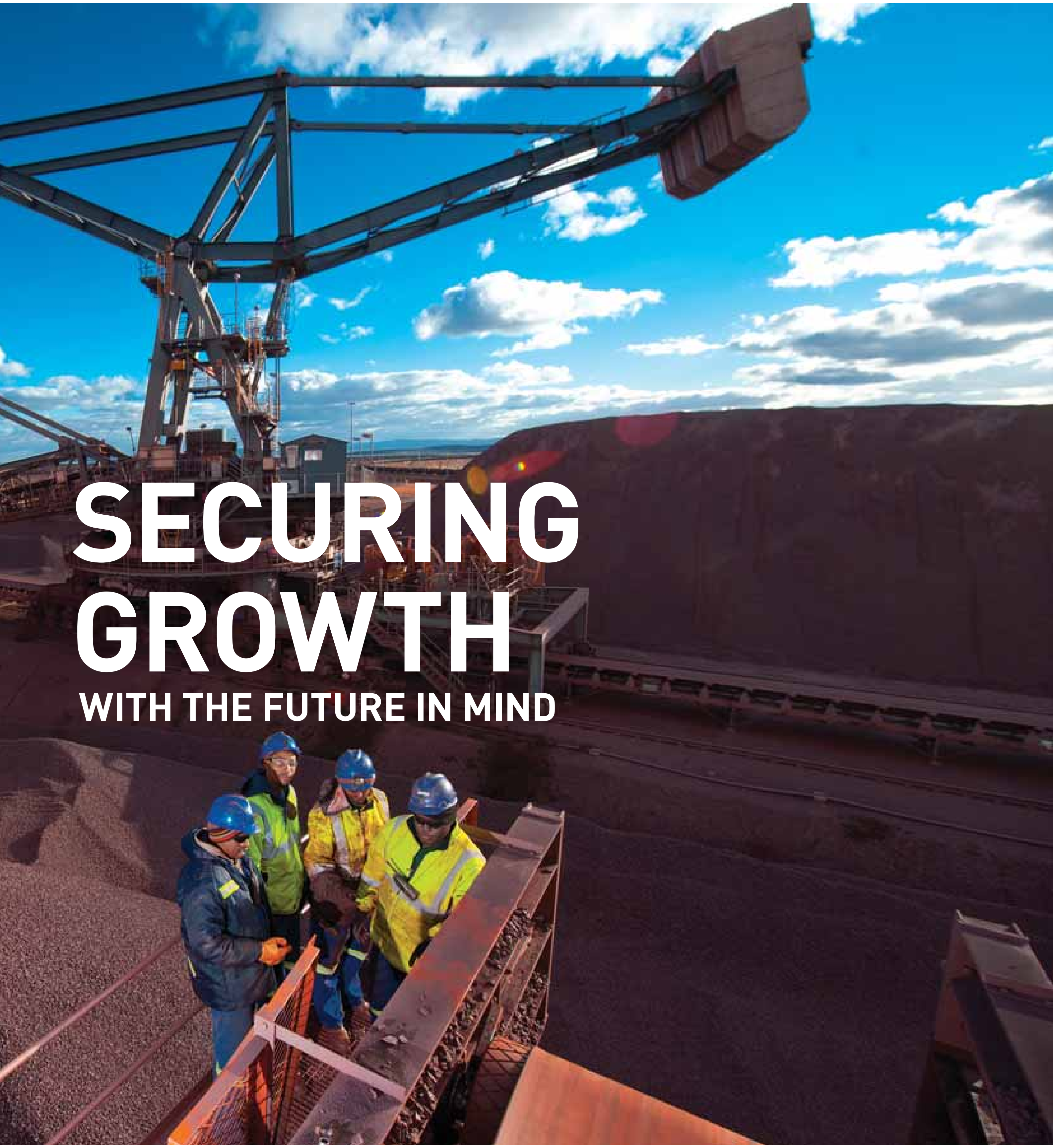
IRON ORE



SECURING GROWTH
WITH THE FUTURE IN MIND

KUMBA IRON ORE LIMITED
INTEGRATED REPORT 2012

WITH THE FUTURE IN MIND

At Kumba Iron Ore we strive towards the following: safety, quality, reliability and consistency. We believe that using these as the benchmark in all areas of our business can ensure we deliver on our promises to communities, maintain open and beneficial relationships with our employees and produce iron ore that focusses on the needs of our customers. It is our commitment to quality, reliability and consistency, as well as living our values of safety, care and respect among others that ensures we make decisions that consider both the short and long term, allowing the business to grow with the future in mind.

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Images

01 Load and haul operations during the early evening in the Leeufontein pit at Kolomela mine.

02 Thabo Makhorole, technical superintendent, and Dave Makumbila, senior technician: geotechnical services, examine a slope stability radar which warns of pit wall failure.

03 Construction contractor conducts safety training on site.

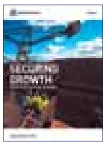
04 Kolomela mine performed exceptionally well in 2012.

05 Skeyfontein community members Biwbo Saulus, Ivy Momanyane, Kgalaleto Taaibos and Annie Phillips are beekeepers in the Deben Heuningpot Co-operative.

06 Lena Sebelego, Martha Sebelego and Gracious Tlhaole earn a living and serve their community from the hydroponic vegetable farm near Kolomela mine.

Cover

Finished product awaits shipment at the new Kolomela iron ore mine in the Northern Cape Province. The mine exceeded expectations by producing 8.5 Mt while ramping up in 2012.



Other sources of information

Our website provides more information on our company and its performance, including details of business policies and latest news.

More about our sustainability performance is provided in our Sustainable Development Report 2012, while detailed financials can be found in our Annual Financial Statements 2012.

Both of these reports can be requested from the company, or downloaded online at http://www.kumba.co.za/investor_main.php.

Key to icons in this document

Go to a page in this or another publication

www.angloamericankumba.com

OVERVIEW OF ACTIVITIES

Kumba Iron Ore Limited (Kumba or the group), a member of the Anglo American plc group (the Group), is a leading value-adding supplier of high-quality iron ore to the global steel industry.

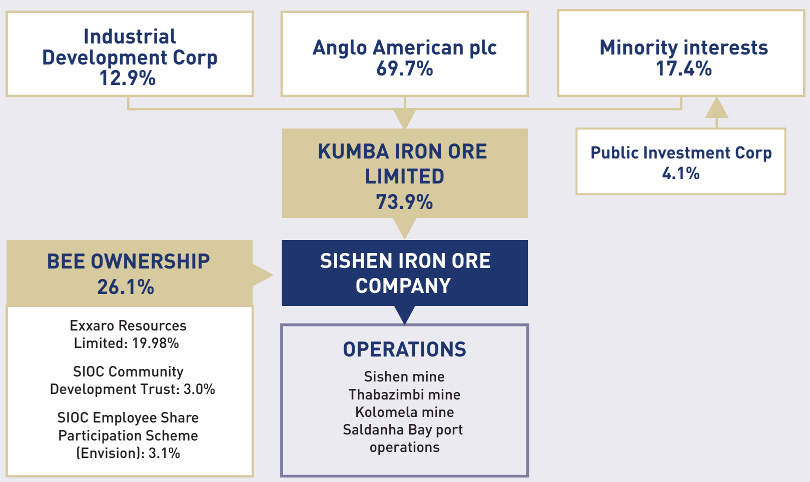
KUMBA AT A GLANCE

Kumba's headquarters are located just north of Johannesburg, in Centurion, South Africa.

Kumba holds a 73.9% interest in and manages Sishen Iron Ore Company Proprietary Limited (SIOC), with the balance of 26.1% held by SIOC's black economic empowerment (BEE) shareholders:

- Exxaro Resources Limited (Exxaro), a leading BEE company listed on the JSE Limited (JSE)(19.98%);
- SIOC Community Development Trust (SIOC-cdt) (3.0%); and
- employees, through the Envision share participation scheme (3.1%).

KUMBA IRON ORE LIMITED GROUP STRUCTURE



SIGNIFICANT EMPLOYER

Kumba is a significant employer in its regions of operation. At the end of December 2012, we employed 11,773 people (2011: 11,898 people), comprising 6,878 full-time employees, 4,193 full-time contractors and 702 learnerships.

Approximately 80% of employees are local (drawn from the province in which the operation is located). A further 8,806 fixed-term, project contractors were employed on capital projects during the year.

Refer to page 38 for further details

OPERATIONS IN SOUTHERN AFRICA

Corporate office
1 Centurion

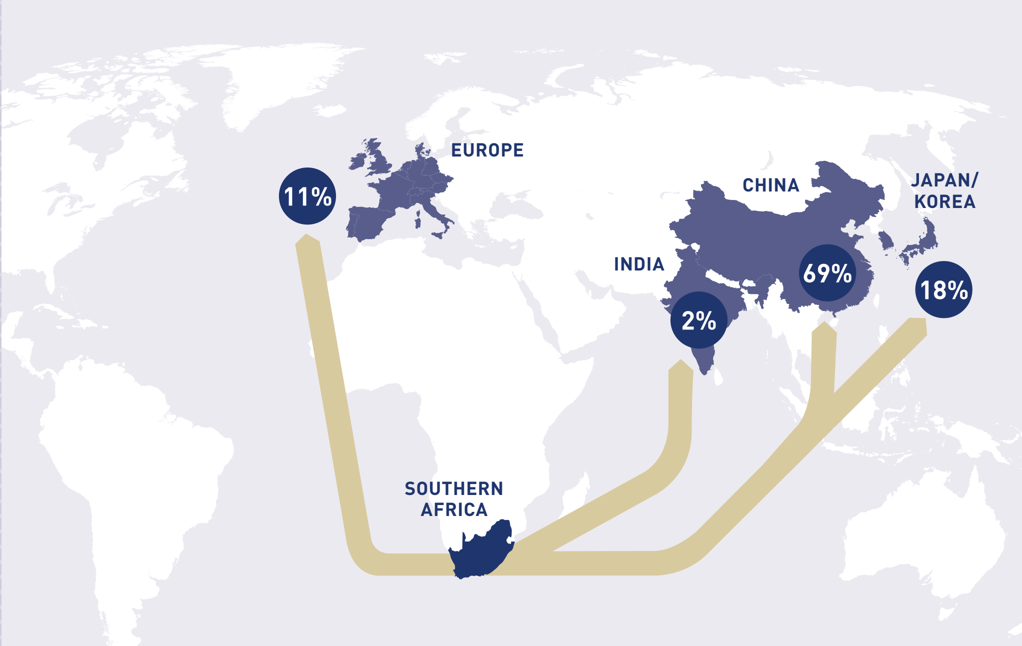
Mining operations
2a Sishen mine
2b Kolomela mine
2c Thabazimbi mine

Port operations
3 Saldanha Bay

PRODUCTION FOR DOMESTIC AND EXPORT MARKETS

In 2012, Kumba produced a record 43.1 million tonnes (Mt) of iron ore (2011: 41.3 Mt) for both the domestic and export markets. Our operations are serviced by a dedicated iron ore rail link operated by Transnet Freight Rail (TFR), the national rail transport utility, to the port of Saldanha Bay. In 2012, Kumba's export sales totalled 39.7 Mt (2011: 37.1 Mt) of iron ore from Saldanha Bay, primarily to China (69%), Western Europe (11%), Japan and South Korea (18%) and India (2%).

EXPORT DESTINATIONS AND EXPORT VOLUMES



MINING OPERATIONS

SIOC has three mining operations:

- Sishen mine, which is located near the town of Kathu in the Northern Cape Province. This mine has been in operation since 1953. Optimisation of activities at this operation, combined with expansion, will see a continued rise in production. Sishen's life of mine (LoM) is currently estimated at 18 years.
- Kolomela mine is located near Postmasburg in the Northern Cape Province. This mine was brought into commercial production in December 2011, ahead of schedule, and is on track to produce at design capacity of 9 million tonnes per annum (Mtpa) in 2013. Kolomela's LoM is currently estimated at 29 years. Further expansion of this mine is being considered.
- Thabazimbi mine, situated in the town of Thabazimbi in the Limpopo Province, is a mature mining operation, nearing the end of its life. Thabazimbi mine operates on a cost-plus basis and is contractually dedicated to supplying ArcelorMittal South Africa Limited (AMSA). The future of the current operations is under discussion with AMSA. The Phoenix project, located adjacent to Thabazimbi mine, is currently undergoing a feasibility study. We are looking at options to bring the Phoenix project into production as well as the timing of doing so. The project is described in more detail on page 48.

EXPANSION AND EXPLORATION

Kumba's expansion and exploration pipeline seeks to grow production:

- to 70 Mtpa in South Africa (2012: 43.1 Mt); and
- by a further 10 Mtpa to 20 Mtpa from prospects in west and central Africa.

Progress was made in west and central Africa jointly with Anglo American plc.

Refer to page 50 for further details

INVESTMENT IN THE FUTURE

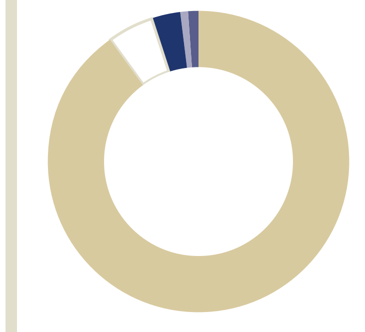
Kumba has continued to invest significantly in the development and expansion of our business. In 2012, we spent R5.4 billion (2011: R5.8 billion) on capital expenditure: R2.2 billion on growth projects and R3.2 billion on stay-in-business (SIB) capital.

At the end of 2012, SIOC, in which Kumba holds a 73.9% shareholding, reported total attributable Ore Reserves of 1.1 billion tonnes (2011: 1.2 billion tonnes) and attributable Mineral Resources of 1.2 billion tonnes (2011: 1.3 billion tonnes). This is reported in accordance with the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC).

Kumba is listed on the JSE in South Africa, with a market capitalisation of R183.2 billion (2011: R161.0 billion) at the end of December 2012.

GEOGRAPHIC SPLIT OF SHAREHOLDERS

as at 31 December 2012 (%)



South Africa	90.2
United Kingdom	5.0
North America	3.0
Europe (ex UK)	0.8
Rest of the world	1.0

INVESTMENT IN COMMUNITIES

Kumba invests significantly in the communities in which it operates, directly and indirectly. In 2012, our community engagement and development (CED) expenditure was R275.6 million (2011: R190.9 million).

Refer to page 58 to 65 of our Sustainable Development Report 2012 for further details

OUR PERFORMANCE
WITH THE FUTURE IN MIND

SAFETY

- Regrettably two lives were lost
- Lost time injury frequency rate (LTIFR) of 0.10 per 200,000 hours worked

MARKET

- Global crude steel production rose to 1.6 billion tonnes in 2012, primarily driven by China
- Seaborne iron ore supplies reached 1.1 billion tonnes
- 23% decrease in realised average export iron ore prices realised of US$122/tonne
- Export sales rose to a record 39.7 Mt

OPERATING PERFORMANCE

- Record production of 43.1 Mt
- Kolomela mine exceeded its ramp-up schedule, producing 8.5 Mt
- Sishen mine's production decreased mainly due to the impact of the unprotected strike in October 2012 and production challenges experienced earlier in the year
- Operations remained steady at Thabazimbi mine as the mine nears the end of life

FINANCIAL PERFORMANCE

- Operating profit of R23.1 billion
- Headline earnings of R12.2 billion or R37.97/share
- Dividends of R18.0 billion or R31.70/share

COMMUNITY ENGAGEMENT AND DEVELOPMENT

- SIOC-cdt received dividends of R570.5 million
- Social and labour plan (SLP) targets significantly met or exceeded
- R275.6 million spent on CED

ENVIRONMENTAL PERFORMANCE

- Sishen and Thabazimbi mines retained ISO14001 certification
- Kolomela mine's ISO14001 certification planned for the second half of 2013

DIRECTORS' DECLARATION OF MATERIAL ISSUES

The Kumba board, assisted by the Audit Committee, is ultimately responsible for overseeing the integrity of the Integrated Report. This was achieved through the setting up of a project steering committee and a team to oversee the reporting process. The process undertaken to identify the company's material issues is outlined on page 16. The directors confirm that they have collectively reviewed the content of the Integrated Report 2012 and believe it addresses the material issues, and it is a fair presentation of the integrated performance of the group. The Kumba board approved this Integrated Report on 13 March 2013.

CONTENTS

APPROACH AND OVERVIEW

BUSINESS PERFORMANCE

GOVERNANCE, COMPLIANCE AND ADMINISTRATION

ABOUT THIS REPORT AND OUR REPORTING PROGRESSION

BASIS OF REPORTING

This report covers the primary operations owned and managed by the group, namely Sishen, Kolomela and Thabazimbi mines, as well as the group's logistics and marketing operations.

While this report reflects on the 2012 financial year, historical information is supplied for context where appropriate, along with an outlook, where this supports an understanding of the strategy of the business.

There have been no restatements during the year.

PROGRESSING INTEGRATED REPORTING

This is our second Integrated Report and reflects a further step in our journey towards integrated reporting. In 2012, we sought and received feedback from external commentators on our 2011 report and this has shaped the contents of this year's report.

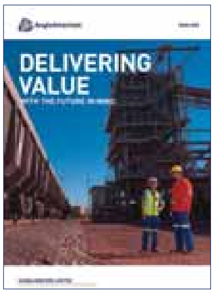
In addition to an evaluation of feedback from our stakeholders, our executive team and discipline heads from across the group participated in a stakeholder engagement workshop to identify and prioritise our material issues. See pages 14 to 17. These were further considered by the Kumba board, and have been incorporated into the depiction of our business model.

Refer to page 06 for further details

2012 SUITE OF REPORTS

Kumba's suite of reports for the 2012 financial year, from 1 January 2012 to 31 December 2012, comprises the following:

This Integrated Report, which provides an account of the group's operational, financial, economic, social and environmental performance, as well as governance, during the period under review. Kumba has applied the recommendations of the King Code of Governance Principles for South Africa 2009 (King III), the Integrated Report Discussion Paper published by the Integrated Reporting Committee of South Africa, as well as the discussion paper, Towards Integrated Reporting: Communicating Value in the 21st Century, published by the International Integrated Reporting Committee. We have also considered and reported on those issues that we understand to be most important to a broad range of stakeholders.



