mt. With the jig plant fully ramped up, production increased 28% to 13.3Mt for the year, above the plant’s name-plate capacity of 13Mt. This was due to higher grade feed material being fed to the plant. As this feed returns to its planned grade the capacity of the jig plant will return to 13MT per annum.

The increase in Sishen’s cash unit cost has been contained to 15% – R13.69 per tonne from the R98.83 per tonne achieved in 2009. Operating costs were under significant pressure due to large increases in activities at the mine, including a 20% or 24% increase in waste mining, which was partially offset by the 5% increase in production over 2009.

Costs were contained through the mine’s asset optimisation initiatives focusing on improving the efficiency of mining operations on a sustainable basis and procurement savings.

Kumba remains focused on achieving further benefit from successful cost management, operational efficiency and revenue enhancements which together added to R1.9 billion (including shipping and niche products) in 2010. The Sishen Mine transformation programme (known as ‘start of Bokamoso’) delivered operational efficiency gains which limited mining cost increases by R340 million.

Cost control continues as the mine face the challenges of increased waste mining.

The 2010 phases of Asset Optimisation at the mine brought improvements in the DMS and jig plants yields and reduced maintenance shutdown time at of the DMS plant. These initiatives saw the jig plant produce in excess of design capacity and mitigated production challenges experienced at the DMS plant. Further benefits of R687 million came from procurement savings.

**SAFETY AND HEALTH**

Having gone without a fatality the previous year, one was sadly recorded during 2010. Mr Fanie Ramalapi died as a result of injuries sustained from an exploding tyre. The explosion has been attributed to pyrolysis caused by lightning striking the vehicle. To prevent future occurrences of pyrolysis, the mine will use nitrogen to inflate haul truck tyres and install tyre pressure and temperature gauges in the cockpit.

Sishen Mine had 15 lost-time injuries during the year translating into an LTI FR of 0.151. The number of injuries and the fatality did not dampen the mine’s safety drive. Focus continued on vehicle collision avoidance, the implementation of the fatal risk standards, and on managing fatigue, particularly of those employees working from midnight to dawn.

A key risk area for the mine is contractor safety. Contractor safety is aligned with Kumba’s safety programmes. During 2011, the mine will be making a concerted effort to ensure that contractor safety is aligned with Kumba’s safety expectations – this implies not just contractor assurances that these expectations are being met, but demonstrable evidence thereof.

The mine hosted a safety and health representative conference. The 200-odd delegates met in Kathu to workshop key safety issues, solve safety problems, and pool their knowledge for use as a source of learning and inspiration.

Sishen Mine’s major occupational health risk is noise-induced hearing loss. There were no new reportable cases during the year. HIV/AIDS continues to receive attention, with 90% of the workforce being tested during the year. Those employees who are HIV positive are all enrolled on the company’s wellness programme, and those requiring ARVs are receiving the necessary medication.

**HUMAN RESOURCES**

Sishen Mine employs about 4 215 people, excluding approximately 4 217 contractors. The mine is acutely aware of the need to address employee wellbeing as a core strategy which, if properly conceived and implemented, will increase employee fulfilment, increase productivity, and, of special importance, improve safety performance.

This appreciation of the holistic nature of human resources is translated into a number of key employee programmes.

First is the mine’s diversity programme. The proportion of HDSAs in management was 42.38% in 2010, and the proportion of women in core disciplines 10% – this exceeded the mine’s internal target, and represents growth of 5% over 2009. The mine will recruit more women to core positions by proactively focusing on its pipeline of employable women, as well as providing bursaries to school learners at the Kathu Further Education and Training (FET) College.

**LOGISTICS**

- Export ore is transported via Sishen-Saldanha Iron Ore Export Channel to Saldanha. Rail and port operations owned and operated by parastatal, Transnet
- Joint Transnet/industry team established to explore potential for further Sishen/Saldanha Iron Ore Export Channel expansion in the Northern Cape beyond 60Mt per annum

The mine blending beds.

A drum reclaimer on one of the Sishen Mine blending beds.
These women would then be recruited once their studies into technical learnerships are completed. The mine’s focus on recruiting women into core mining disciplines has meant that it has been necessary for the mine to develop training and wellness programmes designed specifically for these employees covering inter alia pregnancy, child care and coping skills in stressful work environments.

Secondly, the mine’s housing programme is on track. Conversion of hostels to single quarters is scheduled for completion in 2012. Four blocks were finished in 2010, six will be refurbished in 2011 and four in 2012. Interim housing will be required to cater for those residents leaving the hostels.

Thirdly is the roll out of the Ithuseng initiative, the term meaning for life in Tswana. This is a holistic employee assistance programme designed to provide the full spectrum of employee assistance. A related programme involves employees considering their lives in detail including their purpose in life, their careers, coping with diversity (understanding prejudice) and change which will be implemented in 2011 and 2012.

Related to this is the deployment of occupational health practitioners on every shift – even the red eye shifts. The practitioners are there to build relationships with the teams and provide individuals support, pick up potential issues before they mushroom into something big and offer counselling to employees on real life issues including substance abuse and fatigue management.

The final initiative of significance was the roll-out of the company’s values. Each month saw a different value being showcased and demonstrated. A value scorecard was developed whereby each employee could evaluate themselves according to their own behaviour. The underlying motivation for the roll-out was to get employees to understand what it means to work for a company whose motto is to make a difference.

SOCIAL AND COMMUNITY DEVELOPMENT

Sishen Mine is extremely proud of its social and community development programme. The mine is widely recognised for its efforts in this regard and continues to work hard at maintaining its reputation. More than its reputation, mine management understands the term “social licence to operate”, and as such has a comprehensive stakeholder engagement strategy, a well thought out social and labour plan, and the resources to ensure that these are implemented.

Social and community development is detailed in the SLP, which contains the mine’s commitments for a five-year period, but also includes projects and programmes that are not identified in the SLP. Sishen’s development agenda includes the provision of infrastructure; education, health and welfare services; and enterprise development, the latter through the Anglo American Zimele Hub in Kathu (refer to the table on the following page).
The enterprise development support provided by the hub:

<table>
<thead>
<tr>
<th>Year</th>
<th>Enterprises submitted for development support</th>
<th>Turnover generated</th>
<th>Loans made</th>
<th>Loan repayments</th>
<th>Jobs created</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>11</td>
<td>R28.6 million</td>
<td>R4.6 million</td>
<td>R5.8 million</td>
<td>316</td>
</tr>
<tr>
<td>2008 – 2009</td>
<td>26</td>
<td>R54.0 million</td>
<td>R10.7 million</td>
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</tbody>
</table>

A critical element in Sishen Mine’s social and community development strategy is the emphasis it places on doing its homework prior to providing finance to an entrepreneur, to funding an education programme or building a clinic. The mine recently commissioned a study on the status quo of small and medium enterprises and local economic development in the Northern Cape. The findings will be used by Sishen Mine in developing its new SLP.

The relocation of the residents of Dingleton is also under consideration. The project is moving into the feasibility phase and has the overwhelming support of residents. The Northern Cape Government is very involved in the process and is acting to safeguard the interests of all who are involved. A portion of land to the south east of Kathu has been identified for the resettlement of the Dingleton community.

**ENVIRONMENT**

Sishen Mine attended to three major environmental issues during 2010 (other significant issues, including energy and water consumption and efficiency, are considered in the Responsibility Report):

- Dewatering;
- Pollution; and
- Land management and rehabilitation.

Dewatering and pollution at Sishen Mine have been erroneously linked in the media. As mentioned in the Chief Executive’s review, dewatering at Sishen Mine impacts local farmers because groundwater is drawn down and thus becomes unavailable for use by the farmers. Of the farmers affected, only a very small minority were not satisfied with the mine’s efforts to remedy their situation. Sishen Mine recognises that as much as the issue is a technical one, it is also about relationships. As a consequence, the mine has employed a full-time person, Mr Hermie Spangenberg, to manage the issue and liaise with the farmers. In addition, a new groundwater study has been commissioned to provide analysis into the mine’s impact on the Gamagara River. The mine hopes that this will be the final study commissioned to understand its impacts and that the recommendations put forward will be adopted by all concerned parties.

The pollution issue concerns current contamination with diesel of soil and historical contamination of soil and the shallow aquifer at isolated points along the fuel pipeline which runs from the Total depot to the Aldag fuelling station. This contamination is as a result of an underground fuel pipeline which burst in the 1990s and whose impact is being dealt with presently. Cleaning up the pollution is through bioremediation of contaminated soil and through cleaning contaminated water in the shallow aquifer. The mine stresses that the pollution of the shallow aquifer is isolated. The deeper aquifer has not been polluted.

Sishen Mine’s rehabilitation strategy is still being finalised. The DMR has granted the mine permission to rehabilitate waste rock dump slopes at 24º, which is the natural angle of repose of the dumps without any modification. The key is to ensure that the vegetating process is successful at this angle. From a land management perspective, Sishen Mine auctioned its livestock herd and is in the process of fencing off some of its land to prepare for game farming.

**FUTURE OUTLOOK**

At Sishen Mine significant work has gone into optimising the life of mine plan. It is practice at Kumba that through the planning process the pit size is selected to optimise return to shareholders, considering long-term price and marketing trends within the capability of the resource.

Since 2004 the ore reserves have been increased by 360Mt despite the depletion of 273Mt during the same period. This occurred in two distinct tranches as lower grade resources were added to reserves for the jig plant in 2005, as lower grade resources were converted to reserves, and additional resources were converted to resources in 2010 due to the improved long-term economics allowing for a larger pit to be mined. The downside of this is higher stripping ratios but significantly more value is added by this process.

Sishen Mine is entering a period of significant waste ramp-up due to the dipping of the ore to the west. The first year of this significant ramp-up was successfully completed in 2010. Over the next three to four years the stripping ratio, based on ex-pit ore mined is forecast to increase steadily towards three and over the LOM, the average stripping ratio to 3.5.
THABAZIMBI MINE OVERVIEW

Safety and health
Social responsibility and community development
Environment management
Compliance with mining charter
Organisational capability and creating performance culture

New pits opened to mine the resources included in the revised LOM plan which will extend the mine’s life to 2016

Sales to ArcelorMittal increased 14% to 2Mt

Project Phoenix to replace production from current mine; in pre-feasibility stage

MANAGEMENT TEAM

Cornelia Holtzhausen (38)
General manager
BSc (Metallurgical Eng), MBA, PR Eng (Professional Engineer)

Lesego Mataboge (38)
Manager human resources
BA, Postgraduate Diploma in Human Resources

Sabelo Gumede (38)
Manager safety and sustainable development
BSc (Hons), MSc

Dries Burger (57)
Manager finance
BCom (Accounting), NDip Management

Barry Le Roux (56)
Acting manager asset optimisation and projects
Higher Diploma in Industrial Engineering

Pieter Lategan (44)
Manager mining
BSc (Mechanical Eng), BSc (Mining Eng)

Ore stockpiles at Thabazimbi Mine.
**PERFORMANCE SUMMARY**

<table>
<thead>
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<td>Total tonnes mined (Mt)</td>
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<td>ROM production</td>
<td>2.2</td>
<td>3.1</td>
<td>3.2</td>
<td>3.3</td>
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<td>33.2</td>
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</table>

**HIGHLIGHTS**

**Cost plus 3%**

**RECOVERY FROM ARCELORMITTAL**

**Safety**

**FIRST FATALITY IN EIGHT YEARS**

**8 000 trees**

TREES, SHRUBS AND GRASSES PLANTED ON WASTE ROCK DUMPS IN THE DONKERPOORT PIT AREA

**Project Phoenix**

PRE-FEASIBILITY STAGE

ONSTREAM POST 2016

3.4Mt per annum LUMP AND FINE ORE PRODUCTION PROJECTED

**TOTAL TONNES MINED (Mt)**

2.2Mt ROM production

33.2Mt waste mined

**Integrated water use licence**

ONE OF THE FEW MINES TO OBTAIN THIS

**Operational review: Thabazimbi Mine**

**Board of Directors’ Annual Report 2010**

Kumba Iron Ore Limited

---

**Alfred Mathenjwa (34)**
Manager plant
BSc (Chemical Engineering), MBA, PR Eng (Professional Engineer)

**Gerhard Theron (43)**
Manager engineering
BEng (Electrical), BEng (Mechanical)

**Kenneth Kgomo (38)**
Manager supply chain
BCom (Operational Research), MBL
EXPANDING OUR BUSINESS

- Mining started in 1931 as an underground operation. Underground operation stopped in 1997
- Mining from three pits
- Ore body: 13.9Mt ore reserves
- Lump to fine ratio of 42:58

SALES

- Supply agreement with ArcelorMittal to supply 2Mt per annum domestically to Vanderbijlpark and Newcastle steel mills
- Cost +3% management contract – managed through a joint Management Committee

SUSTAINING OUR FINANCIAL PERFORMANCE

After almost 80 years in continuous operation the Thabazimbi Mine is nearing the end of its life. The mine started producing in 1931 and the resource exploited in terms of the existing ArcelorMittal contract is scheduled to be mined out by 2016.

In 2010, in line with the life of mine plan, production at the mine decreased by 19% to 2.2Mt. The stripping ratio increased to 16.6 and waste mined almost doubled to 33.2Mt compared to 2009 as new pits are being opened up to be able to mine the resources included in 2009 in the revised life of mine plan (to extend it to 2016). Sales to ArcelorMittal increased 14% to 2Mt.

Thabazimbi is a marginal mine, operated on a cost plus 3% basis, with all costs and capex paid for by ArcelorMittal. Hence the mine’s contribution to Kumba’s profitability is very small.

SAFETY AND HEALTH

Thabazimbi Mine recorded its first fatality in eight years in 2010. Mr Koos Mashango, a contractor employee, was fatally injured when the haul truck he was driving went over a berm wall. He apparently approached the berm at an oblique angle instead of perpendicularly as required. During the year, the mine also recorded five lost-time injuries, the most serious of which was a hand injury caused by a grinder.

Of key importance is preventing the fatality and any other incident from recurring. To this end, the mine’s safety drive is focused on employee behaviour, safety processes and the technology that can be used to improve working conditions. At the end of 2010, Thabazimbi Mine boosted its STEP (Safety Through the Empowerment of People) and VFL (Visible Felt Leadership) programmes and also focused attention on the importance of discipline in preventing incidents. To improve visibility in the pits, the mine also improved its induction programmes – forewarned is forearmed. The mine also relocated safety officers to oversee contractors and ensure that their behaviour is in line with Kumba’s expectations.

Noise and dust are the key occupational health hazards. Dust suppression is achieved through watering and the use of dust suppressants (e.g. dust-a-side and marine water). The mine reinforced its Hearing Conservation Programme in 2010 with new initiatives and there was a significant improvement in terms of noise awareness in and outside the workplace. This initiative was aligned with the 2010 World Cup to deliver key messages about the importance of using personal protective equipment (PPE).

Overall fitness for work is an important focus area for Kumba. The mine is attempting to get employees to understand their health status and what is required to maintain fitness for efficient work levels.

The mine adopts a holistic approach, discussing with employees the need for work-life balance, diet, exercise and emotional stability.

Thabazimbi Mine tested 94% of its permanent workforce for HIV. A new wellness centre funded by the mine is almost ready for occupation and will also cater for local people and contractors when operational. The centre will be privately run with some funding provided by Kumba.

HUMAN RESOURCES

The proportion of HDSAs in management is 49.30%. Because of the demand for HDSA managers, retaining these employees is a challenge, as is the availability of suitable replacements. Thus Thabazimbi Mine has a simple two-pronged strategy: retention, and a focus on growing a pipeline of suitable HDSA managers.

10.7% of the mine’s employees are women, including the general manager, 7.4% of which occupy positions in core disciplines. A challenge for the mine is to recruit suitable female candidates to pass the initial physical assessment for core disciplines. These assessments are arduous and simulate conditions similar to what is required in the specific job.

OPERATIONAL REVIEW: THABAZIMBI MINE

Post-2016 Kumba’s Project Phoenix will come on-stream at Thabazimbi Mine to replace production from the current mine. This project is currently in the prefeasibility stage, which is due for completion by end 2013. ArcelorMittal previously elected not to participate in Project Phoenix and alternative marketing models are being investigated.

Exploration activities started in earnest in 2009 and continued during 2010 as part of the prefeasibility study. This drilling will continue as per schedule into 2011 and beyond.

Project Phoenix will produce 3.4Mt per annum in total of lump and fine ore per annum.
MINING AND PRODUCTION
- Open-pit mining operation using trucks and shovels
- Pre-stripping results in high stripping ratios which increased mining cost significantly
- Entire ROM beneficiated through
  - High yield dense medium separation (DMS)
- Thabazimbi Mine products:
  - 30mm 62% Fe lump
  - 8mm 62.5% Fe fine

FUTURE
- Life of mine remains as 2016
- Project Phoenix study progressing and is expected to replace production from Thabazimbi Mine

SOCIAL AND COMMUNITY DEVELOPMENT
Thabazimbi Mine, while not the biggest mining operation in the area, plays a key role in local economic development and provides support to the local municipality given its location within the town of Thabazimbi. The mine is currently developing its new social and labour plan which spans the period 2012 – 2016. This process requires that Thabazimbi Mine understands the requirements of the new mining charter as well as the needs of the local community. The mine’s social and community development spend is allocated as seen on the right.