Our Annual Financial Statements, which present the audited group and company annual financial statements, prepared in accordance with the International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board and IFRIC interpretations, the South African Companies Act No 71 of 2008, the Listings Requirements of the JSE, and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee. The annual financial statements have been audited by Deloitte & Touche. An unmodified audit opinion was issued and is included on page 27 of the Annual Financial Statements.

Our Sustainable Development Report, which has been developed in line with the G3.0 Guidelines of the Global Reporting Initiative (GRI) and GRI's Mining and Metals Sector Supplement. Kumba has, for the second year, declared an A+ level of reporting, and this has been assured by Pricewaterhouse-Coopers (PwC). The assurance statement is included on pages 82 and 83 of the Sustainable Development Report. As Anglo American plc, the group's major shareholder (69.7% holding), is a member of the International Council on Mining and Metals (ICMM), the ICCM's principles are taken into consideration in the Sustainable Development Report.

HOW DO I REQUEST COPIES?

Printed copies of the Integrated Report 2012, Annual Financial Statements 2012 and Sustainable Development Report 2012 are available on request from Kumba's Investor Relations.

These reports are also available in a downloadable PDF format on Kumba's website at http://www.kumba.co.za/index.php.

SALIENT FEATURES

KEY STATISTICS

	2012	2011	2010	2009	2008
Production (Mt)					
Sishen mine	33.7	38.9	41.3	39.4	34.0
Kolomela mine	8.5	1.5	–	–	–
Thabazimbi mine	0.8	0.9	2.0	2.6	2.7
Sishen mine FOR unit cost					
Unit cost (R/tonne)	257.39	178.90	128.65	111.12	110.77
Cash cost (R/tonne)	209.69	150.47	113.69	98.83	101.86
Unit cost (US$/tonne)	31.43	24.68	17.62	13.24	13.43
Cash cost (US$/tonne)	25.60	20.75	15.57	11.78	12.35
Kolomela mine FOR unit cost					
Unit cost (R/tonne)	255.69	–	–	–	–
Cash cost (R/tonne)	190.83	–	–	–	–
Unit cost (US$/tonne)	31.22	–	–	–	–
Cash cost (US$/tonne)	23.30	–	–	–	–
Stripping ratio					
Sishen mine	3.5	2.6	1.9	1.8	1.4
Kolomela mine	3.3	7.1	–	–	–
Thabazimbi mine	28.9	25.8	14.6	5.4	2.8
Logistics (Mt)					
Total volumes railed to port of Saldanha Bay (incl. Saldanha Steel)	40.0	39.1	36.5	34.6	28.1
Total volumes loaded at port	38.5	37.6	36.7	34.6	25.0
Sales volumes (Mt)					
Export sales	39.7	37.1	36.1	34.2	24.9
Domestic sales	4.7	6.4	7.0	5.8	8.1
LoM (years) (incl. inferred resources) (Mt)					
Sishen mine	18	21	20	21	Not reported
Kolomela mine	29	27	28	28	Not reported
Thabazimbi mine	6	6	6	6	Not reported
LTIFR rate (per 200,000 hours worked)					
Sishen mine	0.10	0.08	0.15	0.10	0.14
Kolomela mine	0.04	–	–	–	–
Thabazimbi mine	0.10	0.10	0.25	–	–
CED expenditure (R million)					
Sishen mine	72.3	2.6	1.9	1.8	1.4
Kolomela mine	77.9	7.1	–	–	–
Thabazimbi mine	14.9	25.8	14.6	5.4	2.8
Amount spent on housing (R million)					
Sishen mine (including LHC)*	398.1	181.0	44	38	5.8
Kolomela mine	511.0	403.0	–	–	–
Thabazimbi mine**	9.0	10.3	7.1	4.0	3.2
Number of houses constructed/converted (units)					
Sishen mine (including LHC)	1,166	172	39	342	383
Kolomela mine	335	280	–	–	–
Thabazimbi mine	–	–	–	–	–

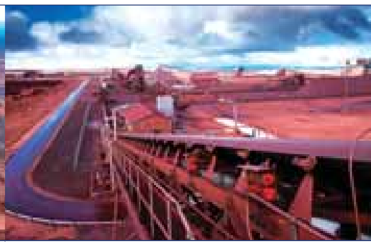
	Full time	**Con-tractors**	Full time	Con-tractors	Full time	Con-tractors	Full time	Con-tractors	Full time	Con-tractors
Employees										
Sishen mine	5,303	2,910	4,412	3,425	4,173	4,217	3,868	1,199	3,775	493
Kolomela mine	1,030	811	771	640	534	28	241	7	–	–
Thabazimbi mine	852	470	815	889	806	974	821	693	818	451

* Lakutshona Housing company
** Thabazimbi mine's housing spend is significantly lower than that of Sishen and Kolomela mines because all the hostels at Thabazimbi mine have already been converted to family units

SALIENT FEATURES

CONTINUED

OPERATIONS AT A GLANCE

	Sishen mine	Kolomela mine	Thabazimbi mine
01 02 03			
Location	Located in the Northern Cape Province, 8km from the town of Kathu	Located in the Northern Cape Province, 22km from the town of Postmasburg	Located in the Limpopo Province, in the town of Thabazimbi
History	Mining operations first began in 1953; the mine has produced 876 Mt of iron ore in close to 60 years of operation	Exploration on this project dates back to the 1950s although the first impact studies were only undertaken in 2001; construction started in late 2008, following the receipt of relevant permits; production began in late 2011 with the first shipment of ore in December 2011; the mine will attain full annual production in 2013	Underground mining operations started in 1931 and continued until 1997; open-pit operations commenced in 1942; the mine has produced 160 Mt of iron ore
Geology	Sishen mine is host to a large haematite orebody; the mine produces a sought-after lump ore and has a lump to fine ratio of around 60:40	Kolomela mine orebodies comprise hard, high-grade, conglomeratic and laminated haematite; the ores have been preserved as three separate orebodies within basinal and graben structures; Kolomela mine's lump to fine ratio is 60:40	Thabazimbi mine's orebodies comprise mainly lenticular units in the Penge formation and smaller tabular basal units; the product is largely contaminant-free, high-grade and low-grade, goethite and haematite hard and soft ore; the lump to fine ratio is around 42:58
Mining and production	Highly mechanised, open-pit mine with processing facilities; all material is beneficiated through a dense media separation (DMS) or jig processes; consistent quality is ensured through final product blending and reclamation prior to dispatch to customers	Highly mechanised open-pit operation Direct Shipping Ore (DSO) is produced through the processing plant, producing lump and fine ore products Kolomela ore is crushed and screened before being dispatched to customers	Open-pit mining operation. The mine's entire RoM is beneficiated through a high-yield DMS process
	The mine's annual production design capacity is of the order of 41 Mtpa	The Kolomela expansion project is considering beneficiation of some ore as part of its business case; this project is still in pre-feasibility stage and is described later in the report as part of the project pipeline Production design capacity is estimated at 9 Mtpa from 2013	As the mine reaches the end of its life, production is estimated at about 1 Mtpa
Ore Reserves and Mineral Resources	Ore Reserves of 918.9 Mt at 31 December 2012 (2011: 983.9 Mt) Mineral Resources (in addition to Ore Reserves) at 31 December 2012 of 612.2 Mt (2011: 776.4 Mt) The current LoM is 18 years (2011: 21 years)	Ore Reserves at 31 December 2012 of 209.5 Mt (2011: 203.4 Mt) Mineral Resources (in addition to Ore Reserves) at 31 December 2012 of 166.6 Mt (2011: 162.3 Mt) The current LoM is 29 years (2011: 27 years)	Ore Reserves of 9.5 Mt at 31 December 2012 (2011: 10.4 Mt) Mineral Resources (in addition to Ore Reserves) at 31 December 2012 of 21.7 Mt (2011: 15.2 Mt) Thabazimbi mine's LoM plan extends to 2018. The future of the current operation is under discussion with AMSA

01 Sishen mine is a highly mechanised open-pit mine with processing facilities.

02 Kolomela mine's ore is crushed and screened before it is dispatched to customers.

03 At Thabazimbi mine, RoM production is beneficiated through a high-yield DMS process.

04 Neil Akermann, planning and development engineer, Nico du Toit, electrical engineer, and Johan Smit, foreman, discuss the collision avoidance system fitted to haul trucks at Sishen mine.

05 Darryll Daniel, millwright, and Lester Assegai, process controller, at the load-out facility process control room, where they have a direct view of the ore loading.

06 Thabazimbi mine upholds international safety and environmental standards.

OPERATIONS AT A GLANCE

	Sishen mine	Kolomela mine	Thabazimbi mine
04 05 06			
Logistics	Export ore is transported via the Iron Ore Export Channel (IOEC) to Saldanha Bay and then to customers around the world. These rail and port operations are owned and operated by the state utility TFR	A 36km rail link has been constructed to connect the mine with the IOEC and the channel itself is being expanded; some 9 Mtpa capacity has been allocated to Kolomela mine	Ore is dispatched both by rail and road; AMSA is the sole customer
Markets	Sishen mine's products include 25mm 65% Fe lump (DMS), 25mm 64% Fe lump (jig plant), 27mm and 20mm 66% Fe lump (niche products) and 8.0mm 64.5% Fe fines; around 15% of Sishen mine's product is sold for domestic consumption with the balance exported	Kolomela mine's products include 64% Fe lump and 63.5% Fe fine ore for export	Thabazimbi mine's products include 30mm 62% Fe lump and 8mm 62.5% Fe fines; a supply agreement with AMSA provides for the delivery of all the production of iron ore from Thabazimbi mine to steel mills at Vanderbijlpark and Newcastle; the agreement provides for a cost +3% management fee which is overseen by a joint management committee
Mining rights and permitting	Integrated water use licence (IWUL) was granted in 2010 Environmental management plan (EMP) approved by the DMR Sishen mine's ISO9001, ISO 14001 and OHSAS 18001 recertification audit, planned for the third quarter of 2012, was not conducted due to strike action at the mine and will be conducted in March 2013; the Centre for Environmental Management at Potchefstroom University was appointed to assist in rectifying gaps in preparation of the ISO 14001 standard requirement audit The first five years (2007 to 2011) of the previous SLP commitments have been completed The SLP for the next five years (2012 to 2016) has been signed off by the Department of Mineral Resources (DMR) and the 2012 projects were implemented	Execution of mining right was in September 2008 and registration in August 2009; IWUL was granted in June 2008 Kolomela mine is planning to be ISO 14001-certified by mid-2013 and a preliminary audit was conducted in July 2012 as part of the first step to certification The current SLP comes to an end in 2013; most commitments have been honoured and where projects did not materialise alternative projects were endorsed by the local municipality and the DMR was informed accordingly	SIOC is the holder of two mining rights for the Thabazimbi mine operated as a single mine, which were executed in October 2009, and registered in November 2009 and June 2012 respectively. The Phoenix reserve is located within this broader mining licence area but is ringfenced from Thabazimbi mine and is not governed by the supply agreement with AMSA. The IWUL was granted in 2010 Thabazimbi mine has submitted an amendment to its environmental management plan (EMP) to the DMR Thabazimbi mine's ISO14001 and OHSAS18001 recertification audit, conducted by BVQI, was completed in October 2012; the mine retained its certification The first five-year SLP came to an end in 2012; the next five-year SLP has been submitted to the DMR for approval
Project pipeline	A number of brownfields expansion projects are currently being considered and developed, including Sishen lower-grade projects, SEP1B and the Sishen DMS concentrate project; Kumba is part of a Transnet/industry team that is examining the feasibility of expanding the IOEC to beyond the current design capacity of 60 Mtpa	Potential exists for a 6 Mtpa expansion project	A feasibility study is currently being completed for the Phoenix project which, subject to board approval, is expected to replace production at Thabazimbi mine

OUR STRATEGY AND BUSINESS MODEL

GEOSCIENCES

Exploration
Kumba has a dedicated focus to increase and replenish its mineral resource portfolio through the exploration for greenfield deposits in prospective mineral belts such as west and central Africa. In South Africa, exploration is focussed on the search for brownfield deposits close to, or on, existing lease areas which can leverage off the company's infrastructure associated with current operations.

Operations
On mine, exploration and resource definition drilling is conducted to increase the confidence in the geological models, which are updated on an annual basis in support of the life of mine and long- term planning process as well as the annually published Resource and Reserve statement.

MINING

Kumba obtains its iron ore from mining the valuable iron ore bodies within its various mining leases. Mining is presently done by open pit (open cast) methods.

SISHEN MINE
NORTHERN CAPE PROVINCE
2012: 33.7 Mt production
2012: 133.5 Mt waste mined

KOLOMELA MINE
NORTHERN CAPE PROVINCE
2012: 8.5 Mt production
2012: 33.5 Mt waste mined

THABAZIMBI MINE
LIMPOPO PROVINCE
2012: 0.8 Mt production
2012: 31.1 Mt waste mined

PROCESSING

Kumba beneficiates its ore to sell niche products at a premium to international markets.

Beneficiation is the processing of the ores for the purposes of regulating the physical properties of the finished product, removing unwanted components and improving the product quality. Kumba uses dense medium processing and jigging technologies to achieve this.

FURTHER BENEFICIATION

Kumba supports the South African Government's objectives to maximise the developmental impact of the minerals sector, mindful of the important role that mining companies have to play in this space. Kumba is investigating innovative beneficiation techniques to upgrade its ore and improve recoveries. Kumba is also exploring steel conversion technologies suitable for the South African environment.

SIX UNDERPINNING FOCUS AREAS

Safety and health
In a business undertaking such as ours, people play the most significant role, and creating and maintaining a safe working environment is our number one priority.

For more information, **turn to page 36**

Human capital management
Attracting, retaining and developing the group's human resources are critical priorities for Kumba.

For more information, **turn to page 38**

Corporate governance
Corporate governance plays an integral role in delivering on our strategy, managing our business effectively and being a responsible corporate citizen in the interest of all stakeholders.

For more information, **turn to page 77**

Footprint management
Kumba's ideal is to reduce the adverse impact of our operations on the environment mainly through managed emission, energy, water, waste reduction targets and rehabilitation of our mines and exploration areas.

For more information, **turn to page 53**

Corporate social investment
Sustainable and effective investment in social and community development at all stages of the life of a project is an integral part of our business model.

For more information, **turn to page 42**

Innovation and research
Kumba's technical services division oversees the group's metallurgical research and development programmes which are aimed at ensuring the optimal exploitation of resources.

For more information, **turn to page 51**

BLENDING AND OUTBOUND LOGISTICS

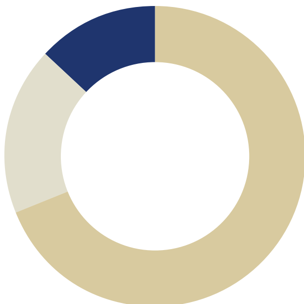
Blending
Blending is an important consideration to satisfy the demands of the market. It allows Kumba to utilise its products from its operations to provide niche specification products to our markets. Products are screened and sized to match customers' requirements.

Outbound logistics
Kumba markets and sells most of its products directly to its customers. Through our outbound logistics chain we are able to integrate our mining, processing, and blending facilities with the market.

SHIPPING, MARKETING AND SELLING

Kumba sells iron ore domestically and internationally. Export customers are in a range of geographical locations around the globe including China, Japan, South Korea and countries in Europe and the Middle East. Kumba sells its ore domestically to AMSA.

EXPORT DESTINATIONS AND EXPORT VOLUMES 2012
%



China	69
Japan and South Korea	18
Europe and India	13

REHABILITATION AND ENVIRONMENT

Rehabilitation is a key component of the integrated business model and reinforces Kumba's ideal of being a responsible corporate citizen.

The entire life cycle of the mine needs to be carefully managed, from an environmental perspective, to ensure the least interruption to our natural resources while operations are ongoing and restore the land as close as possible to its original state, or the desired closure vision, when we finally leave.

PEOPLE ARE CENTRAL TO OUR OPERATIONS

LOOKING FORWARD

Major capital investment is focussed on three principal areas:

1. Reserve replacement to find new resources adjacent to existing operations, or to develop new areas, is crucial for long-term sustainability for Kumba.

For more information, **turn to page 84**

2. The introduction of a new, larger mining fleet at Sishen mine to drive efficiencies, will contribute to driving down costs, which will keep Kumba cost competitive.

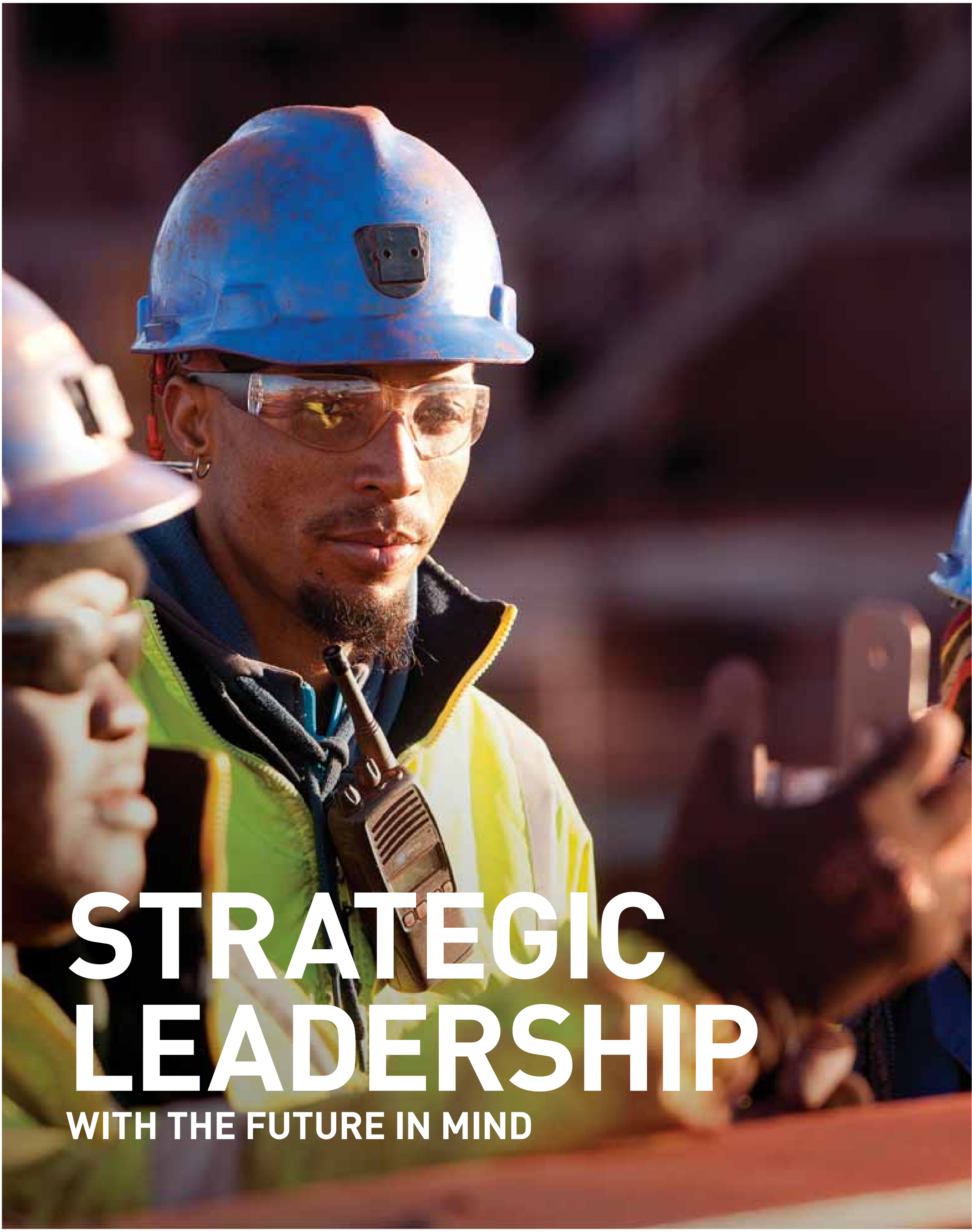
For more information, **turn to page 60**

3. Identification and execution of growth projects to extract saleable material from waste streams or beneficiate ore from the pit which would have otherwise become waste.