ENVIRONMENTAL ISSUES
The mine’s rehabilitation efforts focused on the planting of about 8 000 trees, shrubs and grasses on the waste rock dumps in the Donkerpoort pit area. Prior to planting, some 512 000 tonnes of material had to be moved to prepare the area for rehabilitation. The entire Thabazimbi Mine is located on a farm, part of which is mined and the remainder used for nature conservation purposes. The lodge located within the Ben Alberts Nature Reserve, situated on mine land, is being converted into a tourist facility which will endure post-closure.

Thabazimbi’s waste management facilities are being upgraded through the licensing and construction of bioremediation and central waste sorting facilities, in line with the new National Environmental Management: Waste Act. The bioremediation facility is being constructed to treat soils contaminated with hydrocarbons thereby obviating the need for disposal of contaminated soil at hazardous waste disposal facilities. Contamination results from spillages during breakdowns and during the washing of mine vehicles. The central storage facility is planned to sort general waste into waste that can be reused, recycled or sent to landfill (the premise of the storage facility is to reduce the amount of waste disposed of).

Thabazimbi Mine received its integrated water use licence during 2010, one of only a few mines in Limpopo to achieve this. A model of the mine’s impacts on groundwater is currently being compiled. To this end, numerous boreholes were sampled on mine and adjacent property.

The mine’s water-use intensity, expressed as litres per tonne of ore mined, did not meet the set target. This was due to inefficiencies in the plant, water spillages and to lower volumes of ore being treated. In the case of the plant, water-use efficiency increases as the volume of ore increases. The key to better use of water is clearly to prevent spillages and explore opportunities to increase efficient recovery of used water. The mine also installed a real-time water measurement system to improve data collection and thus enable the mine to better plan interventions designed to reduce consumption.

Thabazimbi Mine is working with the local municipality to upgrade the municipal sewerage works. The benefit of this is twofold – the mine has access to grey water (and thus reduce its consumption of potable water) and the town has a functioning treatment works.
KOLOMELA MINE OVERVIEW

Safety and health
Social responsibility and community development
Environment management
Compliance with mining charter
Organisational capability and creating performance culture

Remains on schedule
On budget

Kolomela Mine will add another 9Mt per annum to Kumba’s export production capacity

Kumba’s strategic pillars

Organisational responsibility and capability

Optimising value of the current operations

Capturing value chain

Operational review: Kolomela Mine

Aart van den Brink (49)
General manager
MSc Eng [Mining]

Gerhard Brand (45)
Manager mining
BEng (Mech), MBL

Mike Carney (48)
Manager mineral resource management
BSc (Hons) Geology

Gert Ferris (48)
Manager operations supply chain
Diploma Telecoms, BProc, LLB, LLM; Advance Supply Chain

Analene Fielding (36)
Manager finance
BCom [Business Management]

Rita Dompkiets (64)
Manager safety, health, environment and quality
NDSAM, BCom [Nursing] and DOH

The new Kolomela Mine is more than 80% complete.
**OPERATIONAL REVIEW: KOLOMELA MINE**

Theo Kleinhans (59)
Manager plant
BSc (Hons), MSc, MBL

Kobus Kruger (44)
Manager human resources
BCom (Hons) [HRI], Dip Labour Relations

Anesan Naidoo (32)
Manager engineering
BSc Eng (Mech), MBA, Pr Eng, GCC

George Benjamin (32)
Manager sustainable development
NDip Hotel and Tourism Management

**PERFORMANCE SUMMARY**

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<th></th>
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<td>Total tonnes mined (Mt)</td>
<td>18.6</td>
<td>4.0</td>
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<tr>
<td>ROM production</td>
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<td>–</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Waste mined</td>
<td>18.6</td>
<td>4.0</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Final product (Mt)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Stripping ratio (times)</td>
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<td>–</td>
<td>–</td>
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<tr>
<td>Safety</td>
<td></td>
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<td>Lost-time injury frequency rate</td>
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<td>Fatalities</td>
<td>1</td>
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**HIGHLIGHTS**

**First production**
TOWARDS END OF FIRST HALF 2012

**One calendar year**
LTI-FREE

**Rehabilitation plan**
REHABILITATE PITS CONCURRENTLY WITH MINING

**421 houses**
CURRENTLY BEING CONSTRUCTED

**718 total houses**
TO BE COMPLETED BY 2012

**Total waste mined**
22.6Mt

**Anticipated full production**
2013
EXPANDING OUR BUSINESS

The new Kolomela Mine being developed at Postmasburg, Northern Cape, is one of Anglo American’s top four expansion projects worldwide. The mine represents the next growth phase for Kumba, following on the jig plant which expanded at Sishen Mine, 80km to the north.

Both the jig plant and the Kolomela Mine are part of the company’s strategy to increase production to 70Mt per annum by 2019. Kolomela will add 9Mt per annum to the total.

Mining operations have already commenced with waste stripping increasing to 18.6Mt for the year; achieving a half-yearly run rate of 10.4Mt in the second half of 2010.

Kumba expects to mine 1.3Mt of waste in the first half of 2011 as the pit is opened to be ready for production of first ore at the end of the first half of 2012. Steady state waste stripping at Kolomela will be 15Mt per half year or 30Mt per annum from the first half of 2013 onwards. At this run rate a stripping ratio in the order of 3.3 will be achieved for Kolomela Mine. The stripping ratio is expected to remain fairly constant over the life of mine.

The mine will ramp up to full capacity in 2013. It will have 28 years’ life and produce direct shipping ore (DSO) with product qualities of 64% Fe lump and 63.5% Fe fine ore for the export market. Future operating costs are expected to be slightly lower than at Sishen Mine mainly due to the fact that the Kolomela Mine ore will not be dense media or jig beneficiated. The delivered cost at the port will be higher due to higher transport and port costs.

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A key obstacle in building these houses is the underlying geology of Postmasburg, which includes dolomite as well as the administrative processes typical of such an infrastructure project.

SAFETY

The project suffered one fatality during 2010. Mr Moses Machacha died as a result of injuries sustained from an exploding tyre, caused by pyrolysis resulting from the tipper truck touched the overhead power line.

Kolomela Mine is mindful of the fact that as the mine becomes operational and the processes more complex, and with an increasing number of employees, that incidents become more likely. To counter this, the mine has appointed additional safety officers and other safety professionals.

Noteworthy, Kolomela Mine achieved one calendar year LTI-free and the project to develop the mine achieved 8.6 million LTI-free hours.

HUMAN RESOURCES

When fully operational, Kolomela Mine will employ 830 permanent employees. Currently, the mine employs 555 people. 51.3% of the mine’s management is HDSA and more than 90% of the mine’s employees have been recruited from the Northern Cape. Recruitment drives are focused on the Northern Cape and co-ordinated by the mine’s social and community development department.

Like other Kumba operations, Kolomela Mine is focused on the provision of infrastructure, community development, enterprise development and services such as health, welfare and education. These are all in line with the national priorities of government.

This new mining development through its SCD interventions and legislative obligations will cater for the growth of Postmasburg and its surrounding communities’ population.

The population is expected to increase due to a proportion of migrant workers and others seeking employment (it is predicted that for every permanent job at the mine, four permanent jobs are created locally).
To understand its impacts and respond accordingly, Kolomela Mine commissioned an independent study into the current and expected socio-economic conditions of local communities as a result of the mining development, and outline practical recommendations for mitigation and intervention by the mine and other stakeholders.

Kolomela has begun to implement its SLP commitments; although the mining development is still to commence operating, it has spent R36.4 million on CSI/SCD initiatives in 2010.

At the end of 2010 two major SLP projects were completed: the Khuting stormwater upgrade and the construction of Stasie Street.

These were the two significant projects the local municipality and Kolomela Mine identified as high priorities for affected communities.

ENVIRONMENTAL ISSUES

Notwithstanding the impacts associated with building the mine, the mine’s current impacts are quite limited, but will increase as the mining process ramps up. These impacts are on groundwater, air quality, biodiversity, and impacts due to an increase in ambient noise and light levels.

The dewatering of the pits at Kolomela Mine will impact neighbouring water users, specifically farmers. To this end, Kolomela Mine has established a baseline monitoring system consisting of a very extensive network of approximately 350 boreholes such that the effects of its dewatering programme will be clearly understood, including the synergistic effects of Kolomela Mine and other local mines.

The mine has also given local farmers their own borehole water level monitoring kits.

Similarly, the mine has a widespread dust monitoring system with fallout buckets situated on farmers’ land. Roads within the mining area will be coated with a dust suppressant.

Ambient light levels will be increased quite noticeably and as a result lights have been designed and placed to minimise light pollution.

Kolomela’s rehabilitation plan is to rehabilitate pits concurrently with mining. A portion of mine land is set aside as an offset for land lost during mine construction.

CONSTRUCTION

- Most of the long-lead equipment manufactured and ready for delivery
- Project 81% completed
- Services commissioning commenced and progressing on schedule
- Mining activity commenced with waste stripping. Steady-state waste stripping will be 15Mt per half year (or 30Mt per annum) from the first half of 2013 onwards

RAIL

- A 36km rail link is being constructed to connect the mine with the Sishen-Saldanha Iron Ore Export Channel
SHIPPING AND LOGISTICS
OVERVIEW

Safety and health
Social responsibility
Environment management
Organisational capability and creating performance culture

Continuously working with Transnet to find ways to effectively manage transportation of products to Port of Saldanha and to effectively handle products at the port

Ocean freight management programme ensures competitive shipping rates
Strategically located stockpiles close to major markets

Professionalised ocean freight management
In advanced negotiations to secure long-term contracts in order to lock in a low logistics cost in China to protect FOB margins

All Kumba’s exports are handled by the Port of Saldanha in the Western Cape.

MANAGEMENT TEAM

Timo Smit (42)
Global Head Iron Ore Marketing and Logistics
Applied Physics (MSc – Technical University of Delft) and Materials Science and Engineering (PhD – MIT)

Sven Oldendorf (50)
Global Head of Anglo American Ocean Freight Management
BA, Institute of Chartered Shipbrokers

Johan Deetlefs (52)
General Manager: Kumba Hong Kong Limited & Kumba Shipping Hong Kong Limited
BComp (Hons), Advanced Tax Certificate, Mining Tax Certificate, CFA, CFA

Robert Brownlee (55)
General Manager: Europe, Middle East and North Africa, Iron Ore Global

Lionel Kruger (37)
Manager: Export Operations Saldanha
BComm (Acc)
## PERFORMANCE SUMMARY

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<td>Index (%)</td>
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<td>Average price received (US$/tonne)</td>
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<td>Total volumes loaded at Saldanha Port</td>
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<tr>
<td>Total volumes shipped on behalf of customers</td>
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<td>Shipping revenue</td>
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<td>3 392</td>
<td>2 412</td>
<td>1 085</td>
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## TOTAL TONNES RAIDED

- **36.5Mt**

## VOLUMES LOADED AT PORT OF SALDANHA

- **36.7Mt**

## HIGHLIGHTS

### 5% increase

**YEAR-ON-YEAR IN TONNES RAIDED TO THE PORT OF SALDANHA**

**US$2.72 per tonne**

**ACHIEVED FREIGHT MARGINS**

**Rail transport performance**

Rail volume losses resulting from Transnet strike and derailments were made up as a result of improved Transnet performance.

### Stockpiles

- **0.9Mt at the Port of Saldanha**
- **1.2Mt at Qingdao, China**

The Sishen-Saldanha Iron Ore Export Channel is currently being expanded to be able to handle 60Mt per annum.
LOGISTICS

Logistics is a core contributor to the iron ore industry’s high entry barrier. The ability to manage this is therefore a key competitive driver.

Kumba has adopted a strategy that aims to ensure that the company extracts maximum benefits from the logistics needed to transport its products from the mine to the customer.

Rail – The company is continuously working with Transnet in order to find ways to efficiently manage the transportation of products to the Port of Saldanha and to effectively handle the products once they have arrived at the port.

Shipping – Through the newly formed global marketing organisation, Kumba is implementing an ocean freight management programme, which includes negotiating long-term shipping contracts to ensure competitive shipping rates and reduce exposure to very volatile shipping markets.

Discharge ports – A strategically located stockpile close to major markets.

RAIL

Of the 41.3Mt produced at Sishen Mine, 40.4Mt was railed by Transnet. This includes both ore railed to the Port of Saldanha and ore railed to the inland plants of ArcelorMittal.

Tonnes railed to the port increased by 5% year-on-year – to 36.5Mt, of which 1.1Mt was taken by ArcelorMittal’s Saldanha Steel plant, leaving 35.4Mt available for export.

Rail transport on the Sishen-Saldanha Iron Ore Export Channel was negatively affected by the Transnet industrial action in the second quarter, as well as derailments that occurred in the second and third quarters.

The 3.1Mt rail volume loss caused by the strike and derailments was made up during the final quarter of the year thanks to a significantly improved performance by Transnet, including the commissioning of 15 new 15E locomotives and increased focus on locomotive maintenance.

The five-yearly contract tariff review has been completed, resulting in an increased tariff for 2010. Kumba and Transnet have agreed to a simplified tariff structure going forward based on a basket of indices including PPI, labour and electricity escalations.

The Sishen-Saldanha Iron Ore Export Channel is currently being expanded from 47Mt per annum per annum to 60Mt per annum. Of the additional 13Mt, 9Mt have been allocated to Kumba for the new Kolomela Mine at Postmasburg, which will start production in 2012. This will bring Kumba’s total allocation of the export channel’s capacity to 44Mt per annum.

To make provision for future production increases Transnet, Kumba and other industry players have set up a task team to look at the next expansion of the export channel beyond 60Mt per annum. The study is currently in the pre-feasibility phase, with the feasibility study scheduled for completion in 2012.

PORTS

Volumes loaded at the Port of Saldanha increased by 6% to 36.7Mt. The company ended the year with stockpiles of 0.9Mt and 1.2Mt at the Port of Saldanha and Qingdao, China respectively.

Kumba has embarked on a project to replace the outdated iron ore sampling facility at the Saldanha terminal that has been in operation since 1976 with updated technology that would enable the company to provide a world-class laboratory service to certify the qualities of products before shipping.

The new facility has been designed to comply with the requirements of ISO 3082 (2009): Sampling and Sample Preparation Procedures. It is a fully automated sampling facility which eliminates human error in the sampling process while facilitating a quick turnaround time.

Commissioning of the R106 million facility started in the second half of 2010, continuing through into 2011. The formal accreditation process will start in June 2011 and is expected to be completed in 2012.
SHIPPING

2010 saw the recovery of Kumba’s traditional markets of Europe, Japan and Korea with corresponding increase in demand. As customers in these markets historically arrange their own shipping, volumes shipped by Kumba decreased to 18.7Mt during 2010, compared to 21.5Mt in 2009.

On a normalised basis, operating profit from shipping operations (after excluding the reversal of accounting provisions), decreased 12% to US$4.4* million as volumes shipped decreased, albeit at a slightly higher margin of about US$2.72 per tonne, compared with US$2.23 per tonne in 2009.

Kumba, together with Anglo American plc, have improved ocean freight management and now use a more sophisticated shipping service for Kumba out of Kumba’s Hong Kong offices. The company is in advanced negotiations to secure long-term contracts in order to lock in a low logistics cost in China to protect its FOB margins.

* Shipping operations are US$ based, and therefore analysed in US$.
PROJECT PIPELINE

Kolomela Mine

ON SCHEDULE AND ON BUDGET

PROJECT PIPELINE:

Sishen B Grade Project

UTILISING ‘B GRADE’ MATERIAL TO PRODUCE 64% Fe IRON ORE

SEP 1B

BENEFICIATION -1+0.2MM FRACTION OF JIG PLANT ROM FEED NOT CURRENTLY UTILISED

Sishen concentrate

EXPANSION PROJECT TO CREATE HIGH GRADE IRON ORE CONCENTRATE FROM SLIMES

Phoenix

UTILISING BANDED IRON FORMATION

Zandrivierspoort

UTILISING MAGNETITE RESOURCES

STAY IN BUSINESS:

SWEP

COMMENCED IN 2010 TO PROVIDE ACCESS TO ADDITIONAL IRON ORE IN 2013

Kumba's project pipelines supports its stated aim of increasing production to 70Mt per annum by 2019. The 9Mt per annum Kolomela Mine being developed at Postmasburg, Northern Cape, represents the next step towards this goal.

By 2013, with possible domestic sales of 6Mt from Sishen Mine, Kumba is targeting 44Mt of exports. Post 2013 the company is looking at its potential projects in the Northern Cape and Limpopo provinces, which are in different phases of study to take it to the 70Mt mark. The production growth target is dependent on market economics, the global and South African investment climate and also subject to expansion of the rail and port capacity on the Sishen-Saldanha Iron Ore Export Channel on acceptable terms. While currently focusing on optimising value from its premium South African assets, the company review from time to time international options for future projects.

During 2010 a joint task team was established between Transnet, the iron ore producers and the manganese producers to explore the potential of an expansion of the export channel beyond the 60Mt targeted in the current expansion. The feasibility studies for the further expansion is expected to be completed in 2012, and Kumba will then align its production growth plan according to the outcome of this study.

KOLOMELA PROJECT

The Kolomela Mine developments remains on target and within budget. On a cumulative basis R5.3 billion of the approved R8.5 billion Kolomela project capex has been spent to date.

Overall the project is 81% complete and remains on schedule to deliver first production towards the end of the first half of 2012, ramping up to full production of 9Mt in 2013. The commissioning of services has commenced and is progressing on schedule.

Significantly, the project team has worked 8.6 million man-hours in 2010 without a lost-time injury. The last LTI was recorded at the project site on 15 January 2010, and the project passed its previous best ever LTI-free performance of five million man-hours on 20 August 2010.

This is a remarkable achievement for a greenfields project with an average of 4 700 contractors on site, working against very tight deadlines.

PROJECT PIPELINE

The project pipeline includes completing the construction of Kolomela Mine by 2012; leveraging on technology to utilise lower grade material; pursuing identified business development opportunities in the Northern Cape and Limpopo and developing an ore replacement strategy.

Kumba has five projects in its current pipeline in different study phases and wants to develop these projects for final approval in order to reach its growth target.

NORTHERN CAPE

Sishen B Grade Project

Sishen B Grade Project aims to produce additional product, using the additional material available with the definition of the larger optimised pit shell, as well as material that became available with the redefinition of the Sishen Mine product range. This will require increased mining activity to mine the larger pit, however being able to use lower-grade materials will result in waste being reclassified as ore. The product quality will be the same as the product quality currently being produced by the jig plant (64%Fe and 60/40 Lump and fine ratio).

The ongoing resource optimisation study on Sishen Mine focuses on the optimal use of the surplus B grade material. This study is expected to be completed during 2012, and will give further guidance to the size and concept of the Sishen B Grade Project study.

This project will potentially form part of the next envisaged export channel expansion.

SEP 1B

This project's aim is to beneficiate the -1+0.2mm fraction of the jig plant ROM feed currently being discarded. This fraction was not previously included in the jig plant scope due to technical risks associated with the beneficiation and dewatering of this product. These technical risks have been mitigated.

The project has the potential to increase the jig plant product yield by 3% to 5%.
**Sishen Concentrate**
The Sishen Concentrate Project is a brownfield expansion project on Sishen Mine, aiming to produce high grade iron ore concentrate from both the DMS and jig slimes.

**LIMPOPO**

**Phoenix**
This project aims to utilise the large quantities of banded iron formation (BIF) material available in the Thabazimbi ore reserves through increased liberation by crushing down to 5mm top size and through jig and gravity concentration of the -5mm material. Phoenix in its current form will produce 3.4Mt per annum of a combination of fine ore (>80%) and some lump ore. The lump ore becomes available when the BIF material is mined, exposing more haematite ore for lump ore production.

Exploration activities at the Phoenix site in Thabazimbi continued during 2010 as part of the prefeasibility study, which is scheduled for completion by end 2013. This drilling will continue as per schedule into 2011.

**Zandrivierspoort**
This project situated in the Limpopo province close to Polokwane, aims to utilise a magnetite resource with low contaminant levels, to produce anywhere from 1Mt up to 2.5Mt product. The product will either be a concentrate, a micro-pellet of or blast furnace pellets.

**OTHER**
In addition to these projects, Kumba has a number of other initiatives in opportunity stage and aims to develop these further. These projects can either be used as growth projects or as life of mine extension projects.

At Kolomela Mine, for example, more than 150Mt of resources currently fall outside the approved life on mine plan and these resources will be evaluated as part of the beneficiation plant study at the mine.

**STAY IN BUSINESS PROJECTS**
At Sishen Mine, the Sishen Western Expansion Project (SWEP) has commenced. This project will provide access to 283Mt of ROM ore from 2013.

The second phase of SWEP involves the resettlement of the Dingleton town. This project facilitates access to additional resource in 2015 and is currently in feasibility stage.
This section is in essence a summary of Kumba’s mineral resource and ore reserve status, in terms of quantity and quality, remaining after 31 December 2010. It has been derived from a comprehensive ore reserve and mineral resource statement that Kumba Iron Ore prepares annually. The company statement, in turn, is a consolidation of the detailed estimations and subsequent competent person reporting conducted by each relevant Kumba site for 2010, with all the relevant reporting done by in-house professional geologists and mining engineers. The various mining operation and project competent person reports have been compiled to comply with the 2007 SAMREC Code.

REVIEW OF KUMBA’S MINERAL RESOURCES AND ORE RESERVES

It will always be the intent of Kumba to maintain strict adherence to the SAMREC Code as prescribed by section 12 of the JSE Limited Listings Requirements, being a listed mineral company, when reporting on its remaining mineral resources and ore reserves.

Not only is the reporting code considered through the internalisation thereof, as governed by a company policy (www.angloamericankumba.com/sd_policies.php) and the use of reporting templates (derived from the 2007 SAMREC Code checklist table and the relevant Anglo American plc Group technical standard), but also through the continuous refinement of mineral resource and ore reserve estimation governance and execution processes.

In 2010 Kumba’s Executive Committee identified the mineral resource estimation and LOM estimation processes as critical to the company’s success and sanctioned the development of standardised responsibilities and accountabilities across the company. These have been established and will be further refined in 2011.

In support of our vision: ‘To be the leading value-adding iron ore supplier to the global steel industry’, sound management of Kumba’s iron ore mineral assets remains a priority. In this regard, Kumba’s technical specialists and competent persons have endeavoured to:

- geologically and economically define eventual extractable iron ore mineral resources;
- derive ore reserves through the modification of mineral resources and subsequent engineering of them into current economically viable and practically and safely mineable iron ore;
- estimate saleable product to fulfil current and forecast market requirements by converting ROM material into product material through the application of metallurgical recovery algorithms that are aligned with current installed beneficiation technology; and
- optimise market requirements with available reserves/resources in the ground.

Kumba, through its long-term planning processes, not only strives to maximise economic value through the mining of its high-grade haematite mineral resources (in situ Fe ≥ 60%), but also considers sustainable development through the mining and planned mining of lower-grade haematite material (40% ≤ in situ Fe < 60%) to maximise the utilisation of available resources.

The Zandrivierspoort mineral resources quoted in this document are mostly magnetite (with some surficial haematite) and the cut-off grade applied is 30% in situ Fe. This project is Kumba’s first venture into potential low-grade iron ore exploitation.

From a life of mine planning perspective, the company is striving to achieve zero harm through effective management of safety, health and the environment by designing all operations in a responsible manner.

All ore reserves and mineral resources (in addition to ore reserves) quoted in this document are contained within granted and executed new order mining and prospecting rights as held by SIOC, in which Kumba holds a 74% share with the BEE shareholding being divided between Exxaro (20%), the SIOC Community Development Trust (3%) and Envision (3%).

MINES AND PROJECTS

Sishen Mine

The bulk of Kumba’s annual production is generated by Sishen Mine, located in the Northern Cape Province near the town of Kathu.

High-grade haematite iron ore is found in the upper parts of a Lake Superior-type, banded iron formation succession of the Griqualand West Supergroup; the Transvaal Supergroup as it is known where it occurs in the Northern Cape province of South Africa. Due to the long geological time interval between the deposition of the oldest rocks of the Griqualand West Supergroup, the Campbellrand Dolomite, and the youngest deposits in the area, the Kalahari...
Group sands, a number of uplift and erosion cycles and deformational events are recorded in the rock record.

The iron ore deposits mined at Sishen Mine are located on the western flank of the Maremane Antcline, which strikes north-south and dips shallowly (~11°) west. Local structures in the mine area are, however, very complicated and the interplay between the various tectonic events and associated geological structures were critical to the formation and preservation of the ore. In general, the high-grade laminated and massive ore is preserved in synclinal and pseudo-graben structures, which are the result of multiple deformation events. Medium- and lower-grade conglomeratic brecciated ores are preserved within deep palaeo-sinkhole structures in the southern portions of the deposit, where these structures are the result of karstification of the underlying dolomites during periods of uplift and erosion.

All mining at Sishen Mine is done by opencast method. The current mining process entails topsoil removal and stockpiling, followed by drilling and then blasting of waste lithologies and ore. Overburden is backfilled in the pit or hauled to waste rock dumps on the edge of the pit. The iron ore is loaded according to grade requirements and transported to the beneficiation plants, where it is crushed, washed and screened.

Each size fraction is separated and beneficiated using a ferrosilicon medium or jiggng process before being stockpiled on the product beds. Plant slimes are pumped to evaporation dams and the plant discard material is stacked on a separate waste dump. Seven iron ore products (conforming to different chemical and physical specifications) are produced. The ores are reclaimed from the product beds and loaded into trains, to be transported to local steel mills and Saldanha Bay for export to international markets.

For 2010, the total tonnes mined at Sishen Mine increased from 128.3Mt in 2009 to 153.2Mt, of which waste mined was 102.0Mt. The increase in waste mining activities is aimed at mitigating the decrease in flexible access to ore due to the increasing depth of the ore body, and the geological constraints in the pit.

Total production at Sishen Mine increased by 5.1% from 39.4Mt in 2009 to an estimated 41.4Mt in 2010 (beneficiated from an annual ROM of 52.6Mt). Production through the DMS plant remained at the 28.0Mt level. The jig plant throughput has been ramped up to the installed capacity of 1.08Mt per month, with 2010 production totalling 13.3Mt.

Most of Sishen Mine’s iron ore was exported. The historical production (actual depletion of saleable product tonnes) of Sishen Mine is summarised in Table 1.

Table 1: Sishen Mine’s saleable product depletion history

<table>
<thead>
<tr>
<th>Year</th>
<th>Mt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
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</tr>
<tr>
<td>2009</td>
<td>39.4</td>
</tr>
<tr>
<td>2010</td>
<td>41.4</td>
</tr>
</tbody>
</table>

* Report compiled before year end and November and December production are estimated using short-term planning.

Thabazimbi Mine

Thabazimbi Mine is located in the Limpopo Province close to the town of Thabazimbi, and was responsible for the remainder (4%) of the production of the company’s iron ore for 2010.

Thabazimbi Mine extracts most of its haematite iron ore from the basal units of the Penge Formation, a banded iron formation of the Transvaal Supergroup. Locally, the Penge Formation occurs as remnant hills comprising dipping (~45° south) rock units that have been repeated due to thrust faulting believed to be the result of the intrusion of the Bushveld Igneous Complex and Palaeo-Proterozoic tectonism. Mineralisation is the result of primary chemical sedimentation followed by secondary metamorphic and later supergene iron enrichment processes. The location of ore-grade material is structurally controlled, with faults serving firstly as conduits for iron-rich fluids and later as mechanisms for displacing and/or duplicating ore zones. A regional network of diabase sills and dykes served as trapping mechanisms for mineralising fluids in the lower section of the banded iron formation, which resulted in an enriched lower section of the Penge Formation.

Thabazimbi Mine extracts iron ore via conventional opencast mining methods, having established multiple pits geographically separated from one another in the Penge Formation mountain ranges. Again, as for Sishen Mine, the sequence of mining activities involve drilling and blasting followed by loading and hauling via a truck and shovel fleet.

ROM material is beneficiated through a dense medium separation plant. Where pits are far removed from the plant, ore is trucked to crushers located closer to the pits. The crushed material is then transported via conveyor belt to a stockpile that feeds the plant.

After beneficiation the saleable product is stockpiled on product beds, which in turn is reclaimed and primarily transported by rail to the relevant ArcelorMittal operation.

Thabazimbi Mine produces primarily high-grade (>60% Fe) haematite iron ore, with some very minor specularite ore, by means of opencast mining. Annual production for 2010 was 2.0Mt. In total 35.4Mt was mined, of which 33.2Mt was waste and the remaining 2.2Mt was ROM.

Table 2: Thabazimbi Mine’s saleable product depletion history

<table>
<thead>
<tr>
<th>Year</th>
<th>Mt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>2.5</td>
</tr>
<tr>
<td>2006</td>
<td>2.4</td>
</tr>
<tr>
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</tr>
<tr>
<td>2009</td>
<td>2.5</td>
</tr>
<tr>
<td>2010</td>
<td>2.1</td>
</tr>
</tbody>
</table>

* Report compiled before year end and November and December production are estimated using short-term planning.

Kolomela Mine

The mine is located in the Northern Cape Province near Postmasburg and is situated on the southern tip of the narrow north-south trending belt of iron-bearing lithologies of the Griqualand West Supergroup that also hosts the Sishen deposit towards the north.

Similar to Sishen Mine, haematite iron ore at Kolomela Mine is preserved in the chemical and clastic sediments of the Proterozoic Griqualand West Supergroup, which defines the western margin of the Kaapvaal Craton in the Northern Cape Province. Locally, the stratigraphy has been deformed by thrusting from the west and has undergone extensive karstification. The thrusting has produced a series of open, north-south plunging anticlines, synclines and grabens. Furthermore, karstification was responsible for the development of deep palaeo-sinkholes and the iron ore at Kolomela has been preserved from erosion within these geological structures.

Kolomela Mine has been designed as a direct shipping ore operation, where conventional open-pit drilling and blasting; shovel-and-truck loading and hauling mining processes will be used to mine the deposit from three different pits. A combination of ROM buffer and product stockpile blending on site, as well as further blending with the product from Sishen Mine, will be used to ensure that the final product adheres to the required client specifications. Product size will be controlled via a crushing and screening plant for all buffer stockpile and ROM pit material.
Pre-stripping commenced in 2009. The hot-commissioning for the crushing and screening facility is scheduled for the second quarter in 2011, and first production of saleable product is anticipated in 2012, ramping up to a full capacity of 9Mt per annum in 2013. The iron ore will be transported to the Saldanha export harbour via the Orex Iron Ore export channel and marketed to Kumba’s current overseas client base as part of Kumba’s marketing strategy. Waste mining is already in progress to ensure timeous access to iron ore and totalled 18.8Mt for 2010.

Zandriverspoort Project
The Zandriverspoort Project, located approximately 25km northeast of Polokwane in the Limpopo Province, is in the prefeasibility phase of investigation (as funded by the Pietersburg Iron Ore Company – a 50:50 joint venture between SIOC and ArcelorMittal)

Zandriverspoort is a magnetite banded iron formation deposit in the Palaeoproterozoic Rhenosterkoppies Greenstone Belt, or Rhenosterkoppies Fragment, which occurs northwest of the main, northeast-trending Pietersburg Greenstone Belt. The lower grade (>30% Fe) iron ore comprises Archaean-aged metamorphosed banded iron formation that has been exposed to at least three deformational events, which resulted in recumbent isoclinals folding of the strata. The latter controlled the ore formation at Zandriverspoort and resulted in a thickened magnetite-quartzite sequence that can be separated into several practicably mineable horizons.

It is assumed that a concentrate product from Zandriverspoort could be accommodated as part of the feedstock of ArcelorMittal’s domestic demand. Investigations have shown that Zandriverspoort concentrate could comprise up to 5% of a sinter mix, which yields improved production rates in the iron ore sintering process. However, this will only support a limited market and alternatives such as ‘green’ micro-pellets or baked mini-pellets, both as a sinter ore replacement, or conventional pellets (as a blast furnace feed) are being investigated to increase the domestic demand for Zandriverspoort’s product. The Pietersburg Iron Ore Company has decided to commence with large scale bulk sampling (small scale mining operation to deliver 240 000tpa at Zandriverspoort in the near future to conduct the necessary bulk scale testing of metallurgical and subsequent steel-making properties of the concentrate).

Table 3: SIOC, Kumba and Anglo American plc attributable percentages for mineral assets

<table>
<thead>
<tr>
<th>Mineral asset</th>
<th>% attributable to SIOC</th>
<th>% attributable to Kumba</th>
<th>% attributable to other</th>
<th>% attributable to Anglo American plc via Kumba*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sishen Mine</td>
<td>78.6</td>
<td>58.2</td>
<td>41.8</td>
<td>38.0</td>
</tr>
<tr>
<td>Thabazimbi Mine</td>
<td>100</td>
<td>74</td>
<td>26</td>
<td>48.3</td>
</tr>
<tr>
<td>Kolomela Mine</td>
<td>100</td>
<td>74</td>
<td>26</td>
<td>48.3</td>
</tr>
<tr>
<td>Zandriverspoort Project</td>
<td>50</td>
<td>37</td>
<td>63</td>
<td>24.1</td>
</tr>
</tbody>
</table>

* The holding company SIOC is 74% owned by Kumba, which in turn is 65.3% owned by Anglo American plc (as at 31 December 2010).
1. SIOC’s application to convert its old-order mining rights in respect of its undivided 79.6% share of the mineral rights in the properties making up the Sishen Mine has been granted and is in the process of registration. ArcelorMittal has not converted its old-order mining right in respect of the remaining 21.4% share and SIOC has in consequence applied for a mining right in respect of that share. A right to prospect for iron ore and manganese over the remaining 21.4% undivided share has been granted to another entity, ICT. SIOC has instituted a High Court review application to challenge the grant of the prospecting right to ICT.
2. Zandriverspoort is a 50:50 joint venture between ArcelorMittal and SIOC.
Ore reserve estimates for the mining operations have been updated within two months of the date of this report, whilst mineral resource estimates, reported in addition to ore reserves, are reported according to the latest available geological models which are typically updated three to six months prior to the end of the year of reporting.

Ore reserve and mineral resource estimates, irrespective of whether Kumba’s attributable share in the specific mineral asset is less than 50% or not, are reported as 100%. The overall attributable shares to SIOC, Kumba and Anglo American plc are summarised in Table 3.

**ASSURANCE AND RISK**

Kumba provides assurance for the quoted estimates through a rolling audit schedule whereby each site undergoes an external audit once every three years.

Coey Projects Africa (Pty) Limited audited Thabazimbi Mine in 2010. They concluded that the mineral resources and ore reserve declared for 2009 were SAMREC compliant and gave an overall rating of “adequate” for the estimation processes used.