For more information, **turn to page 46**

STRATEGIC ELEMENT: Becoming the partner of choice for all our stakeholders

01



STRATEGIC LEADERSHIP

WITH THE FUTURE IN MIND

Accountability is at the heart of the decisions made by our leaders who have been chosen from the country's most well respected professionals.

Our leaders understand that their talent, experience and influence are worth much more to the business than an investment in the bottom line. As a result, they strive to create a stable environment, for both the company and the communities around us, on which a promising future can be built.

We endeavour tirelessly to reflect the governance requirements of the country while ensuring we reward everyone who contributes to the success of our company. It is not by chance that we were recognised as the country's best employer in the mining category in 2012. Looking forward, we hope to build on this success, and will continue with constructive engagement at all levels of the company and society.

02


39.7 Mt

RECORD EXPORT SALES VOLUME

R12.2bn

HEADLINE EARNINGS

RECORD TOTAL PRODUCTION OF

43.1 Mt

ACCOLADES 2012

Kumba received external recognition for outstanding performance in various areas during 2012. These included:

- International Association of Business Communicators: South African Quill Award to the Kolomela project's safety improvement communication plan.
- Sunday Times' Royal Companies: in the top 20 list of companies that generate the most value for shareholders for three consecutive years.
- Deloitte's Best Company to Work For 2012 annual survey: overall mining industry winner.
- CRF Institute Best Employer 2012 survey: commended for offering employees outstanding working conditions.
- National Business Awards: third runner-up in the Top Performing Company of the Year for the fourth consecutive year.
- JSE: Ranked ninth with a market capitalisation of R183.2 billion, at 31 December 2012.

"Kolomela mine was brought into production months ahead of schedule, and delivered production of 8.5 Mt for the year"

Norman Mbazima
Chief executive, Kumba Iron Ore

Images

01 The maintenance team of Andre Witbooi, Genius Kotoka and Carlos Motsoeneng working on some of Kolomela mine's heavy mining equipment.

02 The Batho Pele mobile health clinic serves the remote village of Gasese, 80km from Kathu, in the Northern Cape.

CHAIRMAN'S REPORT

Fani Titi,
Chairman, Kumba Iron Ore

DEAR STAKEHOLDERS

I am honoured to present my first report to you, having assumed the chairmanship of the company in October 2012. I hope this report will be of interest to you, and that it will give you insight into the performance of Kumba over the review period, and our future plans.

There were many highlights and successes during 2012, and our performance and progress on so many fronts augurs well for the continued success of the group.

A YEAR OF CHALLENGES

It is with great sadness that I report that the group suffered the first incidences of loss of life since 2010, when two employees, Sarah Obudilwe and Wickus Coetsee, were regrettably fatally injured at Sishen mine. We have redoubled our efforts in safety at all our operations, as we strive for our stated goal of zero harm.

The volatility of the global markets, particularly in respect of slowing economic growth in China which affected the demand for and prices of iron ore, as well as the protracted impact of the global financial crisis, combined with the Eurozone sovereign debt crisis, have played a role in our mixed fortunes during the year. Declining iron ore prices in the first three quarters of 2012 gave way to a pleasing recovery in iron ore prices in the latter part of the year. Our expectation is for stable demand counter-balanced by growth in seaborne iron ore supply, with the likelihood of softening iron ore prices in the second half of 2013. On average, prices are anticipated to be firmer than in 2012.

The labour unrest that we experienced in the fourth quarter of 2012 at Sishen mine was unexpected given the historical state of employee relations within the group, and disappointing, given the fact that our employees have benefitted significantly from the Envision programme. This was a challenge that, thankfully, our executive team was able to resolve and address, without serious incident or injury. While the strike may be over, its effects on our operations at Sishen mine are likely to persist into the first half of 2013 as ramp up efforts continue.

Progress on the various legal disputes has been predictably slow. A detailed report on these is given in pages 55 to 57 of this Integrated Report. These are complex issues and Kumba continues to work vigorously to protect the interests of its shareholders and other stakeholders. SIOC awaits the judgment of the Supreme Court of Appeal (SCA) in respect of the appeal brought against the judgment of Judge Zondo in the High Court Review. SIOC also continues to prepare for the arbitration with AMSA and hopes that in 2013 progress will be made towards the resolution of these issues.

OUTWEIGHED BY POSITIVE OPERATIONAL PERFORMANCE

The underlying strength of Kumba remains without question and the company continued to deliver a most notable operational performance.

This has been particularly apparent at Kolomela mine where the mine reached monthly nameplate capacity, within budget, on time and with exceptional safety achievements. We look forward to continued optimisation and growth at this operation in the year ahead. I have been particularly pleased with the way in which this new operation has been designed to be integrated within its community, and the Kolomela housing project is one of the most attractive and functional housing developments that I have seen.

Kumba achieved record production of 43.1 Mt, and record export sales of 39.7 Mt, despite the impact of the unprotected strike at Sishen mine. This record export sales performance also reflects the excellent performance of our rail and port supplier, Transnet. Our future plans for expansion of our Northern Cape mining complex are critically dependent on a continued, mutually beneficial relationship with Transnet.

The performance at both Sishen and Thabazimbi mines has continued to please, despite the challenging operating circumstances.

Kumba continued to perform ahead of the targets of the Mining Charter, and compliance with the Mineral and Petroleum Resources Development Act (MPRDA) also continued. Our investment in our most valued resource, our people, also continued. Kumba was recognised as the 'Best Employer' in the mining category as determined through the Deloitte's Best Company to Work For Survey and the CRF Institute's 2012 Best Employer Survey.

EXCEPTIONAL RETURNS AND SHARED GROWTH

Kumba's share price continued to outperform the JSE mining index in 2012, closing up 14% from 2011 to R568.88 per share at the end of December 2012, notwithstanding a 23% decrease in iron ore prices in 2012 which had a negative impact on our earnings. The share price has grown at a compound annual growth rate of 31% from the listing share price of R111 at the end of 2006.

The Kumba board was satisfied with the group's strong cash generation, and continued to return cash to our shareholders. Dividends of R18 billion were paid to our shareholders in 2012. We also continued to make a significant and meaningful contribution towards South Africa's broad-based empowerment initiatives, through both capital appreciation and the payment of substantial cash dividends to empowerment shareholders, who received

R4.6 billion in dividends in 2012. Furthermore, in 2012 we paid R6.4 billion to the South African government in company tax and mineral royalties.

SEEKING GROWTH, CAUTIOUSLY

We continue to seek growth to sustain our business beyond our current operations. The global mining investment environment remains challenging and any expansion has to be approached very cautiously, ensuring that any investment made will generate the levels of returns we seek. Our growth prospects are on two tracks: first, the further expansion of our capacity in the Northern Cape and Limpopo provinces, and secondly, our second footprint in west and central Africa.

We will continue to pursue these in line with our long-term, positive view of the market. The Kumba board remains cognisant of the need to appropriately balance the need to invest in future growth against the need for current returns to our shareholders.

REGULATORY DEVELOPMENTS

For the mining industry as a whole, policy uncertainty remained a challenge in 2012, and sadly, has persisted into 2013 under a different guise. Notable decisions emanating from the ruling party's elective conference at Manguang in late 2012 provided a clear indication that wholesale resource nationalisation is finally off the agenda. Yet, the concept of 'resource rent' has now risen to the fore, and this has created an entirely new wave of uncertainty, at home and abroad. The government has announced that there will be a review of the mineral royalty regime in 2013, and we will be looking to constructively engage with government through Anglo American on this issue. There is a need to balance the risks and rewards of responsible investment and the development of non-renewable resources. For the industry, this means balancing high-risk, long-term capital investment with likely future returns. For government, it means balancing the need to raise tax revenues with a competitive, attractive tax regime and other objectives such as creating employment and poverty alleviation. Kumba supports the blueprint encapsulated in the National Development Plan as the best way to place the country on a higher economic growth trajectory and thereby enable it to meet its development goals in the long term.

Currently, the South African government is in the process of finalising its mining beneficiation policy. Kumba supports government's objectives to maximise the developmental impact of the mineral sector, and is mindful of the role that mining companies have to play in this space. Kumba is investigating innovative beneficiation techniques to add more value to its ore.

OUTLOOK

Looking ahead to 2013, in the short term we hope to resolve the legal challenges with respect to mineral rights and ownership, while management moves to embed the expansion strategy both in South Africa and further afield on the continent, through our partnership with Anglo American. At Kolomela mine, we need to ensure sustained management successes in production and safety. At Sishen mine the focus will be on achieving our production targets, cost control and safety improvements.

Critically in 2013 we need to heal from the labour disruptions of 2012 and re-establish a relationship of trust between management and employees. Given that Kumba has always had an open culture based on trust, this is key to resuming a healthy working environment, to optimise our performance and for the benefit of all our stakeholders. I am going to rely on every single member of the Kumba family to rebuild mutual trust and common purpose.

LEADERSHIP CHANGES AND APPRECIATION

I am conscious that I joined the board in a year of significant changes to the leadership of the company. Despite these changes, the strategy of the business and its focus on performance continues unchanged.

I am grateful to Allen Morgan, our lead independent non-executive director, who has made a large contribution to this review. Allen acted as interim chairman during the first nine months of 2012 and led the company ably during a period of great challenges. I look forward to Allen's ongoing counsel in the coming years.

Chris Griffith, chief executive for four years, left the company to take up another position within the Anglo American group. Chris's legacy is characterised by a sound and effective business strategy, and a deep pool of skills and talent within the company who can take this strategy forward. On behalf of the Kumba board, I extend deep gratitude to Chris. In a relatively short space of time he made an enormous mark. The appointment of Norman Mbazima to replace Chris has been particularly pleasing, and it is also a tribute to Norman's competence and experience that the transition period has been seamless. Once again, it is gratifying to be in a position to draw on individuals of such calibre as we have access to in the broader Anglo American group. Norman has an excellent track record gained in the Anglo American group, including being an executive director at Anglo American Platinum and chief executive of Anglo American Thermal Coal.

We also welcome Frikkie Kotzee as chief financial officer of Kumba. Frikkie has extensive experience gained within the Anglo American group, and he was chief financial officer of African Oxygen Limited prior to joining Kumba. Frikkie replaces Vincent Uren who retired as chief financial officer at the end of 2011.

To Peter Matlare and Godfrey Gomwe, both of whom resigned from the board in 2012, you were both invaluable members of the board and have served the interests of Kumba well. We wish you every success for the future. To our new non-executive directors, Buyelwa Sonjica and Khanyisile Kweyama, welcome. We look forward to your contribution as you bring your respective experience to enhance the skills set of the board, to the benefit of the company and its stakeholders.

Finally, to my fellow board members and the executive management team – the interruptions and constant change would have been more disruptive and unsettling had it not been for your unwavering attention to the business at hand, and your dedication and cooperation. I will be relying on more of this in the year ahead.

FANI TITI
Chairman
28 March 2013

The Kumba board was satisfied with the group's strong cash generation, and continued to return cash to our shareholders.

OUR BOARD

CHAIRMAN

Fani Titi (50)

Independent non-executive director
BSc Hons (Maths), MA (Maths), MBA

Fani joined the Kumba board on 1 October 2012 and is the chairman. He is also a member of the Human Resources, Remuneration and Nomination Committee. He is a non-executive chairman of Investec Bank Limited, and joint chairman of Investec plc and Investec Limited. He is a non-executive director of a number of companies associated with the Investec group. He is also a non-executive director of MTN Group Limited. He was previously non-executive chairman of AECI Limited and deputy chairman of the Bidvest Group Limited.

CHIEF EXECUTIVE

Norman Mbazima (54)

FCCA, FZICA

Norman joined the Kumba board on 1 September 2012 and is the chief executive. He joined the Anglo American group in 2001 at Konkola Copper Mines plc. He was the global chief financial officer for Anglo Coal and became executive director of finance at Anglo American Platinum Limited in June 2006, and later stepped in as joint acting chief executive. He served as chief executive of Scaw Metals in 2008 and as chief executive of Anglo American Thermal Coal from October 2009 to August 2012.

CHIEF FINANCIAL OFFICER

Frikkie Kotzee (41)

B Com (Hons), B.Proc, LLB, CA(SA)

Frikkie joined the Kumba board on 1 June 2012 and is the chief financial officer. He was the group financial director of African Oxygen Limited. Frikkie previously worked for Anglo American Platinum Limited as head of business development and Anglo American as general manager: corporate finance. He has developed in-depth commercial and strategic skills across a range of industries, including mining, gas and financial services.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Allen Morgan (65)

BSc, BEng (Elect), Pr Eng

Allen joined the Kumba board on 9 February 2006, chairs the Human Resources, Remuneration and Nomination Committee and is a member of the Audit, Risk, and Social and Ethics Committees. He served as interim chairman of Kumba from 15 December 2010 to 30 September 2012. He served as the chief executive of Eskom between 1994 and 2000 and was a non-executive director of Eskom Holdings. He was appointed a non-executive director of AECI Limited on 1 July 2010 and also holds several corporate directorships. Allen was previously the chairman of Kumba Resources Limited.

Zarina Bassa (47)

BAcc, CA(SA)

Zarina joined the Kumba board on 2 December 2008, chairs the Audit Committee and is a member of the Risk Committee. She is the executive chairman of Songhai Capital. She is chairman of Yebo Yethu Limited and serves as a non-executive director of Vodacom South Africa, Sun International, Woolworths, Senwes, Oceana, the Lewis Group and the Financial Services Board. She was a partner at Ernst & Young where she spent 17 years in the Durban, Johannesburg and United Kingdom offices. She has also 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 South African Institute of Chartered Accountants and vice president of the Association for the Advancement of Black Accountants of South Africa.

Dolly Mokgatle (56)

BProc, LLB, HDip Tax Law

Dolly joined the Kumba board on 7 April 2006, chairs the Social and Ethics Committee and is a member of the Audit and Risk Committees. She is an executive director of Peotona Group Holdings and also holds several other corporate directorships. She was the chief executive of Spoornet and


Fani Titi


Norman Mbazima


Frikkie Kotzee


Allen Morgan


Zarina Bassa


Dolly Mokgatle


Litha Nyhonyha


Buyelwa Sonjica


Gert Gouws


Khanyisile Kweyama


David Weston

managing director of Transmission at Eskom. Dolly was appointed as chairman of the State Diamond Trader and Zurich Insurance in October 2012.

Litha Nyhonyha (54)
BCom, CA(SA)

Litha joined the Kumba board on 14 June 2011, chairs the Risk Committee and is a member of the Audit Committee. He is the executive chairman of Regiments Capital Proprietary Limited and serves as a non-executive director on the boards of AECI, Sovereign Food Investments Limited and Plessey Proprietary Limited. In 2004, Litha and his partners established Regiments Capital. He is responsible for building and growing Regiment's investment in its areas of focus including financial advisory, specialist fund management, proprietary investing and property development.

Buyelwa Sonjica (63)
BA, BA (Hons)

Buyelwa joined the Kumba board on 1 June 2012 and is a member of the Risk Committee and the Social and Ethics Committee. She is a member of the World Wide Assessment Programme Advisory Group on gender equality and former Minister of Water and Environmental Affairs, and Minerals and Energy with the cabinet of the government of South Africa. She previously chaired the Parliamentary Select Committee on child care facilities and the portfolio committee on water and forestry. She has also served as a member in the parliamentary portfolio committees of arts and culture, finance, and the trade and industry committees.

NON EXECUTIVE DIRECTORS

Gert Gouws (54)
BCom (Law), BCom (Hons), CA(SA), FCMA, CGMA

Gert joined the Kumba board on 9 February 2006 and is a member of the Risk Committee and the Human Resources, Remuneration and Nomination Committee. He is the chief financial officer and an alternate director of the Industrial Development Corporation (IDC) and previously served as chief operating officer of the IDC. He is the chairman of Pebble Bed Modular Reactor SOC* Ltd and holds several other corporate directorships.

Khanyisile Kweyama (48)
MA (Management)

Khanyisile joined the Kumba board on 15 October 2012 and is a member of the Social and Ethics Committee and, the Human Resources, Remuneration and Nomination Committee. She is the executive director of Anglo American South Africa and has previously served on the Executive Committee of Anglo American Platinum Limited and has held executive roles at Barloworld, Altech and BMW South Africa. She is also an independent non-executive director of Telkom SA SOC Ltd and a trustee of the Walter Sisulu University Foundation. She has previously served as a non-executive director on the Sovereign Foods Limited board.

David Weston (54)
MBA, BSc (Eng)

David joined the Kumba board 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 advisory director of GDF Energy International. His previous positions include group technical director of Anglo American plc, chief executive of Anglo American Industrial Minerals (the Tarmac Group), president of Shell Canada Products Limited, and chief executive of Shell Aviation.

* SOC: state-owned company

STAKEHOLDER ENGAGEMENT REVIEW

Kumba recognises that the achievement of our business strategy depends on engagement and communication with stakeholders in the company's internal, market, industry and broader socio-political environments.

PRIMARY OBJECTIVES:

- ensuring that engagement is effective and drives business value in support of our strategic goals and objectives;
- optimising the company's intangible assets – our reputation, stakeholder relations and brand – in the interests of long-term sustainability and growth with the aim of:
  - positioning Kumba as a valued partner in social development and transformation for the South African government;
  - becoming a partner of choice for governments in new territories;
  - gaining goodwill from key strategic stakeholders;
  - earning stakeholder confidence in the company's integrity, ability and intention to 'do the right thing';
  - establishing an emotional connection with the local stakeholders surrounding the company's operations;
- ensuring that Kumba fully complies with standards set for good corporate governance:
  - compliance with social and ethics requirements in the Companies Act, 2008 (Act No 71 of 2008); and
  - compliance with Chapter 8 of the Code of and Report on Governance Principles for South Africa (King III).

In our approach to engaging with identified stakeholders, Kumba has adopted the principles of transparency, integrity and accountability, and reports timeous, relevant and meaningful information to all stakeholders.

The socio-economic assessment toolbox (SEAT) guides the identification of, and Kumba's interaction with, its community stakeholders. Community development is further prescribed by the commitments made in the company's SLPs. In line with the requirements of the Mining Charter, Kumba ensures that its policies and practices are aligned with national and provincial growth strategies and plans.

A new stakeholder engagement policy was developed and approved in late 2011, and implementation of the policy began in 2012, leading to the development of a stakeholder engagement strategy during the year.

Kumba's business strategy and risk register provided the context for the company's stakeholder and issue landscape. This analysis revealed:

- growing anti-mining sentiment (evidenced by increased stakeholder activism, civil society demanding responsible mining and benefit-sharing);
- changing and volatile industrial/employee relations dynamics;
- lack of capacity within municipalities to address social imbalances in the country;
- policy uncertainties (carbon taxes and resource nationalism) within government;
- infrastructure/rail capacity challenges;
- product quality challenges;
- world economic crisis (volatile markets); and
- legal disputes.

The group also identified, prioritised and mapped its stakeholders; linking them to the various concerns and needs raised. Kumba's stakeholders were categorised into the following major groups:

- government (regulatory and political);
- civil society, including communities and neighbours on whom we have an impact and/or influence, as well as unions;
- business and industry, including customers, suppliers and contractors and local business;
- investment community;
- internal stakeholders (including employees and their families); and
- media.

Effective stakeholder engagement drives our business goals

Stakeholders were prioritised based on the degree to which Kumba depends on their support in the achievement of its strategic goals.

The basis of this prioritisation included:

- the degree to which the stakeholder can hinder organisational performance and/or negatively affect business results;
- the risk that the company would be exposed to should it not have an effective engagement plan for that stakeholder;
- the relative importance of the stakeholder for the company as a whole rather than one or two operations;
- the number of issues linking the stakeholder with Kumba; and
- the stakeholders' ability to affect Kumba's reputation.

The table on page 15 describes these stakeholders, the primary means of communication, and needs identified for each stakeholder. It should be noted that the primary stakeholders for this report have been identified as: government, communities, business and industry, investment community and the media.

While the issues contained within this report are relevant to internal stakeholders and civil society, language and other barriers require more direct and accessible means of communication. For this reason, a specific employee report is produced and disseminated shortly after the results are released, with a number of management presentations (by the chief executive, among others) undertaken at the same time. For the first time in 2012, a separate community report was published in various languages. This will be supported by roadshows in various communities in 2013.

STAKEHOLDER ENGAGEMENT STRATEGY

Kumba has identified the following seven strategic objectives for our stakeholder engagement strategy, which addresses general stakeholder concerns and needs:

- positioned as mining partner of choice in sustainable development and long-term growth;
- experienced as a valued partner with the South African government;
- strategic business relationships are well-managed, maintained and enhanced;
- viewed as environmentally compliant, responsive to stakeholders' environmental concerns, and prepared to go beyond mere compliance to mitigate its environmental impacts;
- high confidence levels in Kumba's ability to successfully execute its vision and strategy;
- aware of imminent changes in the policy environment, effective in its participation in public policy formulation and excellent in its reporting on compliance;
- employer of choice with an attractive employee value proposition; and
- in 2013, the chairman and the chairmen of various board committees will engage directly with the investment community.

A primary area of focus remains employee engagement. Major initiatives were undertaken during the year in relation to Envision (page 41) and the resolution of the strike at Sishen mine (page 62).

See pages 57 to 65 of our Sustainable Development Report 2012 for comprehensive discussions on community engagement – http://www.kumba.co.za/reports/kumba_ar2011/sustainability/pdf/sustainability.pdf.

Some of the notable successes during the year have been:

- partnering with the DMR in hosting the Women in Mining Conference in August 2012;
- lifting of the suspension of the Zandrivierspoort project prospecting rights and;
- received approval for Sishen mine's second five year SLP by the Gamagara municipality and the DMR.

Among our most significant challenges have been:

- No agreement reached yet with the Dingleton community on a resettlement package;
- the legal challenges that have not yet been resolved;
- and the strike at Sishen mine.

STAKEHOLDERS AND THEIR NEEDS

Stakeholder	Type of engagement	Topics and needs
Government (regulatory and political)	On-going scheduled and ad hoc interaction at national, regional and local level.	Kumba's contribution to socio-economic development; the company's environmental impact; safety and health, and the Sishen mine strike. Kumba's compliance with social and labour plans; the beneficiation strategy; prospecting rights; developmental iron ore price and interim pricing agreements with AMSA; SIMS/resource nationalism.
Civil society, including communities and neighbours on whom we have an impact, as well as unions	Kumba participates in various industry associations, either directly or through its association with Anglo American. Engagement takes many forms, including company announcements, site visits, one-on-one discussions, group dialogues and briefings, local, provincial and national focus group forums, community consultations and the use of media, company publications and internal publications.	Water security, housing and availability of jobs in areas where Kumba operates. Relocation of Dingleton. Various community needs including local development initiatives. Kumba's environmental impact such as dewatering and dust monitoring. The Sishen mines's strike and SEAT engagements specifically for Thabazimbi mine.
Business and industry, including customers, suppliers and contractors and local business	The company engages with current and potential customers in a number of ways that involve active, well-established two-way communication. These include formal presentations, road shows, company announcements, feedback reports, site visits and customer satisfaction surveys. One-on-one meetings, open days and stakeholder forums are held to communicate company policy and procedures.	Customer concerns about product consistency and reliability of supply, as well as pricing mechanisms. Operational performance and growth. BEE policy including local preferential procurement, supplier development. Health and safety, training, social fund contributions, the Sishen mine strike. Expansion of the IOEC.
Investment community, which includes shareholders, analysts and potential shareholders	Shareholders are encouraged to attend the company's results presentations and to participate in the annual general meetings (AGMs), at which they have access to the Kumba board, and to raise issues of concern or interest directly with the company through various means of communication: investor and analyst meetings, site visits and company presentations. Kumba's management team engages directly with investors and key analysts during road shows. Kumba's major shareholders, Anglo American and the IDC, are also engaged at a board level and their inputs are sought on key issues.	Sishen mine's costs and waste stripping plans. Cost guidance for Kolomela mine and its future expansion plans. Status of Kumba's growth project pipeline in South Africa, timing and capital requirements. Logistics and expansion of the IOEC. Kumba's plans to expand in west and central Africa. Resolution of legal issues. Relationship with government. Labour issues in South Africa. Kumba's ability to generate cash, fund growth and continue to pay significant dividends.
Internal stakeholders (including employees and their families)	Employees are encouraged to raise issues of concern and interest via the formal and informal structures in place, including through the human resources discipline, line management and union structures. Two-way communication channels are used to consult with the unions. Senior executives have access to the board and are expected to represent employees at this level. Extensive in-house communications programmes are in place at group and mine levels.	Safety and health. Rising expectations regarding remuneration. Access to jobs, education, housing and healthcare. Union relations. Company performance
Media	The media is kept informed on developments in the company through media releases, press conferences, media briefing sessions and visits to the mines.	Legal issues. Labour relations issues. Operational and financial performance. Community development initiatives. The launch of Kolomela mine.

MATERIAL ISSUES AND KEY PERFORMANCE INDICATORS

THE ELEMENTS OF THIS STRUCTURE ARE ADDRESSED AS FOLLOWS:

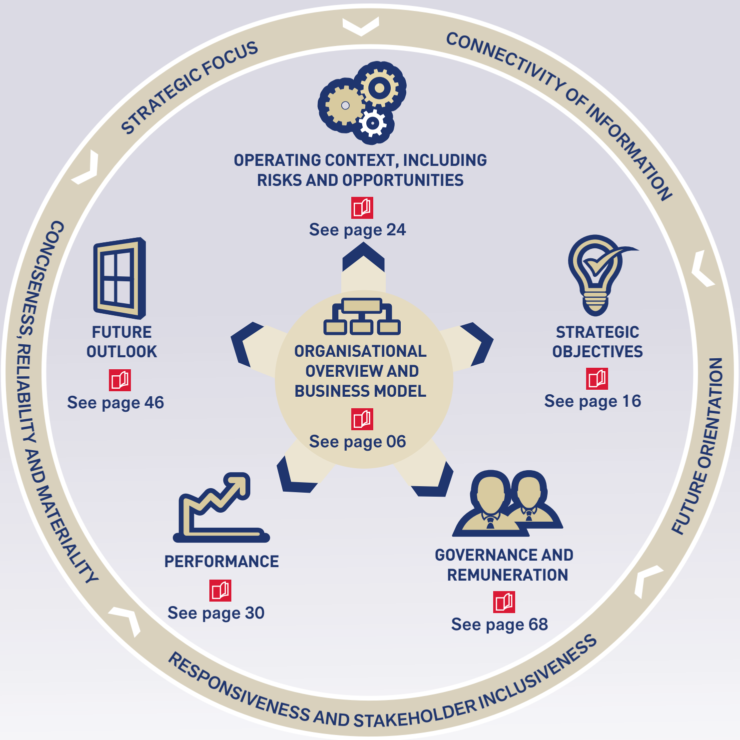
- Organisational overview and business model – see page 06
- Operating context, including risks and opportunities – see page 24
- Strategic objectives and strategies to achieve those objectives – see page 16
- Governance and remuneration – see page 68
- Performance – see page 30
- Outlook – see page 46

We recognise that our reporting needs to reflect our own context and business model, and the views, needs and concerns of our stakeholders.

In 2012, we again adopted a methodical approach to identifying and reporting on material issues. We have been guided by GRI's definition of material issues as "topics and indicators that reflect the organisation's significant economic, environmental and social impacts, or that would substantively influence the assessments and decisions of stakeholders".

A materiality assessment workshop that included the chief executive, chief financial officer and various members of the executive team, various discipline and operational heads, and our external assuror, PwC, identified a number of significant issues. The process is illustrated alongside.

Kumba's reporting complies with the various standards and requirements of its regulatory environment. Further, we have been guided by the recommendations of the International Integrated Reporting Committee's framework for reporting (Towards Integrated Reporting: Communicating Value in the 21st Century), which is depicted below.



Determining material issues

External factors	Internal factors
Regulation and legislation	Group values
Media coverage	Group integrated risk assessment
Analyst research reports and market feedback	Safety and sustainable development risk assessment
Peer reviews/benchmarking	Human resources risk assessment
External gap analysis	SEAT processes
Topical sustainability issues	

Through a process of synthesis, we have described these as follows:

SHARING THE BENEFITS

Meeting rising expectations and demands from stakeholders – including government, employees, communities and shareholders – in a financial and resource constrained economic and social environment.

SECURING OUR LICENCE TO OPERATE

Obtaining and/or maintaining our licence to operate – including social and environmental compliance – amidst increasing regulatory, cost and governance requirements.

DELIVERING ON OPERATIONAL AND COMMERCIAL EXCELLENCE

Achieving, sustaining and delivering operational and commercial excellence – from our assets, our skills base, our technology, our processes and our products – safely, productively and profitably for a broad range of stakeholders.

DELIVERING A SUSTAINABLE FUTURE

Developing our assets and opportunities in such a way that will deliver sustainable benefits to our shareholders, employees and communities during the life of our operations and beyond.

RESOLVING OUR LEGAL ISSUES

Seeking and achieving resolution of our legal disputes.

KEY PERFORMANCE INDICATORS (KPIs) ALIGNED TO OUR STRATEGY AND TO SECURING OUR LICENSE TO OPERATE

Sharing the benefits

- Number of jobs provided and created (permanent and contractors)
- Percentage of employees from local communities
- Amount spent on community development (R million)
- Payments to government (taxes and royalties) (R million)
- Distributions to shareholders (dividends R/share and TSR)
- Distributions to BEE shareholders, including employees (R million)
- Payments to employees (R million)
- Number of houses constructed

Securing our licence to operate

- Zero harm environment
- Historically disadvantaged South Africans (HDSAs) in management (%)
- Women in mining (%)
- BEE procurement (R million and % of total discretionary expenditure)
- Safety stoppages (number of Section 54 impositions)
- Rehabilitation funding (R million)
- Mining rights and prospecting rights in place
- IWULs in place
- BEE ownership (%)
- Compliance with the Mining Charter and MPRDA

Delivering operational and commercial excellence

- LTIFR (per 200,000 hours worked)
- Iron ore produced (million tonnes) and iron ore sold (million tonnes)
- Stripping ratio achieved (excluding Thabazimbi mine)
- Unit costs (R/tonne)
- Margin achieved (%)
- ISO14001 compliance
- ISO9001 compliance
- OSHAS18001 compliance
- Energy intensity (GJ/tonne)
- Water intensity (million m^3/tonne)
- Carbon intensity (CO_2e/tonne)

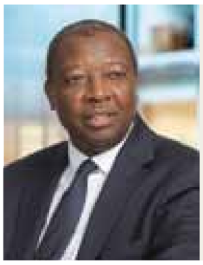
Delivering a sustainable future

- Capital expenditure – expansion and stay-in-business (R million)
- Ore Reserves and Mineral Resources (million tonnes)
- Second footprint in west and central Africa
- Exploration expenditure (R million)
- Research and development (R&D) expenditure (R million)
- Amount spent on training and development (R million) and number of people trained
- Turnover of employees (%)

Resolving our legal issues

- Progress made in resolving legal issues

CHIEF EXECUTIVE'S REVIEW



Norman Mbazima
Chief executive

HEADLINE EARNINGS

(2011: R17.0 bn)

R12.2bn

HEADLINE EARNINGS PER SHARE

(2011: R53.13 cents)

R37.97

It is with both pleasure and humility that I report to our stakeholders in my first annual review as chief executive of Kumba. Having been in this role for a short period of time, I note with respect the excellent achievements which reflect well on the board, management and, most importantly, our employees.

Although there have been some significant changes at Kumba during the year under review - Chris Griffith's departure to Anglo American Platinum Limited and Allen Morgan stepping down as interim chairman of the Kumba board - there has been no significant change in the direction, strategy and ethos of the business. It remains a priority for us to deliver on that strategy in the years ahead.

Allen Morgan remains on the board, and we have gained the wisdom and foresight of Fani Titi, who was appointed as chairman of Kumba in October 2012. I have worked in the Anglo American group for years and have had much liaison with the Kumba executives in the past.

My message to stakeholders is that although some of the faces that you see on the pages that follow are new, the minds and hearts are the same, and the hands in which your company rests, are safe ones.

LOOKING BACK AT THE YEAR

The 2012 financial year was characterised by solid operational performance, with record production and export sales achieved. Kolomela mine produced excellent results that were well ahead of our expectations, while Sishen mine – outside of the unprotected strike – managed a creditable performance, particularly given the increasing scale of its operations. Thabazimbi mine operated safely and effectively in line with progression towards the end of its life. Kumba contributed in an unprecedented way to the South African fiscus, to our shareholders - including BEE, community and employee shareholders - and to the country as a whole.

There were some negatives in the year. The first was the loss of life of two employees - two too many. Our hearts go out to the families of the two employees, Sarah Obudilwe and Wickus Coetsee, who regrettably passed away in work-related incidents during the past year.

The second related to the significant reduction and increased volatility in iron ore prices led by global economic uncertainty, which reduced our revenues. The third was the wildcat strike at Sishen mine and its impact on Kumba, the residual effects of which are expected to continue into early 2013.

SAFETY

The most important aspect of our work is safeguarding the safety and health of everyone in our organisation and ensuring they go home unharmed every day. Fatalities are a life-changing experience for the bereaved and have an extremely negative effect on any company. We do everything we can to avoid them.

Ms Obudilwe, a grade C operator with a mining contractor at Sishen mine, sustained serious injuries to her leg in an incident involving a haul truck on 2 September 2012. She suffered an amputation of her injured leg and succumbed to her injuries on 26 November 2012. The movement of mining equipment is a huge area of focus for us and we have redoubled our efforts since. This must not be repeated.

Mr Coetsee, an employee of a contracted security company, sustained third-degree burns when the armoured vehicle he was working in caught fire. The incident occurred on 13 November 2012 while Mr Coetsee was on duty in Sesheng, a township where Kumba's employees reside. He passed away on 29 November 2012.

WHAT KOLOMELA MEANS FOR KUMBA

Kolomela, which means 'to dig deeper or further', or 'to persevere' lived up to its name with our teams from all disciplines excelling and delivering. Kolomela mine has undoubtedly been a success story all round, delivering an exceptional performance in its ramp up year and producing 8.5 million tonnes, ahead of its production schedule and our expectations. This accelerated ramp-up of Kolomela mine assisted in minimising the production impact of the Sishen mine strike on our customers.

While we are looking forward to Kolomela mine producing at design capacity of 9 Mt for the full year in 2013, there is still much to be done at and gained from Kolomela mine. 2013 will be the first time that the Kolomela plant will be fully tested in all four seasons and we have to increase total tonnes mined by 20%. So, while Kolomela mine did very well on plant production mostly in the second part of the year, we have to optimise the mine fully this year to understand its full potential. We are also undertaking work to expand Kolomela mine in the coming years, and are making progress on this. The Kolomela Expansion project, which is anticipated to deliver a further 6 million tonnes per annum from Kolomela mine by 2017, progressed into pre-feasibility stage during the year.