The refined estimation method for the lower-grade banded iron formation ore that feeds the jig plant at Sishen Mine was audited by Quantitative Geosciences (Pty) Limited (Australia). This external audit agrees that the 2010 model is superior to the 2009 model and confirms the over-estimation of the lower-grade jig plant feed mineral resources previously.

The Zandrivierspoort Project will be audited in 2011.

Kumba implemented a fully auditable reserve and resource reporting data capturing system in 2010 in its strive to improve reporting data integrity. The system records and tracks all internal and external audit and review findings to ensure that continuous improvement is ongoing.

**SECURITY OF TENURE**

All ore reserves and mineral resources quoted in this report are contained within new order mining and prospecting rights held by SIOC, in which Kumba holds a 74% share. BEE partnership represents the remaining 26%, which is divided between Exxaro (20%), the SIOC Community Development Trust (3%) and Envision (3%). Kumba has ensured that the lives of the granted and executed new-order mining rights are of sufficient duration to support the production schedules from which the ore reserves and subsequent saleable product figures have been derived.

The same applies to all mineral resources stated for 2010; they are contained within granted and executed new-order mining right or prospecting right areas.

Mining rights for Sishen Mine (78.6%), Thabazimbi Mine (100%) and Kolomela Mine (100%) have been granted and executed in the name of SIOC.

It is public knowledge that SIOC has instituted a High Court review application in 2010 to challenge the grant of an iron ore and manganese prospecting right to a third party. ICT, for the residual 21.4% of the existing iron ore mining right area at Sishen Mine. SIOC had also applied to be granted the residual 21.4% mining right for iron ore and manganese. This application was rejected by the DMR, which rejection decision has been challenged by SIOC in appeal proceedings. SIOC also submitted a new application to be granted the residual 21.4% mining rights on 26 January 2011. ICT has also applied for a mining right for iron ore and manganese over the 21.4% share, which application was accepted by the DMR. Kumba is currently challenging the acceptance of the application by the DMR.

Kumba’s prospecting right portfolio as held in SIOC comprises seven registered new order prospecting rights. With the exception of two prospecting rights adjacent to Thabazimbi Mine, where rights have been granted for three years, all SIOC prospecting rights granted since 2006 have been granted for five-year periods. The first of the new order prospecting rights expires in 2011 and where Kumba has a continued interest, the necessary renewal or conversion applications will be timeously submitted.

**COMMENTARY**

As at 31 December 2010 Kumba has ore reserves estimated at 1.3 billion tonnes (Figure 1) 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 Zandrivierspoort magnetite project are 1.2 billion tonnes (Figure 2). Details of the 2010 estimates compared to the 2009 figures are presented in Tables 4 and 5.

The overall 13% increase of 154Mt in Kumba’s ore reserves in 2010 compared to 2009 is predominantly the result of converging more mineral resources into ore reserves at Sishen Mine after having revised the LOM plan and increasing the size of the pit in 2010 to incorporate the updated long-term forward-looking iron ore prices. Kumba’s mineral resources in addition to ore reserves showed a significant net decrease of 766Mt (39%) from 2009 to 2010. Besides the decrease in mineral resources resulting from the bigger pit at Sishen Mine (80% of the 39%) and the concomitant conversion to ore reserves, the remaining decrease in mineral resources is attributed to the geological losses quantified during a refined estimation method applied to the lower-grade jig plant feed material at Sishen Mine.
Table 4: Kumba’s ore reserve statement for 2010 compared to 2009

Ore reserve estimates exclude the mineral resource estimates stated in Table 4 and have been estimated in accordance with the SAMREC Code (2007).

<table>
<thead>
<tr>
<th>Operation/Project</th>
<th>Mining method</th>
<th>Ore type</th>
<th>% attrib. to Kumba</th>
<th>Reserve category</th>
<th>Tonnage (Mt)</th>
<th>Ore reserves 2010</th>
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<tbody>
<tr>
<td></td>
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<td>Grades (% Fe)</td>
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NOTES TO TABLE 4

- The tonnages are quoted in dry metric tonnes and million tonnes is abbreviated as Mt.
- Rounding off figures may cause computational discrepancies.
- Ore reserve figures reported at 100% irrespective of percentage attributable to Kumba.

* The cut-off grades used for ore reserves are variable. It depends on the beneficability and/or blending capacity of the diluted ore over time, which is iteratively determined during LOM plan scheduling to achieve a scheduling grades target that was set to meet client specifications. The % Fe cut-off illustrated is therefore the lowest of a range of variable cut-offs for the various mining areas. It includes dilution material and can, in certain cases, be less than the mineral resource cut-off grades.

** The Sishen Mine LOM has reduced with one year despite the fact that the ore reserves have increased from 2009 to 2010. This is because the 2009 LOM was based on 13 years of full production and eight years of scaled down production, whereas the 2010 LOM is based on 18 years of full production and two years of scaled down production before closure.

1 Kolomela Mine ore reserves decreased by 11.7Mt from 2009 to 2010 as the result of refined LOM scheduling and blending strategies designed to cater for the risks associated with a ‘direct shipping ore’ operation.

2 The overall 165.5Mt increase in the Sishen Mine ore reserves from 2009 to 2010 is primarily the result of mineral resources (previously occurring outside the pit layout) being converted to ore reserves due to an expansion of the pit layout. The expansion was done to incorporate the updated long-term price outlook for iron ore. The proved/probable ratio decreased from 1:0.29 in 2009 to 1:0.87 in 2010 as a result of measured mineral resources being downgraded to indicated mineral resources because of historical selective non-sampling of the lower grades banded iron formation mineral resource material (jig plant feed). Furthermore a portion of ore reserves was downgraded from proved to probable due to its occurrence within a blasting buffer zone currently sterilised by the nearby town of Dingleton.

3 Relaxed product grades were approved for Thabazimbi Mine, which allowed more mineral resources to be converted into ore reserves by relaxing the scheduling grades target. This increase in ore reserves offset the annual 2010 ROM production of 2.2Mt, resulting in only a slight overall 0.3Mt decrease in ore reserves from 2009 to 2010.
## Operational review: Resources and reserves

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<th>Tonnage (Mt)</th>
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Table 5: Kumba’s mineral resource for 2010 compared to 2009

Mineral resource estimates are in addition to the ore reserves reported in Table 5 and have been estimated in accordance with the SAMREC Code (2007).

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<th>Operation/Project</th>
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</tbody>
</table>

**Kolomela Mine**
- Haematite 74.0 Measured
  - Tonnage 49.1 Mt, Grade 65.1%, 50.0%
  - Tonnage 49.5 Mt, Grade 65.0%, 50.0%
- Indicated
  - Tonnage 20.0 Mt, Grade 65.0%, 50.0%
  - Tonnage 20.8 Mt, Grade 64.9%, 50.0%
- Inferred (outside LOM)
  - Tonnage 47.7 Mt, Grade 62.5%, 50.0%
  - Tonnage 47.4 Mt, Grade 62.5%, 50.0%
- Inferred (considered for LOM)
  - Tonnage 35.1 Mt, Grade 65.7%, 50.0%
  - Tonnage 35.4 Mt, Grade 65.5%, 50.0%

**Sishen Mine**
- Haematite 58.2 Measured
  - Tonnage 127.0 Mt, Grade 59.4%, 40.0%
  - Tonnage 569.1 Mt, Grade 56.0%, 40.0%
- Indicated
  - Tonnage 410.5 Mt, Grade 58.5%, 40.0%
  - Tonnage 697.0 Mt, Grade 57.6%, 40.0%
- Inferred (outside LOM)
  - Tonnage 116.2 Mt, Grade 58.6%, 40.0%
  - Tonnage 148.7 Mt, Grade 59.4%, 40.0%
- Inferred (considered for LOM)
  - Tonnage 17.9 Mt, Grade 59.7%, 40.0%
  - Tonnage 3.7 Mt, Grade 58.2%, 40.0%

**Thabazimbi Mine**
- Haematite 74.0 Measured
  - Tonnage 3.4 Mt, Grade 61.8%, 55.0%
  - Tonnage 9.5 Mt, Grade 62.7%, 55.0%
- Indicated
  - Tonnage 1.2 Mt, Grade 61.2%, 55.0%
  - Tonnage 2.4 Mt, Grade 63.7%, 55.0%
- Inferred (outside LOM)
  - Tonnage 0.9 Mt, Grade 61.5%, 55.0%
  - Tonnage 2.3 Mt, Grade 63.4%, 55.0%
- Inferred (considered for LOM)
  - Tonnage 0.9 Mt, Grade 61.9%, 55.0%
  - Tonnage 1.3 Mt, Grade 61.9%, 55.0%

**Thabazimbi Mine**
- Haematite 74.0 Measured
  - Tonnage 8.1 Mt, Grade 62.8%, 55.0%
  - Tonnage Not reported
  - Not reported
- Indicated
  - Tonnage 1.8 Mt, Grade 64.3%, 55.0%
  - Tonnage Not reported
  - Not reported
- Inferred (outside LOM)
  - Tonnage 1.5 Mt, Grade 64.2%, 55.0%
  - Tonnage Not reported
  - Not reported
- Inferred (considered for LOM)
  - Tonnage 0.0 Mt, Grade 65.0%
  - Tonnage Not reported
  - Not reported

**Zandrivierspoort**
- Magnetite and haematite 37.0 Measured
  - Tonnage 126.1 Mt, Grade 34.5%, 30.0%
  - Tonnage 126.1 Mt, Grade 34.5%, 30.0%
- Indicated
  - Tonnage 152.4 Mt, Grade 34.2%, 30.0%
  - Tonnage 152.4 Mt, Grade 34.2%, 30.0%
- Inferred (outside LOM)
  - Tonnage 68.9 Mt, Grade 34.3%, 30.0%
  - Tonnage 68.9 Mt, Grade 34.3%, 30.0%
- Inferred (considered for LOM)
  - Tonnage 0.0 Mt, Grade 34.3%, 30.0%
  - Tonnage 0.0 Mt, Grade 34.3%, 30.0%

**Kumba**
- Grand total mineral resources in addition to ore reserves
  - Measured
    - Tonnage 313.7 Mt, Grade 50.4%
    - Tonnage 774.1 Mt, Grade 53.1%
  - Indicated
    - Tonnage 585.8 Mt, Grade 52.5%
    - Tonnage 872.6 Mt, Grade 53.7%
  - Inferred (outside LOM)
    - Tonnage 235.2 Mt, Grade 52.8%
    - Tonnage 267.3 Mt, Grade 53.5%
  - Inferred (considered for LOM)
    - Tonnage 53.9 Mt, Grade 63.6%
    - Tonnage 40.5 Mt, Grade 64.8%
- Grand total
  - Tonnage 1 188.6 Mt, Grade 52.5%
  - Tonnage 1 954.6 Mt, Grade 53.7%

**NOTES TO TABLE 5**

- The tonnages are quoted in dry metric tonnes and million tonnes is abbreviated as Mt.
- Rounding off figures may cause computational discrepancies.
- Mineral resource figures reported at 100% irrespective of percentage attributable to Kumba.
- The term inferred mineral resource (outside LOM) refers to that portion of the mineral resources not utilised in the LOM plan of the specific site.
- The term inferred mineral resource (considered for LOM) refers to that portion of the mineral resources utilised in the LOM plan of the specific site; reported without having any modifying factors applied to it - therefore the term ‘considered for LOM’ instead of ‘inside LOM’.
- Kolomela Mine’s mineral resources showed a minor 1.3Mt overall decrease primarily due to more mineral resources being converted to ore reserves in the revised 2010 LOM schedule, as well as minor spatial changes made to the geological models resulting from a conversion of the local LO23 coordinate system to the WGS84 coordinate system as required by legislation for new mining rights. The significant 766.9Mt decrease in the Sishen Mine mineral resource is mostly the result of increased conversion to ore reserves in the expanded pit, which was developed to incorporate the updated long-term price outlook on iron ore. A refined estimation process applied to the lower grade (< 60% Fe in situ) jig plant feed mineral resources to cater for previous over-estimation caused by historical selective non-sampling of this material type accounts for the bulk of the remaining decrease.
- In 2009 Thabazimbi Mine reported mineral resources for the total mining rights area. In 2010, the mineral resources have been split into two separate entities; the Vanderbijl pit haematite mineral resource and the area outside the Vanderbijl pit. The haematite mineral resource in the Vanderbijl pit, which has not changed since 2006, has been ringfenced as part of an ongoing study to utilise this and other lower-grade material at this location. The overall increase in mineral resources is due to an average increase in the variable ore reserve cut-off grades, which resulted in less mineral resources being converted to ore reserves.
Sishen Mine
At Sishen Mine the new pit layout, which was expanded during the 2010 LOM planning process to incorporate the updated long-term forward-looking iron ore prices, resulted in an increase of 609Mt of ore reserves. This increase was, however, offset by a decrease of 238Mt in the lower-grade material available for conversion due to a refinement in the estimation process applied in order to cater for the historical selective non-sampling of this material. A further decrease of 152Mt is due to the application of an improved scheduling technique that quantifies the previously factorised mining modifying factors of dilution and mining losses and better ensures that the schedule achieves the marketing quality throughout the long-term plan. Annual production at Sishen Mine also depleted the ore reserve by 53Mt. Although not highlighted in Table 4, 112Mt of the ore reserve at Sishen Mine has been downgraded from proved to probable to take into account potential environmental and/or socio-political risks.

The overall significant decrease of mineral resources at Sishen Mine is primarily the result of the larger pit, which allowed more mineral resources to be converted to ore reserves (609Mt) and moved 10Mt of inferred mineral resources previously outside the pit to inside the pit. Furthermore, previously applied interpolation techniques that did not cater for the selective non-sampling of the lower-grade ore have been replaced by improved methods and quantify a 121Mt geological loss outside the pit layout. This is a long-term process firstly identified in early 2009 and remains the focus of an intensive re-sampling campaign that should be complete by the end of 2011. The external audit confirmed that the revised methods applied to the lower-grade material in 2010 are superior to previously applied grade interpolation methods.

Thabazimbi Mine
The Thabazimbi Mine ore reserves showed a net decrease of 0.3Mt from 2009 to 2010. Annual ROM production accounted for 2.2Mt; however, this was almost totally negated by an ore reserve gain based on a revised LOM plan that incorporated a lowering of the product grade specifications negotiated with the client.

In 2009, Thabazimbi Mine reported mineral resources for the total mining right area. In 2010, the mineral resources have been split into two separate entities; the Vanderbijl pit haematite mineral resource and the mineral resources within the remaining mining right area. The haematite mineral resource in the Vanderbijl pit, which has not changed since 2006, has been ringfenced as part of an ongoing study to utilise this and other lower-grade material at this location.

Irrespective of this split of the mineral resource into two entities, the total Thabazimbi Mine mineral resources in addition to ore reserves showed a net increase of 2.2Mt due to the increase in the ore reserve cut-off grade, which resulted in less mineral resources being converted to ore reserves.

Kolomela Mine
A revision of the Kolomela Mine LOM plan in 2010, mainly implementing a more robust ROM blending approach to cater for the grade risks associated with a direct shipping ore operation, resulted in a net decrease in the Kolomela ore reserve of 12Mt.

The 1.3Mt net decrease in mineral resources from 2009 is due to minor changes to the geological model resulting from a co-ordinate transformation process to comply to the requirements of a new mining right.

ENDORSEMENT
The estimates reported in this section of the annual report have been reviewed and are endorsed by Dr Vanessa Lickfold, Head of Geosciences at Kumba, who is designated to take corporate responsibility for ore reserves and mineral resources.

The Chief Executive Officer of Kumba, Chris Griffith, also endorses the estimates presented in this report.

V Lickfold (Pr Sci Nat 400099/94)
Head of Geosciences
Kumba Iron Ore Limited

CI Griffith
Chief Executive Officer
Kumba Iron Ore Limited
**GENERAL STATEMENT ON ESTIMATION PROCESSES**

**Ore reserve estimation**

Ore reserves in the context of this report have the same meaning as ‘mineral reserves’, as defined by the SAMREC Code, and the term is used throughout this document. The term ‘ore reserves’ is preferred because it emphasises the difference between these and mineral resources.

In accordance with the SAMREC Code, Kumba derives the ore reserve estimates reported for each operation or project by applying mining, metallurgical, economic, marketing, legal, environmental, social and governmental ‘modifying factors’ to the mineral resource estimates.

The grades and tonnages estimated from the geological block models are initially discounted by the application of ‘modifying factors’, such as dilution, mining losses and mining recoveries, to develop a so-called mining block model, which forms the basis for the LOM scheduling and resultant ore reserve estimates.

Protocols ensure that Kumba’s operations consider expected long-term revenues versus the operating and production costs associated with mining and beneficiation as well as legislative, environmental and social costs, in determining whether or not a mineral resource could be economically extracted and converted to an ore reserve. This is performed by applying a Lerchs-Grosmann algorithm to the mining model to derive an optimised pit shell.

This optimised pit shell is then iteratively converted to a practical layout by applying geotechnical slope stability parameters and haul road and ramp designs, legal restrictions etc., with safety being one of the most important parameters. Once a practical pit layout has been established, the material within the pit is iteratively scheduled to derive an optimum life of mine plan (sustainable and constant product throughput over time that satisfies client requirements).

For Kumba, achieving client specifications has been translated into a ‘slightly higher than client specifications’ Fe grade scheduling target, where ‘slightly higher’ is based on adding one time the standard deviation of the frequency distribution of the product Fe grade of product beds of the mining operation in question (as actually recorded over the latest applicable fiscal year to the client specification percentage for Fe).

The ROM plant feed derived from such a schedule represents the ore reserves. The product derived via the application of metallurgical factors in the mining model and subsequent scheduling represents what is referred to as ‘saleable product’.

The SAMREC Code approach is adopted for ore reserve classification, whereby measured mineral resources occurring within the optimised pit are converted to proved ore reserves and indicated mineral resources are converted to probable ore reserves. Thereafter the competent person may downgrade the classification should certain mining related, legal, environmental, governmental and social aspects warrant it. Inferred mineral resources occurring within the LOM plan are reported as ‘mineral resources considered for LOM’ and not as ore reserves and have not been adjusted to consider modifying factors.

**Mineral resource estimation**

Based on the SAMREC definition of mineral resources, Kumba’s mineral resources are established on the premise that they are iron ore occurrences that are of economic interest and have reasonable and realistic prospects for eventual economic extraction.

This definition of a mineral resource implies that a preliminary judgement has to be made, by the competent person, regarding the technical and economic factors likely to influence the prospect in terms of eventual economic extraction, including the approximate mining and beneficiation parameters. Although more stable than short-term economic fluctuations, these factors change with the global economy and are thus revised on a regular basis.

For 2010, the assumptions have been verified for each operation and/or project using the following as a basis for the verification:

- there is sufficient ‘mineralisation’ for mining to take place
- appropriate mining and beneficiation methods exist to extract the ‘future economic portions’ of the mineralisation
- there is a market for the envisaged product
- there is security of tenure

The ‘reasonable and realistic’ part of the definition considers whether the mineralisation under consideration could be mined in future, given positive economic factors. Thus, Kumba’s 2010 mineral resources are not an inventory of all mineral occurrences drilled or sampled regardless of cut-off grade, likely dimensions, location, depth or continuity. Instead they are a realistic record of those, which under assumed and justifiable technical and economic conditions, may be economically extractable in future.

Other mineral occurrences are defined as either being ‘mineral inventory’, where irrespective of the amount of information available and resulting geological confidence classification, eventual economic viability remains unclear; or ‘deposit guestimates’, where exploration results are reported as tonnage and grade ranges but where the amount of information is insufficient for geological confidence classification and further exploration cannot guarantee the delineation of a mineral resource. Neither mineral inventory nor deposit tonnages and grades are quoted as part of Kumba’s mineral resource and ore reserve statement and are merely used for in-house ‘accounting’ purposes.

The assumption used to differentiate between mineral resources (quoted) and mineral inventory (not quoted) is the application of an ‘un-engineered’ optimistic pit shell to act as the spatial boundary for ‘eventual economic extraction’. Optimistic pit shells were established by simply increasing the revenue factor used to define the optimised pit shell that in turn defines current economic viability. This exercise was first conducted in 2007, based on an approach of doubling the April 2007 forward-looking free-on-rail iron ore prices (all other parameters for pit shell optimisation exercises were kept the same).

As per the SAMREC definition, the location, quantity, quality, continuity (grade and geology) and other geological characteristics of mineral resources are known with varying degrees of certainty. These criteria are established through exploration activities (e.g. mapping and geophysical surveys) and sampling (mainly drilling), where appropriate quality control measures are in place to ensure that sample collection and preparation are as precise and accurate as possible to provide representative and validated data.

Protocols for primary sampling, sample preparation and sample analyses for exploration projects were standardised in 2008. Following on this, quality assurance and quality control (QA/QC) pass/failure criteria pertaining to the sample preparation and analyses were standardised for the company in 2009. The latter has been refined in 2010 after a benchmarking exercise to consider industry best practise. The QA/QC standards not only govern the sample preparation and analysis of exploration projects but also include exploration samples generated by any of the Kumba’s mining operations. This is the case to cater for the effective management of external laboratory vendors, and to ensure internal control over the sample preparation and analyses conducted at Kumba’s mining operations.
Kumba delivered an excellent financial performance and made good progress in the area of cost control in 2010.

INTRODUCTION

This financial review is intended to provide you with a concise overview of Kumba’s financial performance in 2010. A detailed review of our financial performance, together with the annual financial statements which set out fully the financial position, results of operations and cash flows of the group and company for the financial year ended 31 December 2010, is to be found in the Annual Financial Statements which are published in a separate paper-based report and on our website at: http://www.angloamericankumba.com/investor_fin_reports.php.

FINANCIAL PERFORMANCE

Kumba delivered an excellent financial performance in 2010 as demand for iron ore was driven by world crude steel production exceeding pre-2008 levels. Robust market conditions resulted in Kumba realising a 92% weighted average increase in export iron ore prices for the group and a 6% increase in export sales volumes. This added R20.7 billion to the group’s total mining revenue of R35.8 billion (excluding revenue of R2.9 billion from shipping operations) which was 79% higher than the R20.0 billion earned in 2009. Operating profit of R25.1 billion for the year increased 95% over 2009 operating profit of R12.9 billion.

These price and volume increases were offset by:

- The strengthening of the average exchange rate of the Rand to the Dollar which reduced operating profit by R4.9 billion;
- A 24% increase in operating expenses (excluding shipping expenses and the mining royalty) to R1.8 billion. Contributors to this increase were the substantial increase in waste mined at Sishen and Thabazimbi mines; a 3% increase in the total volumes produced; a 7% increase in volumes railed; and above inflationary increases in the cost of labour, diesel and electricity;
- The mining royalty, which commenced in March of 2010, at an effective rate of 4.9% of free-on-rail (FOR) iron ore revenue, added R1.4 billion to operating expenditure; and
- A decrease in the total tonnes shipped by Kumba on behalf of its customers of 2.8Mt.

Sishen Mine unit cash cost

Kumba set itself a target for 2010 of restricting the increase in the unit cash costs at Sishen Mine to 15% year on year. This was achieved with a unit cash cost of R13.69 per tonne compared with R98.83 per tonne in 2009. It required stringent cost control and continued optimisation of operations to achieve this. Increases in costs were driven by the 24% increase in waste mining volume and above inflation cost increases in diesel fuel, labour and electricity. These were partially offset by a 5% increase in production over 2009.

Asset optimisation and procurement

Cost control remains a major focus of the group as we face the challenges of the cost of increased waste mining as we mine deeper. Cost management, operational efficiency and revenue enhancement initiatives stemming from our asset optimisation programmes contributed to containing costs at our operations, which together amounted to R1.9 billion in 2010. This value was derived from:

- The start of Bokamoso transformation programme at Sishen Mine has delivered mining operational efficiency gains which limited mining cost increases by R340 million;
Asset optimisation initiatives in 2010 contributed to increased production through improvement in the yield of the jig plant, a reduction in maintenance shutdown periods and improvement in the up-current classifier and fine cyclone of the DMS plant which contributed a further R1.2 billion. These initiatives saw the jig plant produce in excess of design capacity and mitigated production challenges experienced at the DMS plant; and

- We’ve extracted further value through our development of niche lump ore products which command premium prices in the market and professionalising our shipping operations. Together these initiatives added R368 million of value to the group and were an important contributor to Kumba’s record profitability.

Procurement benefits of R687 million was realised from participation in the Anglo American Supply Chain procurement organisation.

Cash flow

The group generated R27 billion (before the mining royalty of R1.4 billion) of cash from its operations in 2010, which was more than double the R12.7 billion generated in 2009. These cash flows were used to pay:

- R7.0 billion in taxation;
- R1.4 billion in mining royalties;
- R8.6 billion in aggregate dividends; and
- R4.7 billion on capital acquisitions.

Capital expenditure

Capital expenditure incurred during the year was R47.7 billion. R1.6 billion of this expenditure was used to maintain operations and the remaining R3.1 billion was used to expand Kumba’s operations, in particular the Kolomela Mine growth project.

Growth project

The development of Kolomela Mine is well advanced in terms of key deliverables. Overall project progress is at 81% with the project remaining on budget and on schedule to deliver initial production during the end of the first half of 2012. To date, 22.6Mt of waste material has been pre-stripped. 18.6Mt of this material was stripped during 2010 at a cost of R604 million which has been capitalised. R8.5 billion capital expenditure was approved for the development of the Kolomela Mine, of which R5.3 billion of capital expenditure has been incurred to date and a further R1.2 billion had been committed as at 31 December 2010.

Shareholder returns

Kumba continued to deliver increasing value to its shareholders, with headline earnings for the year ended 31 December 2010 of R14.9 billion, 106% up on the R6.9 billion achieved in 2009. Attributable and headline earnings for the year was R44.66 and R44.67 per share, respectively.

A final cash dividend of R21.00 has been declared, bringing the total dividend for 2010 to R34.50, compared with a total dividend for 2009 of R14.60 per share, and bringing the dividend cover for the year to 1.3 times (2009: 1.5 times).

The capital and substantial dividend cash returns that SIOC has been able to deliver to its black economic empowerment shareholders has resulted in the SIOC Community Development Trust being able to use the dividends it received from SIOC to pay off its 3% interest in SIOC in full during the third quarter of 2010, six years earlier than originally anticipated. Based on Kumba’s share price of R425 on 31 December 2010 this shareholding is valued at over R5 billion. All future dividends earned by the trust’s shareholding will be available for community development.

Envision, SIOC’s broad-based employee share participation scheme, has already paid R221 million to the approximately 5000 participants in the scheme. The remainder of the dividend payments that have accrued to Envision have been used to redeem the scheme’s outstanding debt. This year, utilising the final 2010 dividend, a further R185 million of Envision’s outstanding debt will be redeemed. The Envision share participation scheme matures in November 2011 at which time the participants realise the capital appreciation after the settlement of the original acquisition funding.

Outlook

Kumba achieved phenomenal results and made good progress in the area of cost control during the past year. We expect to continue to see good results from our asset optimisation and procurement initiatives.

As previously mentioned, we anticipate an increase in waste mining at all our operations which will exert upward pressure on unit cash costs. Kumba’s production volumes in 2011 should remain at similar levels to those achieved in 2010 as the jig plant achieved name-plate capacity in 2010. The next phase of growth will be delivered by increased production volumes from Kolomela Mine which comes on-stream at the end of the first half of 2012.

During 2011 we expect export sales volumes to be in line with the volumes achieved in 2010, but this will depend on the performance of rail and port facilities. Our domestic sales remain dependent on the off-take requirements of ArcelorMittal. Any ore not taken by ArcelorMittal will be available for export.

As far as future profits are concerned, they remain highly sensitive to the Rand/US Dollar exchange rate.

HIGHLIGHTS

R38.7 billion up 65%

REVENUE

6%

EXPORT SALES VOLUMES

21%

DOMESTIC SALES VOLUMES

15%

SISHEN MINE’S UNIT CASH COST

R25.1 billion down 95%

OPERATING PROFIT

R44.67 per share up 104%

HEADLINE EARNINGS PER SHARE

For more information refer to the Annual Financial Statements or visit our website at: http://www.angloamericankumba.com/investor_fin_reports.php.

CONDENSED GROUP BALANCE SHEET
AS AT 31 DECEMBER

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2010</th>
<th>Restated 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>15 866</td>
<td>11 568</td>
</tr>
<tr>
<td>Biological assets</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>Investments in associates and joint ventures</td>
<td>29</td>
<td>20</td>
</tr>
<tr>
<td>Investments held by environmental trust</td>
<td>372</td>
<td>279</td>
</tr>
<tr>
<td>Long-term prepayments and other receivables</td>
<td>53</td>
<td>28</td>
</tr>
<tr>
<td>Deferred tax assets and other receivables</td>
<td>472</td>
<td>129</td>
</tr>
<tr>
<td><strong>NON-CURRENT ASSETS</strong></td>
<td><strong>16 798</strong></td>
<td><strong>12 031</strong></td>
</tr>
<tr>
<td>Inventories</td>
<td>16 102</td>
<td>2 559</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>3 096</td>
<td>2 195</td>
</tr>
<tr>
<td>Current tax asset</td>
<td>24</td>
<td>131</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>4 855</td>
<td>891</td>
</tr>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td><strong>11 077</strong></td>
<td><strong>5 776</strong></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>27 875</strong></td>
<td><strong>17 807</strong></td>
</tr>
</tbody>
</table>

| EQUITY                                                          |            |                |
| Shareholders’ equity                                           | 14 338     | 7 306          |
| Non-controlling interest                                       | 4 038      | 1 650          |
| **TOTAL EQUITY**                                               | **18 376** | **8 956**      |

| LIABILITIES                                                    |            |                |
| Interest-bearing borrowings                                    | 3 185      | 3 859          |
| Provisions                                                     | 672        | 468            |
| Deferred tax liabilities                                       | 2 272      | 2 282          |
| **NON-CURRENT LIABILITIES**                                    | **6 129**  | **6 609**      |
| Short-term portion of interest-bearing borrowings               | –          | 55             |
| Short-term portion of provisions                                | 11         | 4              |
| Trade and other payables                                       | 3 274      | 2 161          |
| Current tax liabilities                                        | 85         | 22             |
| **CURRENT LIABILITIES**                                        | **3 370**  | **2 242**      |
| **TOTAL LIABILITIES**                                          | **9 499**  | **8 851**      |
| **TOTAL EQUITY AND LIABILITIES**                               | **27 875** | **17 807**     |

CAPITAL EXPENDITURE (Rm)

<table>
<thead>
<tr>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stay in business</td>
<td>3 099</td>
</tr>
<tr>
<td>Expansionary</td>
<td>1 624</td>
</tr>
</tbody>
</table>

Financial performance: Financial review
CONDENSED GROUP INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>Restated 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>38 704</td>
<td>23 408</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td>(13 573)</td>
<td>(10 528)</td>
</tr>
<tr>
<td><strong>OPERATING PROFIT</strong></td>
<td>25 131</td>
<td>12 880</td>
</tr>
<tr>
<td>Finance income</td>
<td>149</td>
<td>286</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(178)</td>
<td>(413)</td>
</tr>
<tr>
<td><strong>PROFIT BEFORE TAXATION</strong></td>
<td>25 102</td>
<td>12 753</td>
</tr>
<tr>
<td>Taxation</td>
<td>(6 913)</td>
<td>(3 949)</td>
</tr>
<tr>
<td><strong>PROFIT FOR THE YEAR</strong></td>
<td>18 289</td>
<td>8 804</td>
</tr>
</tbody>
</table>

Attributable to:
- Owners of Kumba: 14 323, 6 992
- Non-controlling interest: 3 966, 1 812

Earnings per share for profit attributable to the owners of Kumba (Rand per share)
- Basic: 44.66, 21.94
- Diluted: 44.52, 21.82

Fy2010 OPERATING PROFIT (EBIT) (Rm)

FY2010 OPERATING PROFIT (EBIT) (Rm)

2010 EBIT – SEGMENTAL ANALYSIS (Rm)

- Sishen Mine
- Shipping operations

2009 EBIT – SEGMENTAL ANALYSIS (Rm)

- Sishen Mine
- Shipping operations

Other segments contributed operating losses of R516 million for 2010
Thabazimbi Mine contributed an operating loss of R44 million for 2010
Other segments contributed net operating losses of R684 million
### CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>Restated 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL EQUITY AT THE BEGINNING OF THE YEAR</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in accounting policy – share–based payments classification:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in non–controlling interest</td>
<td>–</td>
<td>2</td>
</tr>
<tr>
<td>Decrease in retained earnings</td>
<td>–</td>
<td>(2)</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY AT THE BEGINNING OF THE YEAR – RESTATE</strong></td>
<td>8 956</td>
<td>8 506</td>
</tr>
<tr>
<td><strong>CHANGES IN SHARE CAPITAL AND PREMIUM</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shares issued during the year</td>
<td>74</td>
<td>132</td>
</tr>
<tr>
<td>Treasury shares issued to employees under employee share incentive schemes</td>
<td>62</td>
<td>–</td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>(191)</td>
<td>(60)</td>
</tr>
<tr>
<td><strong>CHANGES IN RESERVES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity–settled share–based payments</td>
<td>203</td>
<td>134</td>
</tr>
<tr>
<td>Vesting of shares under employee share incentive schemes</td>
<td>(63)</td>
<td>–</td>
</tr>
<tr>
<td>Net asset value of SPV on deconsolidation</td>
<td>(139)</td>
<td>–</td>
</tr>
<tr>
<td>Change in effective ownership of SIOC</td>
<td>(301)</td>
<td>–</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>14 143</td>
<td>6 734</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(6 796)</td>
<td>(6 478)</td>
</tr>
<tr>
<td><strong>CHANGES IN NON–CONTROLLING INTEREST</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>3 929</td>
<td>1 754</td>
</tr>
<tr>
<td>Change in effective ownership of SIOC</td>
<td>301</td>
<td>–</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(1 834)</td>
<td>(1 770)</td>
</tr>
<tr>
<td>Movement in non–controlling interest in reserves</td>
<td>(8)</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total equity at the end of the year</strong></td>
<td>18 376</td>
<td>8 956</td>
</tr>
<tr>
<td><strong>COMPRISING</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital and premium (net of treasury shares)</td>
<td>153</td>
<td>208</td>
</tr>
<tr>
<td>Equity–settled share–based payments reserve</td>
<td>487</td>
<td>466</td>
</tr>
<tr>
<td>Foreign currency translation reserve</td>
<td>142</td>
<td>318</td>
</tr>
<tr>
<td>Cash flow hedge accounting reserve</td>
<td>(24)</td>
<td>(8)</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>13 580</td>
<td>6 322</td>
</tr>
<tr>
<td><strong>SHAREHOLDERS’ EQUITY</strong></td>
<td>14 338</td>
<td>7 306</td>
</tr>
<tr>
<td>Attributable to the owners of Kumba</td>
<td>13 811</td>
<td>6 811</td>
</tr>
<tr>
<td>Attributable to the non–controlling interest</td>
<td>527</td>
<td>495</td>
</tr>
<tr>
<td>Non–controlling interest</td>
<td>4 038</td>
<td>1 650</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>18 376</td>
<td>8 956</td>
</tr>
<tr>
<td><strong>DIVIDEND (RAND PER SHARE)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interim</td>
<td>13.50</td>
<td>7.20</td>
</tr>
<tr>
<td>Final*</td>
<td>21.00</td>
<td>7.40</td>
</tr>
</tbody>
</table>