FOCUS ON SISHEN MINE

On pages 60 to 65 of this report we provide a detailed special report on

01

Kolomela mine's ramp-up exceeded our expectations

01 The Kolomela rail-loading facility is designed to rapidly transfer iron ore to waiting wagons on the IOEC rail system.

Sishen mine, which remains our flagship operation. Sishen mine is in its prime, and will continue to deliver value for many years to come.

It is not often recognised that the Sishen mine waste ramp-up project is, in effect, on the scale of a new small mine anywhere in the world – and this has been efficiently constructed in the midst of a working mine, every year since 2009. This is set to continue for the next few years. If you take this into account, and the significant effect of the unprotected strike, then I think that Sishen mine performed very well in 2012.

While the start to 2012 was slower than we would have liked, by mid-year Sishen mine was operating at unprecedented, highly satisfactory rates. It is regrettable that momentum was halted by the unprotected strike.

Sishen mine lost around 5 Mt of final product as a result of the prolonged impact of the strike and the subsequent ramp-up. We are now training new employees that were recruited to replace those dismissed due to their involvement in the strike. This training will be completed in the first quarter of 2013 and only then will we be able to recruit and train for the ramp up activities planned for the current year.

2012 was characterised by solid operational performance with record production and export sales achieved.

We are on track with our plan for getting back up to speed again, and production rates at Sishen mine continue to improve. The mine is expected to return to normal operating levels by the end of the first half of 2013.

THABAZIMBI MINE'S FUTURE

History and experience show that despite the fact that the mining industry has assets with finite lives, mines often do not close on the date originally estimated. Factors such as commodity prices, the cost of extracting residual ores, performance of aged equipment, and technical aspects of bringing a mine to closure may result in either bringing forward or pushing back the closure date. Thabazimbi mine (which SIOC operates on a cost-plus basis, funded by AMSA, and where all the ore mined is supplied to AMSA), is a case in point. The future of the current operation lies within the framework of discussions we are having with AMSA.

LOGISTICS

In a bulk business such as ours, the reliability and flexibility of logistical support is critical and I commend our internal logistics teams which performed a sterling job during the year. The efficiency of the Transnet rail and port operations resulted in Kumba railing a record 40 million tonnes this year. These operations were particularly flexible and supportive during the strike and its after effects.

I am looking forward to working collaboratively with Transnet and other industry players in 2013 to settle issues relating to the expansion of the rail and port infrastructure, following the various studies which are underway.

MARKETING ACTIVITIES

The year was one of continued focussed marketing activity. The sales and marketing teams based in Hong Kong moved to Singapore where the Anglo American group has formed a marketing hub. The relocation of the dedicated Kumba marketing organisation, in close proximity to Anglo American's marketing professionals will further enhance the team's market knowledge and provide further support to continue to improve its market intelligence, enabling it to better determine and follow best practice, and to benefit from synergies with fellow business units. Singapore is also ideally located for interaction with our customers located in China, Japan, Korea and the rest of Asia. We expect to see benefits of this move in 2013 and beyond.

GROWTH ASPIRATIONS IN SOUTH AFRICA

Our growth targets remain ambitious, and our strategy to achieve them is on course, but we need to take into account the macroeconomic environment, the outcome of project studies and of course the status of the Iron Ore Expansion Channel study. Our discussions with Transnet in the coming year will set the scene for our expansion and growth in the Northern Cape Province. In the meantime the projects that feed into that expansion, the expansion at Kolomela mine and various projects to use lower grade material, are progressing very well.

In the Limpopo Province we are looking at options to bring the Phoenix project into production as well as on the timing of doing so.

Plans to bring the Zandrivierspoort project to account requires a close working relationship with AMSA and, in particular, a clearer mutual understanding of potential demand and pricing mechanisms.

Government's intended role in beneficiation and steelmaking will also be a factor.

PROGRESS WITH OUR SECOND FOOTPRINT

Developing a second footprint for our business in west and central Africa, in partnership with Anglo American, remains an important part of our growth and geographic diversification strategy. Beyond our South African projects that are currently in various stages of studies, there is limited scope for further expansion in South Africa.

The objectives of delivering long term sustainable returns to shareholders require investment in growth. In order to ensure that Kumba is here many

CHIEF EXECUTIVE'S REVIEW

CONTINUED

years from now, we are looking to the rest of Africa to ensure our long-term growth. While there are certain challenges in expanding in Africa, such as the access to infrastructure, we continue to look at and assess a broad spectrum of options, ranging from near-development projects to early-stage greenfield opportunities in several target countries in west and central Africa.

However, it is important to emphasise that we are not forced to make any decisions in Africa in a hurry. The macro-economic environment has become even tougher for such investments, so to ensure value to our shareholders, we will continue to search for an appropriate project and will not bet the company on an African expansion – we will wait for the right opportunity.

LONG-TERM MARKET FUNDAMENTALS INTACT

While 2012 was characterised by considerable market volatility, especially in the third quarter, when prices fell to as low as $89/tonne, there is nothing that has happened in the market in the last year that would cause us to change our strategy. Our long-term views on supply and demand continue to support this.

Frikkie Kotzee addresses the market in more detail on page 31. In summary, the difficult economic conditions in the developed economies of USA, Europe, and Japan as well as reductions in growth projections in China and other Asian countries, resulted in lower demand, leading to significant reductions in the price of iron ore in 2012. We saw significant volatility in the price during the year as sentiments altered with changes in economic data. The more positive outlook on economies towards the end of the year and the supply-side reaction - with major iron ore producers announcing project pipeline cutbacks - resulted in significant increases in prices towards the end of the year.

The recent improvement in the global economic forecast is expected to have a positive impact on steel, and consequently iron ore demand during 2013. However, seaborne iron ore supply growth may lead to prices softening in the second half. Overall we anticipate that iron ore prices should be firmer on average than in 2012.

LEGAL ISSUES REMAIN

The finalisation of the review in the courts over the disputed award of prospecting rights relating to the Sishen mine and the arbitration with AMSA relating to the Sishen mine supply agreement did not happen in 2012 as we had hoped. See the discussion on pages 55 to 57 for more detail.

I anticipate making more progress towards resolution of these issues this year. The DMR and ICT lodged separate appeals against the ruling of the High Court and these were heard in the SCA on 19 February 2013. We await a decision from the SCA.

Similarly, much effort has been placed on improving and sustaining our relationship with the regulator. In the various discussions we have had with government we have indicated our support for their objectives on beneficiation and domestic availability of ore, and will continue to engage with the relevant parties about the details and implementation. We recognise the important role that mining companies have to play in this space.

As Kumba, we are investigating innovative beneficiation techniques to upgrade our ore and improve recoveries, and we are at an advanced stage of investigating technologies to add value to iron ore produced. In fact, we have invested significant funds in beneficiation in recent years in order to turn our lower grade ore to saleable product. All Sishen mine products are processed through the DMS or Jig beneficiation plants, while a DMS plant is used at Thabazimbi mine. At the envisaged Zandrivierspoort project, the beneficiation process will involve two stage crushing, followed by grinding and magnetic and gravity separation stages upgrading the material from an in situ Fe grade of 34%, to a final product Fe grade of 69%.

We are also currently developing a steelmaking business case using nascent technologies in collaboration with technology suppliers to demonstrate the value of using locally-available raw materials in the production of steel. Kumba is testing the application of its own iron ore and South African coal in various nascent technologies. The outcome of these studies will be shared with relevant stakeholders (the IDC, other governmental bodies and possible investors) involved in evaluating the establishment of additional steelmaking facilities in South Africa.

Overall we anticipate that iron ore prices should be firmer on average than in 2012.

We, at Kumba, consider that South Africa has more than enough ore to satisfy domestic, as well as export markets. We would welcome additional domestic customers. Issues for further debate relate to the commercial terms that will apply to a future domestic market, and I am quite satisfied that we will, collectively, find the right solution.

OUR PEOPLE

That I talk about people so far into the review should not be seen as a measure of their relative importance. Rather, it is the contrary. People are the base on which all our successes, and indeed failures, are built. We were very pleased to have been recognised as the 'best employer to work for' in the mining category by Deloitte and the CRF Institute.

I believe that living our values is of prime importance and the foremost among these is 'care and respect'. If we care about each other and respect each other, we will do what is right for our employees. We will be working very hard in 2013 to ensure that any issues that led to the industrial unrest at Sishen mine are addressed and re-establish a trust relationship with our employees based on care and respect.

ENVISION THE FUTURE

The first five-year employee share ownership programme, Envision, has undoubtedly been one of our most significant successes in recent years, helped by the buoyant market. Despite higher levels of absenteeism at the beginning of the year following the payouts, and the strike at Sishen mine, I continue to believe in its value. Only by having a vested interest in the fortunes of the company, and in determining in part, their own future, will employees truly give of their best, and share a common vision.

Envision was, perhaps, more successful than we had anticipated when we put it into being, a result of the extraordinary financial success of Kumba. Mindful of the potential impact of a significant injection of cash to our employees, we introduced education and training to assist employees with financial planning.

We have seen some heart-warming stories about the use of the cash and we believe this is true for the majority of beneficiaries. Envision has created the opportunity to change lives. There have been people who put money aside for their children's education; others have invested in a house for the first time; others have bought cars, while some have used the funds to clear debt. See pages 41 and 67.

I think that the second Envision payment will be even better than the first one, not perhaps in quantum, but because people will have a better understanding of how it works and will undertake better financial planning based on their experience following the first payment.

BEYOND MINING

The unprotected strike at Sishen mine was, in some ways, a defining feature of our year. The strike had a significant and lingering impact on our performance for 2012, and has resulted in some introspection. But it cannot be seen in isolation. It came at a time of extreme tension in the labour relations climate in South Africa and it brought to the fore dissatisfaction that is not only related to the employer-employee compact, but which employees felt could be expressed no other way than the withholding of labour.

A lesson has been that in order to address the legacy issues in mining communities we have to work together; government, local municipalities, unions and employees have to work together with the industry if holistic and lasting solutions are to be found. We should learn from the success of industry, in collaboration with government and employees, in addressing safety in recent years.

It is the nature of our operations that we have a disproportionately large economic impact in the communities in which we operate. If we approach the matter holistically, our offering can and should extend well beyond mere employment. We need to think about the children who are born today, and who have the potential to become our employees in 20 years' time. We need to ensure that they have the early childhood education that they need, that they are healthy and safe, equipped and empowered to get jobs at Kumba in the future, or in the surrounding industries. We have done well this year in contributing to our communities and we will continue to do this in years to come.

To address the legacy issues in the mining communities we have to work together.

APPRECIATION

Since having taken up the office of chief executive of Kumba on 1 September 2012, I have had the unfailing support of the chairman, members of the Kumba board and my executive. For this, I thank you. My sincere thanks also to Allen Morgan, the former interim chairman of Kumba, Chris Griffith, the former chief executive, Vincent Uren who retired as chief financial officer at the end of 2011, and to Martin Poggiolini, the former acting chief financial officer. Your backing and support during these times of change have been greatly appreciated. I wish you success in your future endeavours. I appreciate the clear-thinking and integrity which Frikkie Kotzee, the chief financial officer, brings to the executive team.

My thanks are extended also to Peter Matlare and Godfrey Gomwe, who left the Kumba board during the year, and I extend a warm welcome to Buyelwa Sonjica and Khanyisile Kweyama who joined during the year. I look forward to working with you.

LOOKING FORWARD

My message to shareholders and other stakeholders alike is that the iron ore business is a very good business to be in. I expect our business to remain highly profitable, and that we as management will deliver on our promises to bring value by optimising the resources and assets within our care; and implementing our growth strategy.

NORMAN MBAZIMA
Chief executive

EXECUTIVE MANAGEMENT

NORMAN MBAZIMA (54)
FCCA, FZICA

Norman joined the Kumba board on 1 September 2012 and is the chief executive. He joined the Anglo American group in 2001 at Konkola Copper Mines plc. He was the global chief financial officer for Anglo Coal and became executive director of finance at Anglo American Platinum Limited in June 2006, and later stepped in as joint acting chief executive. He served as chief executive of Scaw Metals in 2008 and as chief executive of Anglo American Thermal Coal from October 2009 to August 2012.

FRIKKIE KOTZEE (41)
B Com (Hons), B.Proc, LLB, CA(SA)

Frikkie joined the Kumba board on 1 June 2012 and is the chief financial officer. He was the group financial director of African Oxygen Limited. Frikkie previously worked for Anglo American Platinum Limited as head of business development and Anglo American as general manager: corporate finance. He has developed in-depth commercial and strategic skills across a range of industries, including mining, gas and financial services

AART VAN DEN BRINK (51)
MEng (Mining)

General manager: Kolomela mine
Aart was appointed to his current position on 1 March 2008. He was previously the mining manager at Grootgeluk coal mine at Kumba Resources Limited and general manager at Thabazimbi mine. Aart has extensive experience in underground and open-cast mining.

ALEX MGADZAH (43)
MSc, BSc (Hons), MBA

Executive head: safety and sustainable development
Alex was appointed to his current position on 1 January 2011. He 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 of sustainability and community affairs at BHP Billiton Energy Coal South Africa before joining Kumba.

ANDREW LOOTS (45)
BEng (Mech), MBA

General manager: Sishen mine
Andrew was appointed to his current position on 1 June 2008. Before this, he headed Kumba's mega mine project, focussed on achieving a step change in safety and production performance at Sishen mine, and has also held several general management positions with Anglo American Thermal Coal.

CHRISTO VAN LOGGERENBERG (55)
BEng (Hons) (Metallurgy), MBA

Executive head: technical services
Christo was appointed to his current position on 1 December 2006. Prior to this, he was the former business development manager for Kumba Resources Limited's iron ore business. Other senior posts include various metallurgy, engineering and operational positions in the industry.


Norman Mbazima


Frikkie Kotzee


Aart van den Brink


Alex Mgadzah


Andrew Loots


Christo van Loggerenberg


Cornelia Holtzhausen


Francois Louw


Timo Smit


Virginia Tyobeka


Vusani Malie


Yvonne Mfolo

CORNELIA HOLTZHAUSEN (40)
BSc (Metallurgical Eng), B Eng (Hons)(Mining) MBA, Pr Eng

General manager: Thabazimbi mine
Cornelia was appointed to her current position on 1 December 2010. She has held management positions in process development, asset optimisation and projects, ore beneficiation and continuous improvement.

FRANCOIS LOUW (52)
BEng (Mech), MBA

Executive head: projects
Francois was appointed to his current position on 1 December 2006. Prior to this, he was the project director of the former Kumba Resources Limited's Northern Cape iron ore interests. He has experience in various operational and engineering roles in the mining industry, with particular expertise in strategic projects.

TIMO SMIT (45)
M.Sc. (Applied Physics) and Ph.D. (Materials Science & Engineering)

Executive head: Marketing and seaborne logistics
Timo is based in Singapore. Timo started his career as a research scientist with Akzo Nobel, a Dutch chemical company, and worked for them in the Netherlands and the United States. He then joined management consultants McKinsey & Co, where he worked for nearly 10 years, both in the Netherlands and in Southern Africa, specialising in basic materials. In 2004 he took up the role of country director, South Africa, for TechnoServe, a not-for-profit development agency focussed on providing 'business solutions to rural poverty' by helping to set up and/or turn around businesses in poor rural areas. In 2007, Timo joined Kumba as head of commercial.

VIRGINIA TYOBEKA (47)
BAdmin (Hons), MAP

Executive head: human resources
Virginia was appointed to her current position on 4 January 2010. She was previously the human resources director at Afrisam South Africa Limited. Virginia has extensive experience in human resources in the manufacturing and mining industries.

VUSANI MALIE (39)
BA (Law), LLB

Company secretary
Vusani was appointed to his current position on 2 May 2007. He is an admitted attorney, and was previously the corporate services manager for AVI Limited and group company secretary for Santam Limited.

YVONNE MFOLO (45)
BA (Communications), Advanced Certificate (Journalism)

Executive head: public affairs
Yvonne joined Kumba on 1 August 2011 from Anglo American Thermal Coal where she was head of public affairs. Prior to this she was the chief director of communications at the then Department of Minerals and Energy (DME), now the DMR, and spokesperson for the Minister. She spent nine years with the DME.

RISK AND OPPORTUNITY MATRIX

OUR APPROACH

Kumba recognises that risk is an inherent and unavoidable aspect of its business. The company fosters a risk-aware corporate culture in all decision-making, and is committed to managing risk in a proactive and effective manner through a competent risk management framework. To support this commitment, risk is analysed to inform management decisions taken at all levels within the group. The principles of our risk analysis and management process are set out in the Kumba risk policy and standard.

Management of risk is critical to the success of the company, given our exposure to a wide variety of risks which may have a financial, operational and reputational impact on the group. Effective management of risk supports the delivery of Kumba's strategic objectives.

The risks identified and highlighted below have been factored into the combined assurance framework.

ROLES AND RESPONSIBILITIES

The Risk Policy and Standard is supported by an integrated framework of risk governance and reporting which regulates how the group manages the handling of risk.

Management is responsible for monitoring the progress of actions to mitigate key risks and reports these to the Risk Committee and the board.

Management is also responsible for the group's system of internal controls and for annually reviewing its effectiveness in providing shareholders with a return on their investment that is consistent with a responsible assessment and mitigation of risk. This includes reviewing financial, operational and compliance controls and risk management procedures, and their effectiveness.

KUMBA'S RISK MANAGEMENT PROCESS

IDENTIFICATION OF RISKS

A consistently applied methodology is used to identify key risks at group business units, operations and projects. The risk management process involves risk workshops, at least once a year, at business units and sites, and at crucial stages of every project. Key risks are updated on a regular basis.

ANALYSIS OF RISKS AND CONTROLS

Once a risk is identified, the process seeks to evaluate impacts, whether these are of a financial or non-financial nature, to determine what might cause them to occur and to assess the likelihood of their occurrence. Consideration of current controls to mitigate those risks is also undertaken in order to draw up a prioritised register of risks.

The approach to the management of risk incorporates the following key steps:

- identifying the key risks that could have a significant impact on the ability of the group to achieve our strategic objectives;
- analysing risks and controls;
- ensuring that appropriate controls and responses are put in place to mitigate identified risks;
- monitoring the effectiveness and implementation of controls; and
- reporting regularly to the Executive Committee, the Risk Committee and the Board of Directors.