* 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 31 DECEMBER

<table>
<thead>
<tr>
<th></th>
<th>2010 Rm</th>
<th>Restated 2009 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash generated from operations</td>
<td>25 555</td>
<td>12 744</td>
</tr>
<tr>
<td>Net finance costs paid</td>
<td>(283)</td>
<td>(287)</td>
</tr>
<tr>
<td>Taxation paid</td>
<td>(7 031)</td>
<td>(3 232)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>18 241</td>
<td>9 225</td>
</tr>
<tr>
<td>Proceeds from the disposal of non-current assets</td>
<td>(4 723)</td>
<td>(3 996)</td>
</tr>
<tr>
<td>Investments in associates and joint ventures</td>
<td>(9)</td>
<td>(15)</td>
</tr>
<tr>
<td>Net cash outflow on disposal of subsidiaries</td>
<td>(2)</td>
<td>–</td>
</tr>
<tr>
<td>Acquisition of business</td>
<td>–</td>
<td>(115)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital issued</td>
<td>(4 733)</td>
<td>(4 087)</td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>74</td>
<td>132</td>
</tr>
<tr>
<td>Increase in non-controlling interest</td>
<td>(191)</td>
<td>(60)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(147)</td>
<td>–</td>
</tr>
<tr>
<td>Dividends paid to non-controlling shareholders</td>
<td>(6 714)</td>
<td>(6 437)</td>
</tr>
<tr>
<td>Net interest-bearing borrowings (repaid)/raised</td>
<td>(1 876)</td>
<td>(1 811)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase/(decrease) in cash and cash equivalents</td>
<td>(9 583)</td>
<td>(8 120)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>3 955</td>
<td>(2 962)</td>
</tr>
<tr>
<td>Exchange difference on cash and cash equivalents</td>
<td>891</td>
<td>3 810</td>
</tr>
<tr>
<td><strong>CASH AND CASH EQUIVALENTS AT END OF YEAR</strong></td>
<td>4 855</td>
<td>891</td>
</tr>
</tbody>
</table>

HEADLINE EARNINGS
FOR THE YEAR ENDED 31 DECEMBER

<table>
<thead>
<tr>
<th></th>
<th>2010 Rm</th>
<th>2009 Rm</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RECONCILIATION OF HEADLINE EARNINGS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attributable profit</td>
<td>14 323</td>
<td>6 992</td>
</tr>
<tr>
<td>Net loss/(profit) on disposal or scrapping of property, plant and equipment</td>
<td>5 (35)</td>
<td></td>
</tr>
<tr>
<td>Net loss on disposal of investment</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14 330</td>
<td>6 957</td>
</tr>
<tr>
<td>Taxation effect of adjustments</td>
<td>(1)</td>
<td>10</td>
</tr>
<tr>
<td>Non-controlling interest in adjustments</td>
<td>(1)</td>
<td>5</td>
</tr>
<tr>
<td><strong>Headline earnings</strong></td>
<td>14 328</td>
<td>6 972</td>
</tr>
</tbody>
</table>

HEADLINE EARNINGS (RAND PER SHARE)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>44.67</td>
<td>21.87</td>
</tr>
<tr>
<td>Diluted</td>
<td>44.54</td>
<td>21.76</td>
</tr>
</tbody>
</table>

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 in 2010 and 318 742 724 in 2009.
- Diluted weighted average number of ordinary shares: 321 691 135 in 2010 and 320 431 069 in 2009.

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.
## SALIENT FEATURES

**FOR THE YEAR ENDED 31 DECEMBER**

<table>
<thead>
<tr>
<th>SHARE STATISTICS ('000)</th>
<th>Unaudited 2010</th>
<th>Unaudited 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total shares in issue</td>
<td>321,912</td>
<td>320,415</td>
</tr>
<tr>
<td>Weighted average number of shares</td>
<td>320,727</td>
<td>318,743</td>
</tr>
<tr>
<td>Diluted weighted average number of shares</td>
<td>321,691</td>
<td>320,431</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>818</td>
<td>464</td>
</tr>
<tr>
<td>Treasury shares (Rand million)</td>
<td>197</td>
<td>62</td>
</tr>
</tbody>
</table>

### MARKET INFORMATION

<table>
<thead>
<tr>
<th></th>
<th>Unaudited 2010</th>
<th>Unaudited 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closing share price (Rand)</td>
<td>425</td>
<td>305</td>
</tr>
<tr>
<td>Market capitalisation (Rand million)</td>
<td>135,652</td>
<td>97,727</td>
</tr>
<tr>
<td>Market capitalisation (US$ million)</td>
<td>20,611</td>
<td>13,224</td>
</tr>
</tbody>
</table>

### NET ASSET VALUE (RAND PER SHARE)

### CAPITAL EXPENDITURE (RAND MILLION)

<table>
<thead>
<tr>
<th></th>
<th>Unaudited 2010</th>
<th>Unaudited 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inurred</td>
<td>4,723</td>
<td>3,996</td>
</tr>
<tr>
<td>Contracted</td>
<td>1,727</td>
<td>2,392</td>
</tr>
<tr>
<td>Authorised but not contracted</td>
<td>4,965</td>
<td>6,755</td>
</tr>
</tbody>
</table>

### CAPITAL EXPENDITURE RELATING TO THABAZIMBI MINE TO BE FINANCED BY ARCELORMITTAL

<table>
<thead>
<tr>
<th></th>
<th>Unaudited 2010</th>
<th>Unaudited 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracted</td>
<td>38</td>
<td>6</td>
</tr>
<tr>
<td>Authorised but not contracted</td>
<td>48</td>
<td>31</td>
</tr>
</tbody>
</table>

### OPERATING COMMITMENTS

<table>
<thead>
<tr>
<th></th>
<th>Unaudited 2010</th>
<th>Unaudited 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating lease commitments</td>
<td>104</td>
<td>123</td>
</tr>
<tr>
<td>Shipping services</td>
<td>73</td>
<td>99</td>
</tr>
</tbody>
</table>

### SISHEN MINE ‘FOR’ UNIT COST

<table>
<thead>
<tr>
<th></th>
<th>Unaudited 2010</th>
<th>Unaudited 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit cost (Rand per tonne)</td>
<td>128.65</td>
<td>111.12</td>
</tr>
<tr>
<td>Cash cost (Rand per tonne)</td>
<td>113.69</td>
<td>98.83</td>
</tr>
<tr>
<td>Unit cost (US$ per tonne)</td>
<td>17.62</td>
<td>13.24</td>
</tr>
<tr>
<td>Cash cost (US$ per tonne)</td>
<td>15.57</td>
<td>11.78</td>
</tr>
</tbody>
</table>
The board exercises leadership, enterprise, integrity and judgement to ensure continued delivery of value to all stakeholders of Kumba.
1. ALLEN MORGAN [63]

Interim Chairman
BSc, BEng (Elect), Pr Eng

Allen joined the board of Kumba on 9 February 2006 and is a member of the Audit, Risk, Safety and Sustainable Development and the Human Resources, Remuneration and Nomination committees. He was appointed as Interim Chairman of Kumba on 15 December 2010. He served as the chief executive of Eskom between 1994 and 2000 and was a non-executive director of Eskom Holdings. He was appointed as a non-executive director of AECI Limited on 1 July 2010 and also holds several corporate directorships. He was previously the chairman of Kumba Resources.

2. ZARINA BASSA [46]

Independent Non-executive Director
BAcc, CA(SA)

Zarina joined the board of Kumba on 2 December 2008 and chairs the Audit and Risk Committees. She is the chief executive officer of Zarina Bassa Investments and executive chairman of Songhai Capital. She is chairman of Yebo Yethu Ltd and deputy chairman of Woolworths Financial Services. She serves as a non-executive director of Vodacom South Africa, Sun International, the Lewis Group, National Business Initiative and the Financial Services Board. She was a partner at Ernst & Young where she spent 17 years across the Durban, United Kingdom and Johannesburg offices. She has also previously chaired the Public Accountants’ and Auditors’ Board and the Auditing Standards Board and has been a member of the Accounting Standards Board, the JSE’s GAAP Monitoring Panel, the board of the SA Institute of Chartered Accountants’ and vice president of ABASA.

3. GODFREY GOMWE [55]*

Non-executive Director
BAcc CA (Z) MBL

Godfrey joined the board of Kumba on 17 May 2010 and is a member of the Risk Committee. He is the executive director of Anglo American South Africa Limited. He was previously head of group business development, Africa for Anglo American plc and prior to that, finance director and chief operating officer of Anglo American South Africa Limited. He is chairman of Anglo Zimele and Tshikululu Social Investments and has served on a number of Anglo American operating board and executive committees. Before moving to SA in 2003, he was the chairman and chief executive of Anglo American Zimbabwe. He is a past president of the Institute of Chartered Accountants of Zimbabwe and past senior vice-president of the Chamber of Mines of Zimbabwe. He held many directorships in both listed and unlisted companies.

4. GERT GOUWS [52]

Non-executive Director
BCom (Law), BCom (Hons), CA(SA), FCMA

Gert joined the board of Kumba on 9 February 2006 and is a member of the Risk Committee. He is the chief financial officer and alternate director of the Industrial Development Corporation. He is also a director of Pebble Bed Modular Reactor (Pty) Limited and holds several other corporate directorships.

5. CHRIS GRIFFITH [46]

Chief Executive Officer
BEng (Mining) (Hons), Pr Eng

Chris joined the board of Kumba on 1 July 2008 and is the Chief Executive Officer. He was previously the executive head of Joint Ventures for Anglo Platinum Limited. Chris serves as a non-executive director on the board of Exxaro and is also a director of Anglo American South Africa Limited. He has over 19 years of mine management experience and was previously general manager of Anglo Platinum’s Amandebult Platinum Mine and Bafokeng Rasimone Platinum Mine.

6. PETER MALTARE [51]

Independent Non-executive Director
BSc (Hons) (Political Science), Masters (Southern African Studies)

Peter joined the board of Kumba on 9 February 2006 and is a member of the Safety and Sustainable Development and the Human Resources, Remuneration and Nomination committees. He is chief executive officer of Tiger Brands. He was chief strategy and business development director in the Vodacom Group. His previous positions include commercial director of Vodacom South Africa, and chief executive officer of the South African Broadcasting Corporation.

7. DOLLY MOKGATLE [54]*

Independent Non-executive Director
BProc, LLB, HDip Tax Law

Dolly joined the board of Kumba on 7 April 2006 and is a member of the Audit, Risk and Safety and Sustainable Development committees. She is an executive director of the Peotona Group Holdings. She also holds several other corporate directorships. She was the chief executive officer of Spoornet and managing director of Transnet at Eskom.

8. VINCENT UREN [49]

Chief Financial Officer
BCom, CTA, CA(SA)

Vincent joined the board of Kumba on 7 April 2006 and is the Chief Financial Officer. He has over 20 years experience in corporate finance, many of these gained with the Anglo American plc group where he was involved in a number of diverse and complex local and international transactions.

9. DAVID WESTON [52]*

Non-executive Director
MBA, BSc (Eng)

David joined the board of Kumba on 10 February 2010. He is Anglo American plc’s group director of business performance and capital projects. He also serves as a non-executive director of International Power plc, London UK. His previous positions include group technical director, Anglo American plc, chief executive officer of Anglo American Industrial Minerals (The Tarmac Group), president of Shell Canada Products Limited and chief executive officer of Shell Aviation.

10. LAZARUS ZIM [50]

MCorn, DCom (hc)

Lazarus joined the board of Kumba on 9 February 2006 and served as Chairman since its listing in November 2006. He subsequently resigned on 14 December 2010. Lazarus is the chairman of Northam Platinum Limited and Afripalm Resources (Pty) Limited. Previously, Lazarus was chief executive officer of Anglo American South Africa Limited and managing director of MTN International.

* Zimbabwean
† British
EXECUTIVE COMMITTEE

The executive committee implements the strategies and policies determined by the Kumba board, manages the business and affairs of the company and ensures that best management practices are established and followed.

1. CHRIS GRIFFITH (46)
   Chief Executive Officer
   BEng (Mining) (Hons), Pr Eng
   Chris was previously the executive head of Joint Ventures for Anglo Platinum Limited. Chris has over 18 years of mine management experience. He was previously general manager of Anglo Platinum’s Amandebult Platinum Mine and Bafokeng Rasimone Platinum Mine.

2. VINCENT UREN (49)
   Chief Financial Officer
   BCom, CTA, CA(SA)
   Vincent has over 20 years’ experience in corporate finance, many of these gained with the Anglo American plc group where he was involved in a number of diverse and complex local and international transactions.

3. CORNELIA HOLTZHAUSEN (38)
   General Manager: Thabazimbi Mine
   BSc (Metallurgical Eng), MBA, Professional Registered Engineer
   Cornelia has held management positions in process development, asset optimisation and projects, ore beneficiation, and continuous improvement prior to her appointment as General Manager of Thabazimbi Mine. She is the first woman to be appointed to this position at Kumba.

4. ANDREW LOOTS (43)
   General Manager: Sishen Mine
   BEng (Mech), MBA
   Until assuming his current position, Andrew headed Kumba’s mega mine project focused on achieving a step change in safety and production performance at Sishen Mine. Prior to that, he held several general management positions with Anglo Coal.

5. FRANCOIS LOUW (50)
   Executive: Head of Projects
   BEng (Mech), MBA
   Francois was the project director for the former Kumba Resources’ Northern Cape iron ore interests. He has experience in various operational and engineering roles in the mining industry, with particular expertise in strategic projects.

6. VUSANI MALIE (37)
   Company Secretary
   BA (Law), LLB
   Vusani, an admitted attorney, was previously the corporate services manager for AVI Limited and group company secretary for Santam Limited.
7. ALEX MGADZAH
Executive Head: Safety and Sustainable Development
MSc (Environmental Policy and Management), BSc (Hons) Biological Sciences
Alex has more than 15 years’ management experience in integrated health, safety, environmental, community and quality management within the mining, smelting, manufacturing and consulting sectors. He was vice-president sustainability and community affairs at BHP Billiton Energy Coal South Africa before joining Kumba.

8. VIRGINIA TYOBEKA
Executive Head: Human Resources
BAdmin (Hons) (UNW), MAP (Wits)
Virginia was appointed Executive Head of Human Resources for Kumba with effect from January 2010. She was previously the human resources director at Afrisan South Africa Limited.

9. AART VAN DEN BRINK
General Manager: Kolomela Mine
MEng (Mining)
Previously Aart was the manager mining at Grootegeluk Coal Mine at Kumba Resources and general manager at Thabazimbi Mine. He has extensive experience in underground and open-cast mining.

10. CHRISTO VAN LOGGERENBERG
Executive Head: Technical Services
BEng (Hons) (Metallurgy), MBA
Christo was the former business development manager for Kumba Resources’ iron ore business. Other senior posts include metallurgy, various engineering and operational positions in the industry.

11. TEBELLO CHABANA
Executive Head: Public Affairs
BA (Law), LLB
Tebello was previously employed by Anglo American South Africa as head of regulatory affairs and joined Kumba as Executive Head of Public Affairs in September 2007. He returned to Anglo American South Africa Limited as head of public affairs effective 1 February 2011.
CORPORATE GOVERNANCE REPORT

OUR COMMITMENT AND APPROACH

The board of directors of Kumba is committed to the highest standards of corporate governance. It is the board's role to provide the leadership necessary to promote the application of the principles of good corporate governance set out in the King II Report's Code of Corporate Practices and Conduct throughout the group. The group complied with all the material provisions of the King II Report and there are no instances of non-compliance to report. The publication of the King Code of Governance Principles for South Africa 2009 (King III) in March 2010 provided the board with an opportunity to review its governance systems in line with the King III recommendations. The board commissioned a comprehensive gap analysis and considered independent advice on the group’s readiness to implement King III principles. Implementation of the recommendations made is continuing. The board intends to report fully on the implementation of King III principles and to provide an explanation where there are instances of non-application in the 2011 corporate governance report. There are a few key recommendations that were implemented in 2010 and these are summarised in the table on the right.

INTEGRATED REPORTING

Integrated reporting allows stakeholders to make a more informed assessment of a company’s economic performance in the context of its social and environmental impact and an evaluation of its business ethics. In both 2008 and 2009 our report included an annual review, a separate report containing our annual financial statements (which also contained our governance report) and a sustainable development report. This year the group has commenced on a journey towards developing a fully integrated report. The 2010 Annual Report set comprises this Board of Directors’ Annual Report, the Annual Financial Statements and the Responsibility Report which, when read together, provides a comprehensive report on Kumba’s performance.