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 the progress of actions to mitigate key risks and is supported by the group's internal audit programme which evaluates the design and effectiveness of controls to mitigate key risks. The results of the key risk management process are reported to the Executive Committee every month and to the Risk Committee and board every quarter.

HEADLINE RISKS

Headline risk areas relate to:

1. Legal issues
2. Mineral Resources and Ore Reserves
3. Employees
4. Workers' safety and health
5. Commodity price and demand
6. Social issues
7. Stakeholder relations
8. Operational performance
9. Infrastructure
10. Regulatory concerns
11. Foreign exchange
12. Security of supply
13. Events

KEY RISK FACTORS OVERVIEW

1. LEGAL

Root cause	Impact	Mitigation
As a result of AMSA's failure to convert its previous old order mining right in the Sishen mine, SIOC notified AMSA on 5 February 2010 that it was no longer entitled to receive 6.25 Mtpa of iron ore contract mined by SIOC at cost plus 3% from the Sishen mine. As a result, a dispute arose between SIOC and AMSA.	Disputes of this nature could result in the deterioration of existing relations with key stakeholders.	The dispute between SIOC and AMSA has been referred to arbitration. SIOC and AMSA agreed to postpone the arbitration until the final determination of the review proceedings instituted by SIOC (including the determination of pending appeals in relation to the High Court judgment).
SIOC challenged the award of the grant of a prospecting right over 21.4% of the Sishen mine by the DMR to Imperial Crown Trading 189 Proprietary Ltd (ICT).	Disputes of this nature could result in the deterioration of existing relations with key stakeholders.	Judgment was delivered in the High Court on 15 December 2011 in terms of which the High Court found that SIOC was the holder of a 100% mining right in respect of the Sishen mine. The DMR and ICT lodged applications for leave to appeal against that judgment. The appeals were heard by the SCA on 9 February 2013 and SIOC is awaiting the outcome.

2. MINERAL RESOURCES AND ORE RESERVES

Kumba's Mineral Resources and Ore Reserves are subject to a number of assumptions which may be incorrect.

Root cause	Impact	Mitigation
All assumptions related to reserves and resources are long-term in nature and subject to volatility owing to economic, regulatory or political influences. Kumba's depleting ore reserves may impact the future value of the company. The current ore reserves and project pipeline is concentrated in South Africa and in need of geographical diversification.	Failure to maintain or enhance existing reserves or develop a sufficient number of new operations could negatively affect Kumba's strategic objective of delivering on growth projects and, ultimately, on our prospects for the future. Resource exploration and development are speculative in nature and characterised by a number of significant risks.	Kumba is experienced in managing mineral 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 the application of technology to beneficiate lower-grade iron ores . Additional mitigation on mining law and property service is provided by Anglo American's mineral and property law division. Kumba is pursuing a balanced second footprint outside of South Africa focusing on Africa with specific medium term growth and long term replacement targets. Potential targets were shortlisted and evaluated by a dedicated team that has been established.

3. EMPLOYEES

The inability to recruit, develop and retain appropriate skills. The company faces the risk of strikes or other industrial relations disputes.

Root cause	Impact	Mitigation
Kumba is, to a great extent, reliant on the large number of people employed in our operations. Despite Kumba's good relations with bargaining unit employees and their unions, the group remains exposed to risks posed by organised labour disruptions and disputes. The strong commodity cycle and the large number of projects being developed in the resources industry have led to increased demand for skilled personnel from a limited pool of experienced skilled personnel.	Failure to retain skilled employees or to recruit appropriate new staff members may lead to increased costs, interruptions to existing operations, and delays in the development of new projects. A labour disruption could result in production and financial losses while a high employee turnover could result in the loss of critical skills and corporate memory.	Kumba seeks to mitigate the threats posed by a unionised workforce through a process of constructive dialogue with trade unions and the maintenance of effective working relationships with its workforce. Kumba recognises that the war on talent is about to increase and a number of strategies have been implemented to attract, retain and develop best talent. The company continues to make refinements to our human resources activities to ensure that Kumba remains attractive to prospective employees.

RISK AND OPPORTUNITY MATRIX CONTINUED

4. WORKERS' SAFETY AND HEALTH

Failure to maintain high levels of safety may result in harm to employees, contractors and communities near Kumba's operations. Regrettably, Kumba recorded the first loss of life since 2010 when two contractors were fatally injured at Sishen mine, one of which was a mining-related accident.

Root cause	Impact	Mitigation
Mining is a hazardous activity. Kumba operates in a sector 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 and tuberculosis (TB) infections and failure to comply with evolving regulatory health standards and adopt high levels of health management pose further health-related risks for Kumba.	Failure to maintain high levels of safety can result in harm to employees, contractors and communities near Kumba operations. Failure to meet safety objectives may affect the morale of employees, the achievement of production targets and the company's licence to operate. Kumba's reputation could be damaged and this would have significant consequences for a wide variety of stakeholders, including investors, government and trade unions.	Kumba places a very high priority on safety, investing considerable resources in maintaining and raising standards 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 identify and investigate workplace noise-induced hearing loss (NIHL) to prevent further damage, and implementation of corporate hearing conservation programmes and standards which focus on reduction of exposure to health hazards such as dust and noise at the source. Kumba provides anti-retroviral therapy and other treatment to employees, contractors and community members with HIV/Aids and runs education and awareness programmes to help prevent employees and members of their families becoming infected or spreading infection.

5. COMMODITY PRICE AND DEMAND

The price of iron ore and freight rates are subject to wide fluctuations.

Root cause	Impact	Mitigation
Fluctuations in the price of iron ore and the freight rate can occur. These reflect underlying global economic and geo-political factors, industry demand and supply balances, and product substitution. Demand for Kumba's products is influenced strongly by world economic growth, particularly in Europe and Asia (notably China). Kumba remains dependent on robust economic growth in China which, in turn, ensures substantial demand for iron ore.	Kumba's exposure to China's economic fortunes and economic policies has increased. Lower economic growth in China could have a negative impact on 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.	Kumba manages this risk through constant monitoring of economic conditions and the markets in which it operates. This includes examining aspects such as economic growth, iron ore supply and demand, the spot price of iron ore and movements in freight rates.

6. SOCIAL

Mining operations affect communities in close proximity to Kumba operations.

Root cause	Impact	Mitigation
Dewatering associated with mining activities at Sishen and Kolomela mines, along with the Dingleton community's proximity to the mining operation at Sishen, may have impacts on Kumba's organisational responsibility and capability.	Dewatering results in the depletion of underground water – the main source of water for surrounding farmers. The community's proximity to the mining operation at Sishen poses both safety and health risks to the community. This could result in fines, penalties and liabilities to third parties for injuries.	Kumba has developed comprehensive processes to enable its business units to effectively manage relationships with communities and actively seeks engagement with all communities affected by its operations and to resolve fairly any issues of concern that might arise from engagements.

7. STAKEHOLDER RELATIONSHIPS

Failure to manage relationships with all stakeholders.

Root cause	Impact	Mitigation
Increased demands and expectations from mining companies by government, employees and communities.	Failure to manage relationships with all stakeholders, including local communities, government and non-governmental organisations (NGOs), may disrupt operations and adversely affect Kumba's reputation as well its ability to bring projects to production.	Comprehensive stakeholder engagement policy updated and approved. The policy identifies and prioritises stakeholder issues. Kumba is implementing and monitoring the approved engagement strategy.

8. OPERATIONAL PERFORMANCE

Failure to mitigate operational risks and hazards.

Root cause	Impact	Mitigation
Kumba's operations are subject to the risks and hazards normally encountered in opencast 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 opencast 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 complications with respect to the execution of projects, along with increasing demand for regulatory, environmental and social approvals may result in significant increases in construction costs and/or delays in construction.	If any of these risks should materialise, such an event could result in serious harm to employees and contractors, regulatory interventions, work stoppages, delays or losses in production, increased production costs and a possible increase in liabilities. Disruption to the supply of key inputs, or changes in their pricing, may have a material and adverse impact on the value of Kumba's assets, costs, earnings and cash flows. Failure to meet production targets could result in increased unit costs. The impact would be more pronounced at operations with high fixed costs. Significant increases in construction costs and/or delays in construction could materially and adversely affect the economic viability of projects and consequently affect the value of Kumba's assets, costs, earnings, cash flows and prospects.	A number of strategies have been implemented to mitigate the risk of not meeting operational/project targets, 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 has also established project delivery and management practices and capabilities to ensure project delivery ahead of schedule and below projected costs.

9. INFRASTRUCTURE

Inability to obtain adequate support installations and facilities, and related services with respect to infrastructure (the areas of water, power, roads, railways and ports, for example).

Root cause	Impact	Mitigation
Kumba does not own or operate any of the rail and port logistics it requires to transport its products. Kumba exports iron ore to international customers through a single channel rail and port that is owned and operated by TFR. Transnet has announced plans to restructure its tariffs in line with the Government Economic Policy and the National Development Plan. Labour and other operational risks associated with managing the rail and port operators' assets fall outside Kumba's direct control.	Inadequate support installations and facilities, and related services, principally in the areas of rail, port, power and water, may affect the sustainability or growth of the business, leading to a loss of competitiveness, market share and reputation. Restructuring of tariffs could result in increased transport costs.	Kumba promotes the early development of integrated strategies and alignment with the infrastructure owner/operator. It fosters the development of relationships by participation in industry groups and by lobbying to ensure effective service from key utility providers.

RISK AND OPPORTUNITY MATRIX CONTINUED

10. REGULATORY

Kumba's businesses may be affected by regulatory developments.

Root cause	Impact	Mitigation
Potential regulatory intervention in certain countries where Kumba operates could reduce growth prospects, as a result of a range of possible interventions including amendments to tax legislation and new legislation relating to mineral rights, beneficiation requirements and pricing of minerals and commodities.	If ultimately implemented, regulatory intervention could conceivably result in changes to existing mining rights , conditions , increased levels of taxation and partial price control imposition.	Kumba, together with other industry participants, remains committed to and continues engagement with the relevant authorities through the Chamber of Mines and will ensure that its shareholders' interests are protected to the full extent provided by the various mechanisms available to it.

11. FOREIGN EXCHANGE

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

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

12. SECURITY OF SUPPLY AND PRICING

Challenges in securing key commodities required for sustaining operations.

Root cause	Impact	Mitigation
Challenges are encountered in securing key commodities required for sustaining operations due to dependence on one supplier and regulatory requirements. An acute shortage of electricity in South Africa is expected until 2015. The national electricity regulator of South Africa announced an 8% electricity tariff increase from 2013 to 2018. Fuel prices in South Africa are linked to the price of crude oil in international markets quoted in US$.	Failure to secure the required key commodities for sustaining operations could result in delays or losses in production. Sustained electricity price increases could marginally impact Kumba's cost of production. Rising crude oil prices and a weaker Rand result in higher fuel prices.	Kumba (together with the Anglo American Group Supply Chain) has developed sustainable solutions with suppliers of strategic commodities while also establishing contingent arrangements.

13. EVENT RISK

Operational processes may be subjected to undesirable incidents (events).

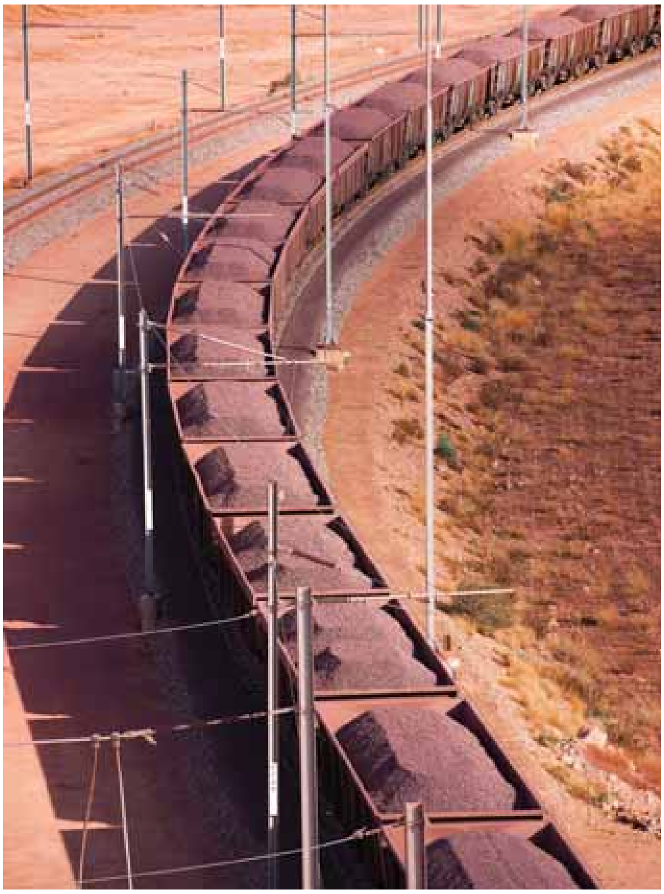
Root cause	Impact	Mitigation
Kumba operational processes may be subject to undesirable incidents such as port and shipping incidents, fire and explosion, pit-wall failures, loss of power supply, railroad incidents, and loss of well control, environmental pollution and mechanical failures. Further, Kumba operations may also be subject to unexpected natural catastrophes such as earthquakes, floods, hurricanes and tsunamis.	The impact of these events could lead to disruptions in production, increased costs and loss of more facilities than business insurance would cover which would adversely affect Kumba's financial results and prospects. Third-party claims arising from these events may exceed the limit of liability insurance policies Kumba has in place.	Contingent business interruption insurance cover is in place to cater for event risks while Kumba also developed business impact assessments and business continuity management plans for all its sites.

RESPONSE TO MATERIAL ISSUES

At Kumba, we pride ourselves on being highly responsive to the issues that concern our business and our future, and the lives and livelihoods of our stakeholders.

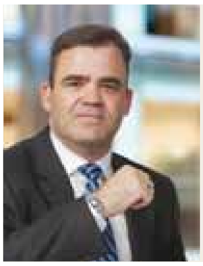
On the pages that follow we deal with six critical responses, all of which relate to our material issues.

These are:

01


01 Kolomela mine is strategically placed in one of the prime iron ore mining areas of the Northern Cape with immediate access to well-developed export infrastructure.

OUR PERFORMANCE



Frikkie Kotzee
Chief financial officer

REVENUE
(2011: R48.6 bn)

R45.4bn

OPERATING PROFIT
(2011: R32.0 bn)

R23.2bn

HEADLINE EARNINGS PER SHARE
(2011: R53.13/share)

R37.97/share

For more information see our Annual Financial Statements 2012

This is my first annual review as chief financial officer of Kumba and since taking up this role, I have had the unfailing support of the Kumba board, executive team and my finance team. My sincere thanks to them for warmly welcoming me into the Kumba family.

In this section of the Kumba Integrated Report, I will seek to review and provide insight into the group's financial performance, focussing on the key drivers for the year ended 31 December 2012.

For a more comprehensive and detailed account of the group's financial position and performance this review should be read in conjunction with the Annual Financial Statements 2012, and the Kumba website at: http://www.kumba.co.za/investor_fin_reports.php.

The group delivered a sound financial performance in 2012. It was always going to be a challenge to beat the record performance of the previous financial year. In 2012 we achieved record production and export sales and successfully ramped up Kolomela mine.

This performance is all the more creditable given the difficult market conditions and operating environment experienced. The solid performance also set the company up to further progress the need for expansion projects and growth of its operations as it seeks to secure a sustainable future for all its stakeholders.

01

FINANCIAL PERFORMANCE

In terms of headline earnings, the most significant of the indicators we use to measure our financial performance, the decline of 28% to R12.2 billion, or R37.97 per share, reflects the weighted average decrease of 23% in export iron ore prices realised, increased waste mining at Sishen and Kolomela mines and the effects of above inflationary cost escalations in the South African operating environment. To a certain extent this was offset by growth of 7% in export sales volumes, to 39.7 Mt, as Kolomela mine ramped up output, and the 13% weakening of the US$/Rand exchange rate supplemented by sales from finished product stockpiles.

The solid performance also set the company up to further progress the need for expansion projects and growth of its operations as it seeks to secure a sustainable future for all its stakeholders.

EARNINGS IMPACTED BY DECLINE IN IRON ORE PRICES

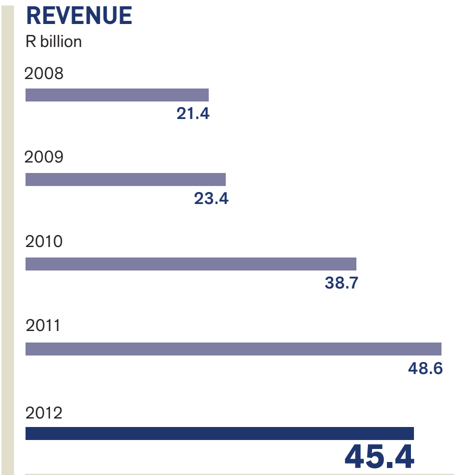
Rand million	2012	2011	% change
Revenue	45,446	48,553	(6)
Operating expenses	(22,293)	(16,587)	34
Operating expenses (excl. mineral royalty)	(21,166)	(14,825)	43
Mineral royalty	(1,127)	(1,762)	(36)
Operating profit	23,153	31,966	(28)
Operating margin (%)	51	66	–
Profit attributable to:	16,100	22,298	(28)
Equity holders of Kumba	12,212	17,042	(28)
Non-controlling interest	3,888	5,256	(26)
Headline earnings	12,198	17,048	(28)
Effective tax rate (%)*	25	25	–
Cash generated from operations	24,170	32,814	(26)
Capital expenditure	5,399	5,849	(8)

* Excluding Secondary Taxation on Companies (STC) and the mineral royalty

01 Waste calcrete rock is loaded and hauled from the main Leeufontein pit at Kolomela mine.

02 Lohandi Sauerman, construction administrator, and Mick Perres, industrial relations manager, meet regularly to discuss labour relations on site.

02



SOLID PERFORMANCE IN A VOLATILE MARKET

The group's total mining revenue (excluding shipping operations) reduced by 8% from record highs recorded in 2011. This decrease in mining revenue was primarily driven by volatile iron ore markets in 2012, manifesting in substantial iron ore price swings. We increased our export sales volume by 7%, underpinned by the exceptional performance of Kolomela mine, which partially offset the lower ore prices.