GOVERNANCE STRUCTURE

The Kumba governance process is regulated by applicable corporate governance principles, legislation and the Kumba Delegated Authority Framework (DAF). Kumba’s operating entity, Sishen Iron Ore Company (Proprietary) Limited (SIOC), in which Kumba has a 74% shareholding, has in place a fully operational board of directors consisting of executive and non-executive directors. The non-executive directors are drawn from SIOC’s minority shareholders. The DAF regulates the authority limits and relationship between the Kumba and SIOC boards. Accordingly, SIOC directors retain unfettered discretion with respect to SIOC matters and in appropriate circumstances, SIOC shareholders, of which Kumba is the majority, make recommendations which are taken into account by the SIOC board.
## AUDIT COMMITTEE

<table>
<thead>
<tr>
<th>Recommended practice</th>
<th>Current practice/status</th>
<th>Recommended action</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>The audit committee members should be suitably skilled and comprise of experienced independent non-executive directors.</td>
<td>The Audit Committee consists of three independent non-executive directors, one of whom is a chartered accountant.</td>
<td>The Audit Committee has recommended that an additional non-executive director with technical accounting and risk management skills be appointed.</td>
<td>An independent non-executive director with the requisite skills will be appointed in May 2011.</td>
</tr>
<tr>
<td>The audit committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities.</td>
<td>There is a co-ordinated approach to internal and external assurance provision to the Audit Committee.</td>
<td>The audit committee should ensure that an appropriate combined assurance model is developed and approved.</td>
<td>A combined assurance model incorporating a work plan was presented to the Audit Committee. The plan described the process to be followed in identifying key assurance areas, identifying assurance owners for each area, determining the required information technology applications per area, completion of combined assurance model and benchmarking. The process will be completed and the model implemented in June 2011.</td>
</tr>
<tr>
<td>The audit committee should satisfy itself of the expertise, resources and experience of the company’s finance function.</td>
<td>The experience and appropriateness of the Chief Financial Officer is reported to the shareholders in terms of the Listings Requirements of the Johannesburg Stock Exchange.</td>
<td>The audit committee should include in its work plan the assessment of the expertise, resources and experience of the company’s finance function. The opinion of the external and internal auditors’ will be sought in making the assessment.</td>
<td>The Audit Committee conducted an assessment of the finance function and Chief Financial Officer in November 2010 and it was satisfied that the finance function and the Chief Financial Officer have adequate expertise, resources and experience.</td>
</tr>
</tbody>
</table>

## GOVERNANCE OF RISK

<table>
<thead>
<tr>
<th>Recommended practice</th>
<th>Current practice/status</th>
<th>Recommended action</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>A risk committee should assist the board in carrying out its risk responsibilities.</td>
<td>• The Audit Committee performed the role of a risk committee. • The Audit Committee’s terms of reference do not cover comprehensively the board’s risk governance responsibilities.</td>
<td>The board should establish a risk committee to assist it in carrying out its responsibilities with respect to the governance of risk.</td>
<td>The Risk Committee was established by the board in February 2010 and the board has approved its terms of reference.</td>
</tr>
</tbody>
</table>

## INFORMATION TECHNOLOGY GOVERNANCE

<table>
<thead>
<tr>
<th>Recommended practice</th>
<th>Current practice/status</th>
<th>Recommended action</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>The board should ensure that an information technology (IT) charter and policies are established and implemented.</td>
<td>• Although components of an IT charter do exist, they have not been formally collated to constitute an IT charter. • IT policies have been published and approved by the Executive Committee.</td>
<td>Establish an IT charter that documents the existing governance structures, processes and policies. This would also serve to identify any gaps in existing governance processes.</td>
<td>An IT charter and policy was developed and approved by the Executive Committee. The charter and policy will be incorporated into the Integrated Risk Management process with reporting to the Risk Committee. This will be completed in May 2011.</td>
</tr>
</tbody>
</table>

## LEGAL AND REGULATORY COMPLIANCE

<table>
<thead>
<tr>
<th>Recommended practice</th>
<th>Current practice/status</th>
<th>Recommended action</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.</td>
<td>Legal and regulatory compliance is fragmented across functional areas and respective functional or statutory legal responsibility.</td>
<td>• Design a legal and regulatory compliance policy. • Appoint a compliance officer. • Develop compliance monitoring and reporting framework.</td>
<td>The Kumba legal department has commenced with designing the job specification for the compliance officer position. A suitable candidate will be appointed in June 2011.</td>
</tr>
</tbody>
</table>
THE BOARD

Role of the board
The role of the board is to exercise leadership, enterprise, integrity and judgement to ensure continued delivery of value to stakeholders and to provide strategic direction to the company, identifying key risk areas and key performance indicators and to maintain performance against agreed objectives.

Board charter
The Kumba board charter:

- regulates the parameters within which the board operates
- sets out specific responsibilities to be discharged by the board members
- requires directors to adhere to the provisions of the memorandum and articles of association
- outlines matters pertaining to board governance and key issues which the board considers in the course of its direction of the company including the following matters which are specifically reserved for the board:
  - Reviewing the strategic direction of the company and adopting business plans proposed to achieve the company’s objectives.
  - Approving specific financial objectives, including budgets, and non-financial objectives and policies proposed by management.
  - Overseeing the company’s performance against agreed targets and objectives.
  - Reviewing the process for management of business risk and ensure there is an effective risk-based internal audit.
  - Reviewing processes for ensuring compliance by the company with its key legal obligations.
  - Reviewing the compliance framework and processes to ensure the company complies with the relevant laws, regulations and codes of best business practice.
- Delegating appropriate authority to the Chief Executive Officer for capital expenditure and reviewing investment, capital and funding proposals reserved for board approval in terms of the delegation policy set out in its charter.
- Appointing the Chief Executive Officer and executive and non-executive directors on recommendation from the Human Resources, Remuneration and Nomination Committee.
- Approving success planning for key positions within the company.
- Providing leadership and vision in a way that will enhance value and ensure the long-term organisational health of the company.
- Ensuring the integrity of financial reporting and the full and timely disclosure of material matters concerning the company.

Board composition

<table>
<thead>
<tr>
<th>Director</th>
<th>Designation</th>
<th>Date of appointment to the board</th>
</tr>
</thead>
<tbody>
<tr>
<td>AJ Morgan</td>
<td>Interim Chairman (independent non-executive)</td>
<td>9 February 2006</td>
</tr>
<tr>
<td>ZBM Bassa</td>
<td>Independent Non-executive</td>
<td>2 December 2008</td>
</tr>
<tr>
<td>GG Gomwe</td>
<td>Non-executive</td>
<td>17 May 2010</td>
</tr>
<tr>
<td>GS Gouws</td>
<td>Non-executive</td>
<td>9 February 2006</td>
</tr>
<tr>
<td>CI Griffith</td>
<td>Executive (Chief Executive Officer)</td>
<td>1 July 2008</td>
</tr>
<tr>
<td>PB Matiare</td>
<td>Independent Non-executive</td>
<td>9 February 2006</td>
</tr>
<tr>
<td>DD Mokgatle</td>
<td>Independent Non-executive</td>
<td>7 April 2006</td>
</tr>
<tr>
<td>VP Uren</td>
<td>Executive (Chief Financial Officer)</td>
<td>7 April 2006</td>
</tr>
<tr>
<td>DM Weston</td>
<td>Non-executive</td>
<td>10 February 2010</td>
</tr>
</tbody>
</table>

* Zimbabwean
f British

Biographical details of each director are provided on page 75.

Board meetings and attendance during the year

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<td>AJ Morgan</td>
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</tr>
</tbody>
</table>

✓ Indicates attendance.
* Indicates absence with an apology.

Board composition
Kumba has a unitary board which is led by an independent non-executive chairman. The board consists of two executive directors and seven non-executive directors, three of whom are independent, as outlined above. There is an adequate balance of responsibility on the board and no one director has un fettered powers of decision making.

Changes to the board during the year
During the year under review, Nkosana Moyo and Philip Baum resigned as non-executive directors on 12 January 2010. Both directors had been members of the board since the listing of the company in November 2006. David Weston, Anglo American plc group Director of Business Performance and Projects, was appointed as a non-executive director on 12 February 2010. Godfrey Gomwe, executive director of Anglo American South Africa Limited, was appointed as a non-executive director on 17 May 2010. Allen Morgan was appointed as the lead independent director on 30 June 2010. Lazarus Zim resigned as Chairman and non-executive director of the company on 14 December 2010 and Allen Morgan, the lead independent director was appointed as Interim Chairman on 15 December 2010. Allen Morgan retains his membership of the Audit Committee pending the appointment of a permanent chairman.

Board meetings and attendance during the year
The board met eleven times during the year under review of which seven of the eleven times were special board meetings. The table above indicates directors’ attendance to board meetings during 2010.

Key focus areas for the board in 2010
The board had an exceptionally busy year in 2010 which commenced with site visits to key Chinese customers and strategic facilities. The visit enabled the board to get first-hand insight into the needs of the company’s customers and further entrenched the excellent relationships and co-operative spirit the company enjoys with its customers. The board visited both the Thabazimbi and Sishen mines in 2010 and engaged mine management on operational issues. The board also devoted considerable time to dealing with various legal issues which the company is involved in. The non-executive directors were called upon to provide guidance and leadership in the various processes and engagements to ensure that stakeholder value was protected and sustainable solutions could be achieved to enable the company to focus on continuing to deliver value to its stakeholders.
In recognition of the additional meetings, the directors have recommended that shareholders approve additional remuneration for non-executive directors.
The board oversaw certain key improvements to corporate governance which are outlined on page 79. The Risk Committee of the board was established to assist the board in carrying out its responsibilities with respect to the management of risk. The new committee met twice during the year under review and the composition of the committee and its terms of reference were finalised and approved. Further detail on this committee is provided on page 82.

**Responsibilities of Chairman and Chief Executive Officer**

A clear separation is maintained between the responsibilities of the Chairman and the Chief Executive Officer. This is documented in the board charter. The Chairman is responsible for leadership of the board and ensuring the integrity and overall effectiveness of the board and its committees. The Chief Executive Officer’s responsibility is to focus on the operation of the business, ensuring it is run efficiently and effectively in accordance with the strategic decisions of the board. The performance of the Chief Executive Officer is assessed annually by the Human Resources, Remuneration and Nomination Committee.

**Lead independent director**

Allen Morgan was appointed as the lead independent director on 30 June 2010. Allen presided over meetings of the board in the absence of Lazarus Zim and specifically meetings where the legal issues pertaining to ArcelorMittal South Africa Limited, Imperial Crown Trading 289 (Proprietary) Limited and the Department of Mineral Resources were discussed. Subsequent to the resignation of Lazarus Zim on 14 December 2010, Allen was appointed Interim Chairman pending the final decision by the board on the appointment of a permanent chairman.

**Appointments to the board**

The board of directors has the power to appoint directors. In terms of the board charter, appointments to the board are made on the recommendation of the Human Resources, Remuneration and Nomination Committee. The procedures for appointing directors to the board are formal and transparent and the appointments are subject to confirmation by the shareholders at the annual general meeting. Accordingly, Godfrey Gomwe who was appointed on 17 May 2010 will retire and offer himself for re-election at the annual general meeting to be held on 6 May 2011.

**Rotation of directors**

Directors are subject to rotation in accordance with the articles of association of the company. At least one-third of directors in office retire and offer themselves up for re-election at every annual general meeting. Zarina Bassa, Dolly Mokgatle and Allen Morgan will retire by rotation at the annual general meeting to be held on 6 May 2011. They will offer themselves for re-election.

**Director induction**

All appointed directors attend both formal and informal induction related to the company and their duties as directors.

The Company Secretary discusses a tailor-made board induction process with newly appointed directors. The induction process covers, as a minimum, the following areas:

- an overview of the operations
- one-on-one discussions with executive and operational management
- site visits to all operations and logistics facilities
- corporate governance training
- statutory and common law obligations of directors’ training (Companies Act)
- full briefing by the company’s sponsor on directors’ continuing obligations in terms of the Listings Requirements of the Johannesburg Stock Exchange (JSE Listings Requirements)

The Company Secretary provides directors with updates on legislative developments. Non-executive directors can, where necessary, obtain independent professional advice at the expense of the company. The area of ongoing director training is a key focus area for 2011 to ensure that directors are informed of the changes in the governance landscape. The Company Secretary has engaged the services of a service provider to support director training.

**Board and committee performance evaluation**

An evaluation of the board and its committees was conducted by external service providers in 2009. The process involved one-on-one interviews with individual directors on a broad range of issues relating to board performance and a number of recommendations were suggested. The 2010 evaluation process was based on internal questionnaires and was a follow up on the 2009 process. The key objective was to evaluate board perception on improvement in the following areas:

- board management
- board performance against objectives
- board composition and independence
- director development
- succession planning

The Chairman and the Company Secretary are responsible for preparing a report to the board on the results of the assessment and to develop a work plan for the ensuing year.

**Mechanisms for shareholder communication with the board**

The formal mechanisms in place for communication with shareholders include one-on-one meetings with investors, presentations, the annual general meetings, press announcements of the interim and year-end results, the company’s website, its annual report to shareholders and the proxy form shareholders use to exercise their voting rights.

**Company Secretary**

All directors have full and timely access to all information that may be relevant to the proper discharge of their duties and obligations. This includes information such as agenda items for board meetings, corporate announcements, investor communications and any other developments, which may affect Kumba or its operations. They have direct access to the Company Secretary who provides guidance and assistance in line with the requirements outlined in King III and the JSE Listings Requirements. It is the responsibility of the Company Secretary to provide the board as a whole, and directors individually, with guidance as to how their responsibilities should be properly discharged in the best interests of the group.

The Company Secretary is also responsible for ensuring that the proceedings and affairs of the directorate, the company itself and, where appropriate, owners of securities in the company are properly administered in accordance with the relevant laws.

**Conflicts of interest**

Kumba has a conflict of interest policy in place which is designed to assist directors in identifying situations that could present potential conflicts of interest and to provide a procedure, such as recusal, which can be followed in the case of a conflict of interest. The policy is intended to comply with the procedures prescribed in the Companies Act and as the JSE Listings Requirements. A comprehensive register of directors’ interests is maintained and updated and signed by each director individually. The directors are called upon to apply their minds to situations where a perception of conflict could arise and appropriate action is recommended.

**Dealing in securities**

In accordance with the JSE Listings Requirements, the group has adopted a code of conduct for dealing in the company’s securities. During a closed period, as defined in the JSE Listings Requirements, directors and designated employees are prohibited from dealing in the company’s securities.

**The Executive Committee**

The Executive Committee chaired by the Chief Executive Officer consists of the executive directors, executive heads, the mine general managers and the Company Secretary. It is responsible for implementing the strategies and policies determined by the board, managing the business and affairs of the company, prioritising the allocation of capital, technical and human resources and establishing best management practices. The Executive Committee is also responsible for senior management appointments and monitoring their performance.
The board has established four standing committees through which it executes its duties. The committees are the Audit Committee, Risk Committee, Safety and Sustainable Development Committee and, Human Resources, Remuneration and Nomination Committee. The terms of reference and composition of the committees are determined and approved by the board. The board renewed the terms of reference of the Audit Committee to ensure they are in line with the provisions of the Companies Act and the King III Report. Further revision of the terms of reference of the Safety and Sustainable Development Committee and the Human Resources, Remuneration and Nomination Committee are planned for 2011, to ensure compliance with the King III Report guidelines on remuneration practices and the regulations to the Companies Act with respect to a social and ethics committee. The respective chairmen of the committees report back to the board on the deliberations of the committees and the minutes of the committee meetings are included in the board meeting papers. Further information on the committees is contained in the subsequent pages.

### BOARD COMMITTEES

**RISK COMMITTEE**

<table>
<thead>
<tr>
<th>Introduction</th>
<th>Mandate</th>
<th>Composition</th>
<th>Frequency and attendance of committee meetings</th>
</tr>
</thead>
</table>
| The Risk Committee was established on 17 February 2010 to assist the board with its responsibilities relating to the management of risk and held its first meeting on 20 July 2010. The Committee’s broad mandate is the monitoring, development and communication of the processes for managing risks across the group. | The Committee has terms of reference in place and its mandate includes:  
- overseeing the development and annual review of a policy and plan for risk management  
- reviewing and assessing the effectiveness of the integrated risk management system including group’s risk philosophy  
- ensuring that combined assurance model on risk is appropriate and that assurance received is adequate  
- ensuring periodic risk assessments are carried out | The Committee initially constituted the members of the Audit Committee. The Committee recommended the appointment of two non-executive directors as additional members of the Committee who were appointed by the board on 18 November 2010. The Committee now comprises the following:  
- ZBM Bassa (Chairman)  
- GG Gomwe  
- GS Gouws  
- DD Mokgatle  
- AJ Morgan | The Committee met twice during the period under review. In addition to the Committee members, the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit and the Risk managers attend meetings of the Committee. Attendance of meetings held during the year under review is presented below:  
| 2010 | 30 Jul | 12 Nov |
| ZBM Bassa (Chairman) | ✓ | ✓ |
| DD Mokgatle | ✓ | ✓ |
| AJ Morgan | ✓ | ✓ |
| GG Gomwe* | n/a | n/a |
| GS Gouws* | n/a | n/a |

✓ Indicates attendance.  
* Appointed to the committee on 18 November 2010 and will attend their first meeting in 2011.