For 2012 as a whole, index prices averaged US$130/tonne (CFR 62% Fe Platts), down 23% on 2011's average of US$169/tonne. Throughout 2012 until September, the CFR 62% Fe price steadily declined, bottoming out at US$89/tonne. This was the lowest level observed since 2009, and was 41% down on April 2012's peak of US$151/tonne. Supply increases and lower demand contributed to softer prices in the second half of the financial year.

This sharp decline appeared largely to have been sentiment driven, fuelled by a negative view of Chinese growth prospects. By January 2012, the prices nearly doubled from its lowest level. The overall effect of the price volatility was contained to a 6% decrease in revenue.

The average Rand/US$ exchange rate of R8.19 to the dollar was 13% weaker than the R7.25 achieved during 2011. This positively impacted the group's revenue, since most of our sales contracts are in US dollars.

Revenue from shipping operations increased by 19% and was earned on the total tonnes of 24.1 Mt (2011: 21.7 Mt) shipped by Kumba on behalf of customers, at lower margins than 2011.

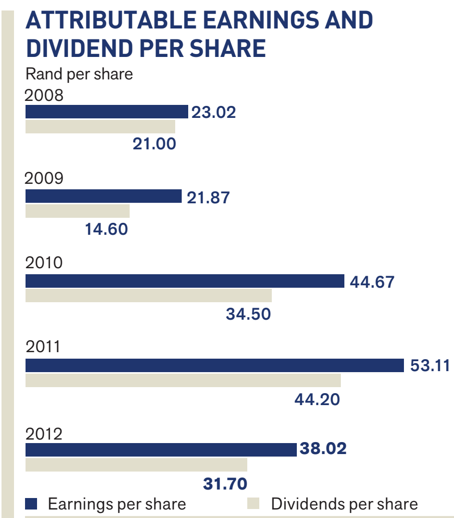
COST MANAGEMENT

Although operating costs rose sharply in the period under review, this is largely a function of the company being in growth mode and the increased waste mined at Sishen mine, exacerbated by the unprotected strike in October 2012. Furthermore, the Kolomela project development costs were capitalised to fixed assets up to November 2011. In 2012, these costs were fully accounted for and included in operating costs.

The operating cost increases experienced also reflect the escalations in mining input costs above the inflation rate across the board. This was particularly felt in the diesel prices; labour costs; electricity rises and mining contractor costs during 2012. Increases in diesel prices were further fuelled by the weaker Rand.

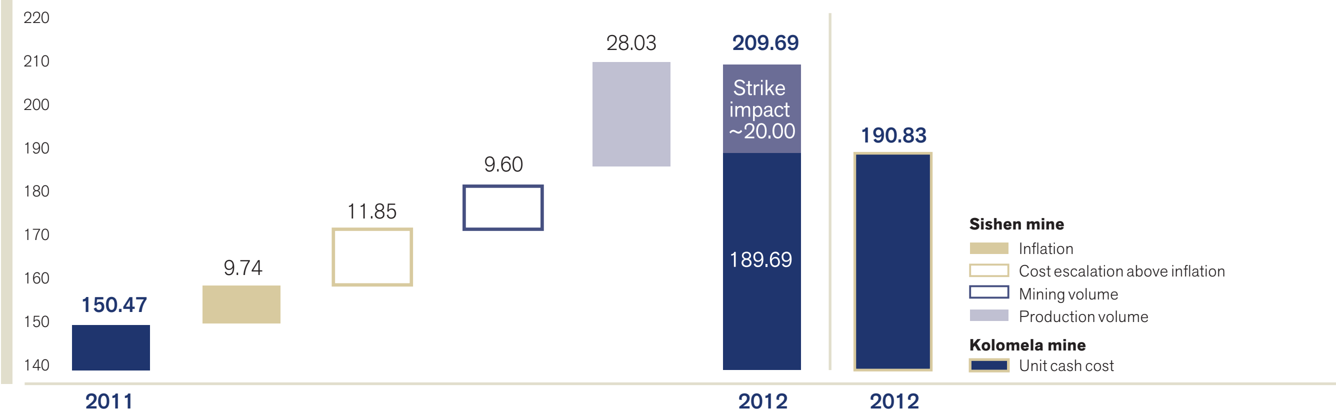
The high fixed cost base of the group, in many ways exposes the group's operating costs and production unit costs to the effects of production volume shortfalls associated with, for instance, strike actions and other production disruptions.

We anticipate that the effects of the strike at Sishen mine will likely feed through to the 2013 financial year, as production volumes continue to build up to pre-strike levels.



OUR PERFORMANCE CONTINUED

UNIT CASH COST
Rand per tonne



UNIT CASH COST (R/TONNE)

As a result of the planned increase in mining activity at Sishen mine, the production shortfalls from the unprotected strike and above inflationary input cost escalations, Sishen mine's unit cash cost increased by 39% to R210/tonne compared to R150/tonne at the end of 2011. Excluding the strike impact of circa R20 per tonne, it would have been approximately R190 per tonne. Kolomela mine's unit cash cost was R191/tonne for 2012. Waste mining at Kolomela mine is anticipate to increase as the new pits are opened up, which will put upward pressure on unit cash costs. Kolomela mine's cash unit cost is expected to be approximately R180/tonne as the mine reaches full design capacity of 9 Mtpa, in 2013.

PROFIT MARGINS

Primarily as a result of the significant decrease in realised export prices, the group's operating profit margin declined to 51% from the 66% achieved in 2011. Excluding the net freight loss incurred from providing a shipping service to customers, the group's mining operating margin was 55% (2011: 69%).

CAPITAL EXPENDITURE

Kumba continues to invest substantial capital in its business and it remains critical to the group's sustainability. Stay in business (SIB) capital absorbed a total of R3.2 billion, allocated primarily to the increased mining fleet to support the growth in waste mining at Sishen mine; while expansion capital of R2.2 billion was incurred. R511 million was directed towards housing at Kolomela mine. Included in the R2.2 billion was capital expenditure of R377 million incurred on the Sishen Westerly Expansion Project (SWEP) (2011: R317 million). This project will provide access to additional run of mine ore at Sishen mine from 2013. Total capital expenditure on this project is expected to be approximately R1.0 billion at completion in 2016. Next year in total we are anticipating to spend between R4.6 billion and R5.2 billion on our 2013 capital expenditure programme, the bulk of which will be spent on both sustainable and ramp-up SIB capital projects.

We completed a rigorous review of all our expenses, including capital spend, with the objective of ensuring that we continued to spend appropriately and prudently, without compromising growth. In the past year, we have also examined our corporate structure to ensure we are structured appropriately for future growth. The rigour we apply to our existing assets is equally visited on our growth prospects. With our measured approach, we will continue to evaluate and develop our pipeline to achieve growth of up to 70 Mt. We believe that our balance sheet is still conservatively structured to fund this growth.

CAPITAL EXPENDITURE 2012
Rand million

Expansion	2,195
SIB - ramp up	1,915
SIB - sustainable	1,289

NET DEBT AND CASH GENERATED

Our net debt position at the end of the financial year was R4.3 billion. A R3.2 billion facility which matured in 2012 was refinanced with a three-year revolving facility. In addition, a five-year committed revolving debt facility of R6 billion was secured at relatively attractive rates which replaced a R5.4 billion maturing facility, effective from 1 January 2013. We now have total debt facilities of R14.9 billion, and are very well placed to fund our expansion requirements and to move into the next growth phase.

Although year-on-year cash flows returned to stakeholders were lower by 33%, it remained substantial at R24.3 billion. We distributed a total of R18.0 billion to our shareholders by way of dividends, R4.6 billion of which was contributed to BEE shareholders. Contributions to the South African fiscus amounted to R6.4 billion (taxation of R5.2 billion and mineral royalties of R1.2 billion). We remain committed to returning excess cash to our shareholders, once we have provided for internal investment, and maintained a dividend cover ratio of 1.2 for 2012.

ASSET OPTIMISATION

Our asset optimisation programme, which has been ongoing since 2008, is equally rigorously managed. What we seek from this programme is to achieve

SIOC DIVIDEND

Rand million	2012*	2011	2010	2009	2008
Gross dividend declared by SIOC	13,797	21,192	15,381	6,925	9,928
STC **	–	1,926	1,399	630	888
Dividend declared by SIOC	13,797	19,266	13,982	6,295	9,040
Kumba	10,200	14,250	10,348	4,658	6,690
Exxaro	2,757	3,851	2,796	1,259	1,808
Envision	426	587	419	189	271
SIOC-cdt	414	578	419	189	271

* The final dividend was declared after 31 December 2012 and is presented for information purposes only

** The 2012 dividend is subject to dividends withholding tax and not STC

KUMBA DIVIDEND

Rand million	Total dividend 2012	Final dividend 31 Dec 2012*	Interim dividend 30 June 2012	Total dividend 2011	Total dividend 2010
Total dividend declared	10,209	4,026	6,183	14,250	11,101

the maximum value from our assets by applying them optimally and ensuring availability and accessibility.

One of these operational initiatives specifically extends to the manner in which we deal with our low grade material: if this can be more effectively mined and processed by embracing and employing new technology, this will add significant value to our business. Potentially, a larger proportion of our production could be sourced from lower grade material, which we will be able to blend to appropriate quality levels for our external customers. Presently we beneficiate part of what we mine, we stockpile low grade material for future use and discard a certain amount of waste material.

Our focus on improvement and optimisation has been handsomely rewarded at Kolomela mine, which was brought into production ahead of time, and is already generating significant shareholder value.

MARKET OUTLOOK - 2013

As we go forward into the next financial year we hope to benefit from iron ore price improvements flowing from a recovery in the global economic outlook. Despite the relative slowdown in China from historically high levels they still achieve growth of around 7% and we expect continued positive growth from this region flowing from the stimulus packages announced by the government, and the sustained urbanisation programme. In the longer term, India's growth rate should reflect the positive economic developments in that sub-continent. The Eurozone is likely to remain under pressure, while there is some growth expected in the USA. Our profitability will remain sensitive to prices and the exchange rate of the Rand against the US Dollar.

As a South African operator, our investment appeal is directly linked to the financial and economic regime in the country. Any changes to the mining taxation regime must maintain this international competitiveness and reflect the sharing of risk and reward between government and business. This is a subject that we continue to debate constructively with government in a number of forums and are confident that a solution can be found to accommodate all role players. We believe that government is equally committed to a sustainable industry.

CONTINUING TO DELIVER VALUE

After what has been a defining year in the South African mining sector, we have reflected intensively on our relationship with our stakeholders, particularly our employees, their communities and our BEE shareholders. We continue to believe that our achievements in empowering communities and distributing value beyond a small band of shareholders have been successful. Over a six-year period our BEE shareholders have received in excess of R17.0 billion in dividends and Kumba's contribution to government over the same period stands at R32.5 billion in income taxes, STC and mineral royalties.
The delivery of broad-based black economic empowerment (BBBEE) exceeds the letter and spirit of the MPRDA, and further provides the group with a sustainable future. Our BEE shareholders have benefited substantially from sustained growth in shareholder returns, through capital appreciation on the one hand as well as our generous dividend distributions.

SIOC returned dividends of R3.6 billion from the 2012 results. R2.8 billion to Exxaro; the second phase of the Envision programme benefited by R426 million; and a further R414 million has been made available for our communities, through the SIOC-cdt.

IN CONCLUSION

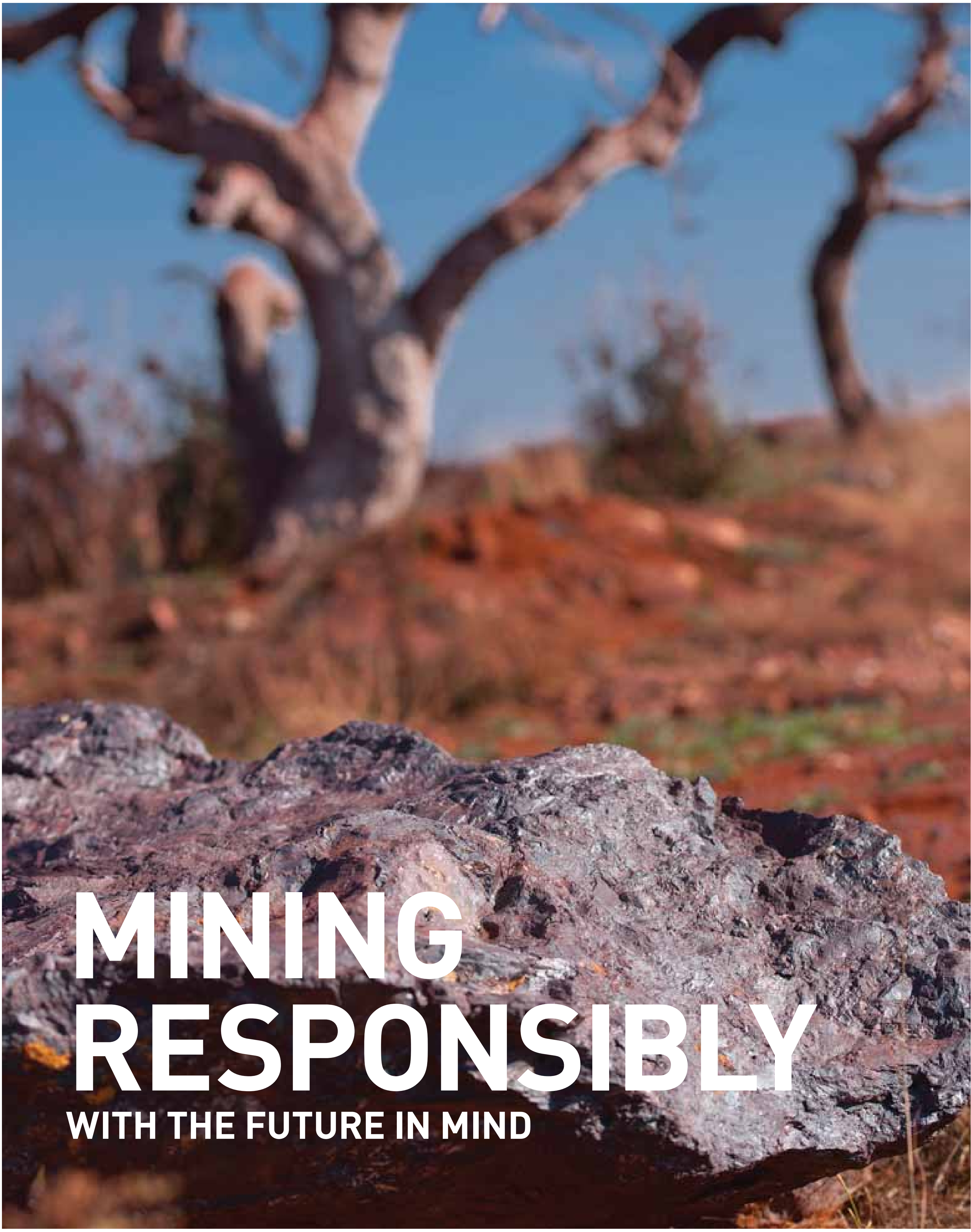
We cannot be complacent, and need to remain watchful and alive to matters which could potentially threaten our relationships and ultimately our business.

We remain committed to our Envision programme, whereby our employees feel that they are owners, and partners, with us in this business.

We need to emphasise the importance of productivity, employee retention, skills attraction and other fundamental business drivers in achieving our performance goals, while also keeping a watchful brief on the social and community development issues.

STRATEGIC ELEMENT: Delivering on our strategy

01



MINING RESPONSIBLY
WITH THE FUTURE IN MIND

Our approach to environmental management aims to mitigate the potentially negative impacts of our mining activities on the environment during operations and post-closure.

We have a proactive strategy with well-defined focus areas: remediation and pollution prevention; rehabilitation; biodiversity and land management; water; energy and carbon dioxide; and assurance.

We uphold our reputation as environmentally compliant, responsive to stakeholders' environmental concerns and prepared to go beyond compliance to mitigate the impacts we may have on the environment. Above all, we are committed to leaving a positive legacy rather than mere compliance. Our engagement with stakeholders is, therefore, always open, honest and transparent, and we encourage each other to diligently report incidents and seek prompt corrective action.

We realise that it is critical to manage our environmental footprint in a responsible manner, and to engage with relevant stakeholders continuously, to ensure that everyone is aware of our commitments and actions to protect the environment with everyone's future in mind.

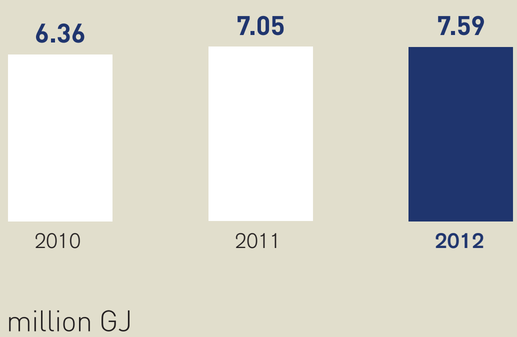
198.1 Mt

OF WASTE MINED

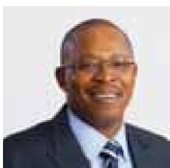
03

02

Total energy consumption of
7.59 million GJ



Water management initiatives resulted in savings of 1.4 million m³ of water in 2012.



"A total of 51% of water was re-used/recycled in 2012."

Alex Mgadzah
Executive head: safety & sustainable development, Kumba Iron Ore

CO_2 EMISSIONS OF 0.022 TONNES PER TONNE OF ORE PRODUCED

Images

01, 02 Kolomela mine, which began commercial production in 2011, is expected to achieve annual design capacity of 9 Mtpa in 2013.

03 Masego Kalapete is among the beneficiaries of the Manyeding Cultivation Project which is funded by SIOC-cdt.

OUR PEOPLE

At Kumba, we are our people. We strive to meet and exceed our objectives, and deliver sustainable benefits to all stakeholders.

01

Our goal is to achieve Zero Harm at all our operations.

SAFETY PERFORMANCE

	Fatalities	LTIs	LTIFR	LTISR	TRCFR	Shifts lost due to injury (days)	HPIs
Sishen mine	2	9	0.10	38.04	0.92	449	33
Kolomela mine	-	1	0.04	4.09	0.73	14	16
Thabazimbi mine	-	3	0.10	4.45	0.52	16	15
Group*	**2**	**20**	**0.10**	**27.78**	**0.70**	**689**	**80**

*Includes Kumba project services, corporate office, value in use, exploration and Saldanha port operations.