The report on key risk factors on pages 26 to 29 provides further detail on the governance of risk in the company and the risk management process.
**SAFETY AND SUSTAINABLE DEVELOPMENT COMMITTEE**

<table>
<thead>
<tr>
<th>Introduction</th>
<th>Mandate</th>
<th>Composition</th>
<th>Frequency and attendance of committee meetings</th>
</tr>
</thead>
</table>
| The Safety and Sustainable Development Committee is responsible for developing policies and guidelines to manage sustainable development, safety, health and environmental matters. The Committee normally meets four times each year, which includes a visit to an operation. Mine managers are invited to attend Committee meetings. | The Committee has terms of reference in place and its mandate includes:  
- reviewing the policies and performance of the company with respect to safety and sustainable development  
- reviewing periodic reports detailing the company’s performance against legislative requirements and group standards  
- ensuring meaningful stakeholder engagement and consultation on safety, environmental and social development issues | The Committee comprises the following independent non-executive directors:  
- DD Mokgatle (Chairman)  
- PB Matlare  
- AJ Morgan | In addition to the Committee members, the Chief Executive Officer, the Executive Head of Safety and Sustainable Development and the Executive Head of Human Resources attend meetings of the Committee. During the review period, the Committee met three times. Attendance of meetings held during the year under review is presented below:  

<table>
<thead>
<tr>
<th>2010</th>
<th>9 Feb</th>
<th>13 May</th>
<th>11 Nov</th>
</tr>
</thead>
<tbody>
<tr>
<td>DD Mokgatle (Chairman)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>PB Matlare</td>
<td>✓</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>AJ Morgan</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

* Indicates attendance.  
* Indicates absence with an apology.  

Due to unforeseen circumstances both Peter Matlare and Lazarus Zim were unable to attend the meeting held on 13 May 2010. Decisions taken at this meeting were subsequently ratified by the Committee via round robin resolution.  

**HUMAN RESOURCES, REMUNERATION AND NOMINATION COMMITTEE (REMCO)**

<table>
<thead>
<tr>
<th>Introduction</th>
<th>Mandate</th>
<th>Composition</th>
<th>Frequency and attendance of committee meetings</th>
</tr>
</thead>
</table>
| The Remco is responsible for making recommendations to the board on the appointment, remuneration policies and practices of the Chief Executive, Executive Committee members and senior management. The Committee makes recommendations to the board on the composition of the board and board committees and ensures that the board comprises suitably qualified individuals. It consults other directors in its evaluation of the Chairman of the board, the Chief Executive and individual directors. | The Committee has terms of reference in place and its mandate includes:  
- ensuring alignment of the remuneration and human resource practices with the group’s business strategy  
- determining the group’s remuneration and benefits policy  
- monitoring the succession plan for the board and senior management  
- regularly reviewing board composition and diversity  
- nominating candidates for appointment to the board as and when vacancies arise  
- recommending adjustments to non-executive directors remuneration to the board for approval by the shareholders  
- reviewing the performance of the board and its committees and senior management | The Committee was initially constituted of three independent non-executive directors. Following the resignation of Lazarus Zim on 15 December 2010, the Committee now comprises the following independent non-executive directors:  
- AJ Morgan (Chairman)  
- PB Matlare | In addition to the Committee members, the Chief Executive Officer and the relevant executive heads attend meetings of the Committee. During the financial year ended 31 December 2010, the Committee met three times. Attendance of meetings held during the year under review is presented below:  

<table>
<thead>
<tr>
<th>2010</th>
<th>9 Feb</th>
<th>13 May</th>
<th>11 Nov</th>
</tr>
</thead>
<tbody>
<tr>
<td>AJ Morgan (Chairman)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>PB Matlare</td>
<td>✓</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>PL Zim</td>
<td>✓</td>
<td>*</td>
<td>*</td>
</tr>
</tbody>
</table>

* Indicates attendance.  
* Indicates absence with an apology.  

Due to unforeseen circumstances both Peter Matlare and Lazarus Zim were unable to attend the meeting held on 13 May 2010. Decisions taken at this meeting were subsequently ratified by the Committee via round robin resolution.  

Detail of the activities of the Committee for the period under review are provided in the Remuneration Report on pages 18 to 26 of the Annual Financial Statements.
Introduction

The Audit Committee is pleased to present its report for the financial year ended 31 December 2010 as recommended by the King II Report’s principles of good corporate governance and in line with the Companies Act, No 61 of 1973, as amended (the Act). The Committee is constituted as a committee of the board and upon the coming into force and effect of the Companies Act 2008 on 1 April 2011, the Committee will be constituted as a statutory committee of the company.

The Committee has terms of reference in place and its mandate includes:

- monitoring the integrity of the group’s integrated reporting and have regard to all factors and risks that may impact on the reporting
- nomination of external auditors annually for appointment by the shareholders
- monitoring and reviewing the effectiveness of the group’s internal audit function
- annually reviewing the expertise, appropriateness and experience of the finance function and the Chief Financial Officer
- ensuring that a combined assurance model is applied to provide a coordinated approach to all assurance activities
- reviewing developments in governance and best practice
- ensuring that there is an ethics policy in place that is aligned to the strategy of the company

Companies Act No 71 of 2008, as amended (the Act) and King III compliance

The Committee completed a review of its terms of reference and work plan in order to comply with the relevant provisions of the Act and King III recommendations with respect to audit committees. The review process involved the following:

- a half day training session on the new provisions offered by the Institute of Directors
- a gap analysis was conducted, and recommendations made by the Company Secretary, internal and external auditors. Of particular importance was the review of Kumba’s combined assurance model and its governance framework.
- amended terms of reference and work plan were approved by the committee and the board in February 2011.
- Establishment of a separate Risk Committee.

Composition

The Audit Committee comprises the following independent non-executive directors:

- ZBM Bassa (Chairman)
- DD Mokgatle
- AJ Morgan

Allen Morgan retained his membership of the Committee pending the appointment of a permanent chairman of the board.

Frequency and attendance of committee meetings

In addition to the committee members, the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit and External Audit attend meetings of the Committee. The Committee meets separately with management, internal and external audit and holds non-executive sessions before the commencement of a meeting. During the period under review, the Committee met four times. Attendance of meetings held during the year under review is presented below:

<table>
<thead>
<tr>
<th>2010</th>
<th>11 Feb</th>
<th>11 May</th>
<th>20 Jul</th>
<th>12 Nov</th>
</tr>
</thead>
<tbody>
<tr>
<td>ZBM Bassa (Chairman)</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>DD Mokgatle</td>
<td>*</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
<tr>
<td>AJ Morgan</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
</tr>
</tbody>
</table>

* Indicates absence with an apology.
Duties carried out in 2010
During the financial year ended 31 December 2010, the Committee carried out its duties as set out in the King II Report, the Act, the Committee’s terms of reference and in accordance with its annual plan.

The Committee performed the following duties:

- review of group financial statements and declaration of compliance with statutory requirements
- reviewed interim reports, results announcements and release of price sensitive information
- reviewed quality and effectiveness of internal audit process
- reviewed the external auditor's management letters and management responses
- reviewed significant judgements and unadjusted differences resulting from the audit, as well as any reporting decisions made
- monitored compliance with accounting standards and legal requirements
- reviewed and was satisfied that the external auditors and engagement partner were independent
- nominated the reappointment of the external auditors and engagement partner to shareholders
- ensured that the appointments of the external auditors complied with all relevant legislation
- determined the fees to be paid to the external auditors and ensured that they were fair and equitable
- maintained a non-audit services policy
- reviewed the internal audit charter
- reviewed the Integrated Risk Management process
- reviewed periodically the whistle blowing report
- reviewed and was satisfied with the process of risk management and monitoring of legal governance compliance within the company and ensured that the combined assurance model addressed the significant risks within the company including:
  - financial risks
  - internal financial controls
  - fraud risks
- reviewed and was satisfied with the expertise and the appropriateness of the finance function and the Chief Financial Officer.

Over and above its standard duties, the Committee deliberated the impact of the changes to legislation and the requirements of King III and recommended the establishment of a separate Risk Committee of the board. This is to ensure that appropriate focus and time is expended on the monitoring of risk management in the group in fulfilment of the board’s responsibilities. Detail on the Risk Committee is available in the Risk Committee report on page 82.

The Committee chairman has regular meetings with the Company Secretary to review progress on implementation of the Committee’s recommendations with respect to corporate governance.

Annual financial statements
The Audit Committee has evaluated the consolidated annual financial statements for the year ended 31 December 2010 and concluded that it complies, in all material aspects, with the requirements of the Companies Act 61 of 1973 and International Financial Reporting Standards. The Committee has therefore recommended the approval of the annual financial statements to the board.

Conclusion
Given the above, the Committee is of the opinion that it has appropriately addressed its key responsibilities in respect of:

- internal control;
- financial accounting control; and
- stakeholder reporting.

ZBM Bassa
Kumba’s Remuneration Philosophy

- To motivate and reinforce the performance of individuals;
- Attract and retain talented individuals;
- Compete in the marketplace with the intention of being a preferred employer as a key element in supporting the implementation of Kumba’s strategy; and
- Apply its remuneration policies equitably, fairly and consistently in relation to job responsibility, the employment market and personal performance.

Directors’ Fees and Remuneration

The directors are appointed to the Kumba board based on their ability to contribute competencies and experience appropriate to achieving the group’s objectives as a leading value-adding iron ore supplier to the global steel industry.

Executive Directors’ Remuneration

Two components of executive directors’ remuneration:
- Fixed component;
- Variable component which comprises an annual executive performance incentive and long-term incentives in terms of Kumba’s Bonus Share Plan and Long-Term Incentive Plan.

Fixed Remuneration

<table>
<thead>
<tr>
<th>Element</th>
<th>Description</th>
<th>Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>Reflects scope and nature of role, performance and experience.</td>
<td>Cash</td>
</tr>
<tr>
<td></td>
<td>Reviewed annually in January and benchmarking conducted bi-annually.</td>
<td></td>
</tr>
<tr>
<td>Pension</td>
<td>Retirement and risk benefits, including life cover and death-in-service benefits. Assumption that executive directors will retire at the age of 60 years.</td>
<td></td>
</tr>
<tr>
<td>Non-monetary benefits</td>
<td>Contribution towards membership of one of the group’s approved medical health care schemes. Vehicle benefits and vehicle insurance. Security services.</td>
<td>Benefits in kind</td>
</tr>
</tbody>
</table>

Variable Remuneration

<table>
<thead>
<tr>
<th>Element</th>
<th>Description</th>
<th>Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term incentives</td>
<td>Rewards and motivates achievement of agreed group performance objectives.</td>
<td>Cash</td>
</tr>
<tr>
<td></td>
<td>Up to maximum of 60% of basic employment cost <em>(BEC)</em> for achievement of stretch targets.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>50% based on financial targets</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- EBIT target at budgeted levels, entry threshold at 95% and maximum payout at 110%.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- ROCE target at budgeted levels, with threshold at 30% and maximum payout at 100%.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>50% based on certain personal strategic and other performance objectives.</td>
<td></td>
</tr>
<tr>
<td>Long-term incentives</td>
<td>Alignment with shareholder interests and creation of long-term value.</td>
<td>Shares</td>
</tr>
<tr>
<td></td>
<td>Active schemes:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a. The Bonus Share Plan <em>(the BSP)</em></td>
<td></td>
</tr>
<tr>
<td></td>
<td>b. The Long-Term Incentive Plan</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Active schemes under which no new grants will be made:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a. The Share Appreciation Rights Scheme</td>
<td></td>
</tr>
<tr>
<td></td>
<td>b. The Deferred Bonus Plan</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Old schemes transferred to Kumba post unbundling with no grant made since unbundling</td>
<td></td>
</tr>
<tr>
<td></td>
<td>a. Kumba Management Share Option Scheme</td>
<td></td>
</tr>
<tr>
<td></td>
<td>b. Phantom Share Scheme</td>
<td></td>
</tr>
</tbody>
</table>

Service contracts

Executive directors are not employed on fixed-term contracts and have standard employment service agreements.

<table>
<thead>
<tr>
<th>Employment date</th>
<th>Date first appointed to the board</th>
<th>Notice period</th>
</tr>
</thead>
<tbody>
<tr>
<td>CI Griffith</td>
<td>1 July 2009</td>
<td>12 months</td>
</tr>
<tr>
<td>VP Uren</td>
<td>7 April 2006</td>
<td>6 months</td>
</tr>
</tbody>
</table>

1 In terms of the Board charter, the termination of an employment contract of an executive director will result ipso facto in the termination of his membership of the board, unless the board determines otherwise.
Executive directors’ remuneration

<table>
<thead>
<tr>
<th>R’000</th>
<th>Basic salary</th>
<th>Short-term incentive</th>
<th>Retirement funding</th>
<th>Other benefits</th>
<th>Total 2010</th>
<th>Total 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>CI Griffith</td>
<td>3 953</td>
<td>2 052</td>
<td>447</td>
<td>43</td>
<td>6 495</td>
<td>4 398</td>
</tr>
<tr>
<td>VP Uren</td>
<td>3 197</td>
<td>1 638</td>
<td>382</td>
<td>38</td>
<td>5 255</td>
<td>4 531</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7 150</strong></td>
<td><strong>3 690</strong></td>
<td><strong>829</strong></td>
<td><strong>81</strong></td>
<td><strong>11 750</strong></td>
<td><strong>8 929</strong></td>
</tr>
</tbody>
</table>

Short-term incentives paid 2010

Based on performance in the 2009 financial year and calculated as a percentage of BEC approved for the pay cycle.

<table>
<thead>
<tr>
<th>R’000</th>
<th>2009 Total fixed remuneration</th>
<th>2009 Basic Employment Cost (BEC) used for calculating incentive</th>
<th>2010 Annual incentive paid</th>
<th>Annual incentive as a percentage of 2009 total fixed remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>CI Griffith</td>
<td>3 652</td>
<td>1 638</td>
<td>2 052</td>
<td>56%</td>
</tr>
<tr>
<td>VP Uren</td>
<td>3 281</td>
<td>2 771</td>
<td>1 638</td>
<td>(66% of BEC)</td>
</tr>
</tbody>
</table>

1. The 2010 incentive paid is more than 60% of the 2009 BEC due to a remuneration adjustment in the second half of 2009.

Non-executive directors’ fees

The Remco recommends fees payable to the non-executive directors for approval by the shareholders for an annual period commencing on 1 January each year.

Though no other supplementary fees are payable a recommendation has been made to the shareholders to approve additional remuneration for the additional meetings held during 2010. Non-executive directors do not participate in any of the company’s incentive schemes. Non-executive directors are subject to retirement by rotation and re-election by shareholders in accordance with the terms of the articles of association of the company.

Non-executive directors’ fees paid for 2010

<table>
<thead>
<tr>
<th>R’000</th>
<th>Board meeting fees</th>
<th>Committee fees</th>
<th>Total 2010</th>
<th>Total 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>PL Zim</td>
<td>1 100</td>
<td>–</td>
<td>1 100</td>
<td>1 000</td>
</tr>
<tr>
<td>ZBM Bassa</td>
<td>165</td>
<td>331</td>
<td>496</td>
<td>376</td>
</tr>
<tr>
<td>GS Gouws</td>
<td>165</td>
<td>–</td>
<td>165</td>
<td>150</td>
</tr>
<tr>
<td>GG Gomwe1</td>
<td>124</td>
<td>124</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>DD Mokgatie</td>
<td>165</td>
<td>326</td>
<td>491</td>
<td>385</td>
</tr>
<tr>
<td>DM Weston1</td>
<td>165</td>
<td>–</td>
<td>165</td>
<td>–</td>
</tr>
<tr>
<td>AJ Morgan</td>
<td>165</td>
<td>399</td>
<td>564</td>
<td>452</td>
</tr>
<tr>
<td>PB Mattare</td>
<td>165</td>
<td>146</td>
<td>311</td>
<td>284</td>
</tr>
<tr>
<td>PM Baum</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>217</td>
</tr>
<tr>
<td>ND Moyo</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>251</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3 416</strong></td>
<td><strong>3 115</strong></td>
<td><strong>3 416</strong></td>
<td><strong>3 115</strong></td>
</tr>
</tbody>
</table>

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

Executive Committee members’ remuneration

The fixed remuneration of members of the executive committee other than executive directors was reviewed by Remco at its meeting held on 11 November 2010. The fixed salaries were compared with the median pay levels of other South African mining companies, based on the scope and nature of each individual’s role and his or her performance and experience. The members of the group executive committee participate in the BSP.

Aggregate remuneration of members of the executive committee (excluding that of the executive directors disclosed separately above) for the year was as follows:

<table>
<thead>
<tr>
<th>R’000</th>
<th>Basic salary</th>
<th>Short-term Incentives</th>
<th>Retirement funding</th>
<th>Other benefits1</th>
<th>Total 2010</th>
<th>Total 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate total</td>
<td>11 106</td>
<td>5 080</td>
<td>1 163</td>
<td>1 620</td>
<td>18 969</td>
<td>19 557</td>
</tr>
</tbody>
</table>

1. Includes the encashment of leave accrued, housing subsidy and relocation allowance.

Number of members2

<table>
<thead>
<tr>
<th>R’000</th>
<th>Basic salary</th>
<th>Short-term Incentives</th>
<th>Retirement funding</th>
<th>Other benefits1</th>
<th>Total 2010</th>
<th>Total 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate total</td>
<td>11 106</td>
<td>5 080</td>
<td>1 163</td>
<td>1 620</td>
<td>18 969</td>
<td>19 557</td>
</tr>
</tbody>
</table>

1. Includes the encashment of leave accrued, housing subsidy and relocation allowance.

2. E Leeka resigned on 3 September 2010 and CC Holtzhausen was appointed as General Manager at Thabazimbi Mine on 1 December 2010.