SAFETY

We remain determined to pursue our goal of Zero Harm at all our operations. Safety, care and respect are integral to our value system. We regret to report that two of our contractor colleagues, Ms Sarah Obudilwe and Mr Wickus Coetsee lost their lives in work related incidents at Sishen mine in 2012. These tragic events represent a setback in our safety efforts following more than 24 months without a fatality, and have resulted in a lot of sombre introspection and review of our processes.

Our focus on safety has intensified. We launched the 100-day safety challenge on 29 October 2012 to address the disturbing increase in both the number of lost-time injuries since June 2012, and the severity of some of these incidents, and the traditional vulnerability to incidents associated with the year-end production pressure and the festive season which distract attention from safe production. Sites were challenged to achieve 100 injury free days through focussed Visible Felt Leadership interventions focussing on the top five risks for each work area. Milestones were set for each site and department. Appropriate recognition or rewards were used to celebrate the achievement of these milestones. The challenge ran until February 2013. Every site has achieved at least its first milestone, usually 25 injury-free days, during the challenge and Thabazimbi mine had an injury-free December. There were no lost time injuries (LTIs) in December 2012.

The group recorded 20 LTIs in 2012, which resulted in LTIFR of 0.10 per 200,000 hours worked, compared with the 0.08 per 200,000 hours achieved in 2011.

Kolomela mine had been LTI-free for more than 9.8 million hours until an LTI occurred on 6 November 2012. Nonetheless, this mine and project achieved a world-class safety performance of 26.4 million LTI-free hours with the previous LTI having been recorded at the project in January 2010.

High potential incidents

High potential incidents (HPIs), defined as those incidents where the energies involved could potentially have resulted in loss of life had circumstances been slightly different, are opportunities where we were fortunate not to have lost a colleague. We should learn from these HPIs to prevent serious injuries in the future. We witnessed an increase in HPIs to 80 in 2012 (2011: 70). While improvements to reporting culture are commendable, the potential severity of some of the incidents calls for action. HPIs are an important leading indicator of performance and provide early warnings of areas of concern. Of the HPIs reported in 2012, 56% were related to transportation, 25% to falling objects, 11% to stored energy and 6% to fires or explosions. As our key risk identified through our risk-management process is transportation, and in particular the use of haul trucks and interactions with other surface mobile equipment and light vehicles, control measures such as reversing and side view cameras, extended bumpers to reduce the impact of collisions with light vehicles and/or other haul trucks have been implemented in response. These supplement the various hard and soft engineering controls like roadside berms, traffic management plans, separation of large equipment and small vehicles, pedestrian walkways, fatigue management systems and fatigue detection technology that form part of our safety interventions.

Collaborative approach

Kumba has continued to support and promote a tripartite approach to safety and health, involving the company, organised labour and the DMR. We have driven the establishment of local tripartite forums together with other mining companies in the Northern Cape Province and in the North West

01 Kolomela mine has pioneered an innovative approach to safety with videos of incidents played on a large, solar-powered mobile screen housed in a trailer.

02 Millwrights François van der Bank and Darryll Daniel are working in a medium-voltage substation at Kolomela mine.

03 Neil Akermann, planning and development manager, who trained Keitumetse Hynes, haul truck operator, has been involved in implementing the collision avoidance system.

02

03

Province. The forums are focussed on behavioural interventions, fatigue management, contractor engagement and wellness. Kumba also participates in the Chamber of Mines structures, such as the occupational health and safety policy committee, the mining industry occupational health and safety task force and its task teams.

The implementation of the group's fatal risk standards is in its third year. This, together with Visible Felt Leadership and the operational risk management process, is central to our safety management programme. The safety theme adopted for the year's Global Safety Day was 'Real safety begins with me' which emphasises and highlights the importance of personal responsibility for working safely.

CONTRACTOR ENGAGEMENT

Kumba places a great deal of emphasis on contractor engagement, acknowledging the importance of partnering to deliver on our commitment to Zero Harm. We have the same safety standards in place and similar expectations apply to contractors as to employees. Kumba's contractors, including those involved in construction projects, make up a large percentage (59%) of our workforce.

We place great emphasis on contractor engagement.

While these contractors are effectively employed by other companies, they work or provide a service within our operations. A fully fledged contractor engagement process has been developed and is being rolled out across all our sites.

OHSAS 18001 CERTIFICATION

The Thabazimbi mine successfully completed its recertification audit, conducted by a new global service provider for Anglo American, Bureau Veritas. Sishen mine postponed its recertification audit due to industrial action. The audit was completed in March 2013 and Sishen mine's current certification has been extended for six months until April 2013. Kolomela mine will seek OHSAS 18001 certification in 2014 when the current ramp-up is completed. ISO14001 environmental management certification is planned for June 2013.

HEALTH AND WELL-BEING

In 2012, our health improvement plan (HIP) focussed on four key aspects:

- reducing exposure to noise and dust;
- managing HIV as a chronic condition;
- wellness and chronic disease management; and
- fatigue management.

Occupational health

Additional health risks included non-ionising radiation (which causes sunburn, heat stroke and, in the long term, could result in skin cancer), ergonomics (resulting in musculoskeletal injuries), and hazardous chemical substances (resulting in dermatitis). Exposure to diesel particulate matter is being investigated to determine whether this is a significant occupational health issue following its declaration as a carcinogen by a working group of the World Health Organisation in June 2012.

Wellness-related risks include HIV/Aids, TB and lifestyle diseases such as hypertension, diabetes, obesity, fatigue and stress (both work and non-work related). With the expansion of scope from occupational health to wellness, we address our employees and contractors comprehensively and holistically. Drug and alcohol consumption remain a concern and rigorous screening is conducted at our sites with supporting interventions.

Shift occupational health practitioners have been introduced at all three operations and are successfully improving the detection of fatigued workers, monitoring chronic disease, and providing health and wellness information and advice to shift employees.

OCCUPATIONAL HEALTH PERFORMANCE

Group	2012	2011
New cases of NIHL identified	3	17
New cases of other occupational diseases identified	3	2
New cases of non-occupational pulmonary TB identified	19	16

OUR PEOPLE CONTINUED

Kumba's noise and dust exposure reduction strategy focusses on:

- reducing emissions at source;
- pre-work inspection of all machinery and workplaces with clearly defined 'no-go' criteria;
- scheduled preventative maintenance of moving and fixed equipment;
- procurement policies to buy quieter and less dust-generating equipment;
- contractor engagement; and
- workplace environmental incident reporting (particularly related to noise and dust).

Hearing conservation programmes rolled out over the past several years to combat NIHL, have resulted in a decrease in the number of NIHL cases, especially at Sishen and Thabazimbi mines. All of the company's operations have reduced the noise levels in all their workplaces to below 110dB(A), achieving this industry-set 2013 target more than a year early.

Silicosis is not a significant risk at Kumba's operations and there were no reported cases during 2012. There were, however, three cases of occupational tuberculosis (TB) where exposure to high levels of respirable silica is a compounding factor. In line with the company's focus on exposure prevention, ongoing surveillance is carried out to monitor dust exposure levels.

Dealing with fatigue management involves a series of interventions from education of workers and their families to technology which detects fatigued operators. Education focusses on the importance of sufficient quality sleep, good nutrition and a healthy lifestyle. Information on fatigue management is included in ongoing employee training. Improved shift rosters are a critical component of the programme and lifestyle planners are developed for each shift roster to assist the worker to eat, sleep and exercise optimal are encouraged to prevent fatigue. Technology has been piloted at Kolomela mine to detect operator driving behaviour typical of sleepiness (ASTiD) and to determine the potential for fatigue based on previous shifts worked, commute time and other factors (PRISM).

HIV counselling and testing is part of a broader wellness testing process which has improved the general health of employees.

ASTiD has been installed in all Kumba haul trucks at Kolomela mine and will be implemented at Sishen and Thabazimbi mines in 2013. PRISM has been commissioned at Kolomela mine.

HIV/Aids management

The focus of Kumba's HIV programme in 2012 moved from HIV counselling and testing (HCT) uptake to ensuring that all HIV-positive individuals are enrolled in disease management programmes, managed by the individual's general practitioner, the company, through our NGO partner or the state clinics. This included improving the provision of anti-retroviral treatment (ART) and follow-up of ART defaulters.

HCT is part of a broader wellness testing process which has improved the general health of employees across the board and is serving to eliminate the stigma associated with receiving counselling on testing HIV-positive as the counselling could just as easily be for high blood pressure or obesity.

To speed up HCT uptake, it has been integrated into the medical surveillance process with dedicated resources based at the mine occupational health clinic.

Drug and alcohol abuse

All people entering Kumba sites, including contractors and other visitors, are screened for alcohol on entering the workplace. In addition, each employee involved in a serious incident undergoes drug and alcohol testing. Should anyone test positive for alcohol during a second confirmation test, entry into the mine is refused with further action taken in the case of employees and contractors. Counselling is available to employees through our independent counselling advisory services.

EMPLOYMENT AND EMPLOYEES

Kumba's efforts to be the leading mining company employer paid off in 2012 when we achieved the 'best employer' in the mining category accolade determined through both Deloitte's Best Company to Work for Survey and the CRF Institute's 2012 Best Employer Survey.

The attraction, retention and development of human resources remain critical priorities for Kumba. Key aspects of our employment policy include competitive remuneration, accredited and ongoing training and development opportunities, fair employment practices, the provision of benefits for improved quality of life as well as personal and professional growth prospects. Kumba also offers bursaries to learners at secondary and tertiary levels in order to provide the company with the best talent, and has a development programme for young graduates with scarce skills to ensure sufficient skilled personnel in these positions in the future.

Employment

Kumba employed a total of 11,773 people at the end of 2012 (2011: 11,898): 6,878 full-time, permanent employees, 4,193 full-time, permanent contractors and 702 learnerships. In addition, 8,806 fixed-term project contractors were employed at Kumba's construction projects, and 484 young professionals were employed in the company's talent development pipeline.

Kumba's turnover rate in 2012 increased to 4.4% (2011: 3.0%). This was a result of the dismissal of employees who participated in the unprotected industrial action at Sishen mine. Labour turnover of 4.4% is well below the industry benchmark of 8.2% as reported by the PwC Remchannel.

There was a noticeable increase in absenteeism at all operations in the early months of the year. This was attributed to the Envision payouts effected in December 2011 when employees were paid substantial amounts of money when the scheme matured and to scheduled leave following the December break. All operations implemented measures to address these levels of absenteeism which improved significantly until around October 2012 when the unprotected strike began at Sishen mine.

After the unprotected strike at Sishen mine, which involved 300 employees, ended in October 2012 there were reported incidents of intimidation which prevented some employees from returning to work. While some employees continued to support the strike and absented themselves from their duties, others were dismissed as a

01 Keitumetse Hynes is at the forefront of empowerment as a haul truck operator for Kumba.

02 The installation of collision avoidance system in haul trucks at Kumba is in line with the Anglo American Zero Harm philosophy.

BREAKDOWN OF EMPLOYEES AND CONTRACTORS

	Full-time, permanent 2012*	Full-time, permanent 2011*	**Full-time, contractors 2012**	Full-time, contractors 2011
Corporate office	125	120	–	20
Sishen mine	5,303	4,412	2,910	3,865
Kolomela mine	1,030	771	811	711
Thabazimbi mine	852	815	470	889
Technical services	120	91	–	35
Projects	45	43	2	56
Saldanha Bay and other	105	51	–	19
Group	**7,580**	**6,303**	**4,193**	**5,595**

* Including learnerships

result of the disciplinary hearing after the strike. As at 31 December 2012, the majority of striking employees had returned to work in all sections of the mine. See discussion on the strike on page 62.

Employment practices

Short-term bonuses and share incentives supported by growth and development programmes are part of Kumba's remuneration practices. While full-time employees receive various benefits such as medical aid subsidy, study assistance, pension fund membership and housing allowances, part-time employees and contractors receive benefits in line with the Basic Conditions of Employment Act.

Envision, Kumba's employee share participation scheme, has ensured that employees are active stakeholders by having a direct interest in the company's profit. Envision paid out R2.7 billion to 6,209 members at its first maturity date in December 2011. Each Envision scheme member who has been employed by the company since its market listing in 2006 received a pre-tax cash payouts, with those employed subsequently receiving payouts in line with their tenure. Envision scheme members also receive dividends twice a year, in March and August. For more detail see the Remuneration Report on page 68.

Collective bargaining

While a process of collective bargaining with representative trade unions regulates conditions of employment, recognition agreements govern relations with employees and organised labour. Applicable labour legislation manages employment equity practices, trade union access and membership, compensation for occupational illness or injury, and provisions and financing of training programmes.

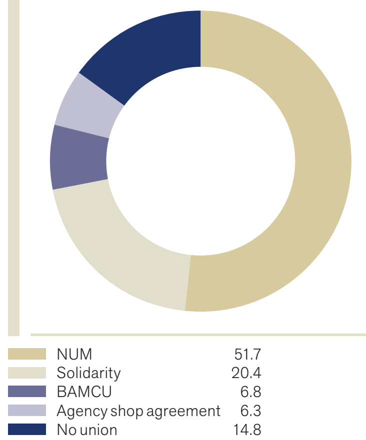
Kumba concluded a two-year wage agreement with organised labour in July 2012 covering the period 1 July 2012 to 30 June 2014, making provision for an increase of between 8.5% and 10.5% (total cost to company), well above the rate of inflation. The rationale for this increase was to address some structural pay issues relating to technical skills at operator level, artisans and transport for employees residing a distance away from the mine. At the end of 2012, 85.2% of Kumba employees were represented by one of the following recognised unions: the National Union of Mineworkers (NUM), Solidarity, Building Allied Mining and Construction Workers Union (BAMCU), and employees who have signed an agency shop agreement. Kumba aims to maintain a constructive industrial- relations climate and this has been the practice for many years.

Kumba was not untouched by the strike contagion that extended across the mining industry in the second half of 2012. The unprotected strike at Sishen mine in October 2012 resulted in a significant loss of production and revenue to the company, damage to property, poor employee morale and financial losses to employees. Management's decision to suspend operations was taken to ensure the safety of the rest of the workforce. The strike at Sishen mine was not directly supported by unions. There was no strike action at Kolomela or Thabazimbi mines.

Looking ahead, Kumba will continue to focus on improving our labour relations by continually engaging employees on their grievances though regular meetings with recognised employee

UNION MEMBERSHIP 2012

%



OUR PEOPLE CONTINUED

HDSAs IN MANAGEMENT

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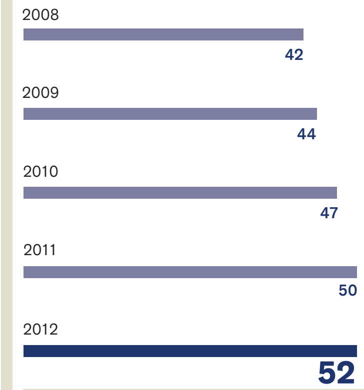


HDSAs AND WOMEN IN MANAGEMENT

	Total management		% HDSAs in management		% women in management	
	2012	2011	2012	2011	2012	2011
Corporate office*	246	244	54.1	51.6	35.0	35.7
Sishen mine	692	664	50.3	47.7	14.4	14.3
Thabazimbi mine	146	147	49.3	48.3	17.1	17.7
Kolomela mine	145	127	61.4	58.3	15.6	11.8
Group	**1,229**	**1,182**	52.2	49.8	19.2	18.9

WOMEN IN MINING

	Women employed		Women in core mining %	
	2012	2011	2012	2011
Corporate office*	140	138	27.3	27
Sishen mine	683	643	11.4	11.0
Thabazimbi mine	119	110	9.8	9.3
Kolomela mine	199	157	20.3	18.1
Group	**1,141**	**1,048**	12.8	12

*Includes corporate office, technical services, Projects, Saldanha Bay and other.

representatives. We are reviewing our current communication and employee forums to ensure that they are effective and address employee concerns and issues. These include employee housing, living conditions and basic needs.

Attracting and retaining employees

Kumba recognises the importance of attracting and retaining people with necessary skills. To ensure that skills gaps are identified and succession plans are in place, talent-management strategies have been developed, as well as career development plans for all employees. Kumba's internal recruitment policy gives preference to candidates with the requisite skills and experience from within the group and remuneration is based on skills, expertise and experience. Kumba has local communities recruitment strategies for each of its operations and, at the end of 2012, around 86% of employees were deemed to be local, that is from within the province in which that operation is located. This ranged from 82% at Kolomela mine to 56% at Thabazimbi mine and 88% at Sishen mine.

Employment equity and transformation

Kumba supports South African employment equity legislation that promotes equal opportunity through the elimination of unfair discrimination and the implementation of affirmative action measures. The Mining Charter minimum requirement for HDSAs in management is 40% and 10% for women in the workforce. Kumba focuses on recruiting above these targets and in 2012 had 81.02% HDSAs in the workforce and 54.24% in management. Women comprised 17.23% of employees with 12.78% in core mining positions in 2012. Kumba's human resource development programme includes mentorship plans, succession planning, individual development planning and constructive retention models to achieve transformation targets. These remain a challenge, however, owing to the current skills shortages in South Africa.

Training and development

At Kumba we are proud to be able to develop and train our employees. At our training centre in Kathu, some 400 learners from the community are being trained in basic mining-related and engineering skills. The training at this accredited training centre is free of charge to the community and, as far as possible, the learners are absorbed into Kumba once they have qualified. The rest are typically, and easily, recruited by other mining and construction companies.

Kumba's wide variety of training initiatives is informed by the Mining Charter as well as our own developmental needs. Training programmes include legislative training, health and safety training, learnerships, leaderships, mentorships, portable skills training, career progression plans for HDSAs, bursaries, study assistance, ABET and professionals in training (PIT) programme, about which is explained below.

TRAINING AND DEVELOPMENT STATISTICS

	Number of participants		HDSA participants (%)		Women participants (%)		Expenditure (R million)	
Programme	2012	2011	2012	2011	2012	2011	2012	2011
ABET	72	56	95	100	43	41	1.0	1.6
PIT	48	47	73	72	35	30	31.5	23.4
Engineering learnerships	261	290	79	76	21	19	32.57	25.5
Other learnerships	189	315	98	96	24	32	21.09	16.8
Bridging school	12	4	100	100	25	100	0.91	0.3
Bursaries and scholarships	69	63	80	78	49	43	9.41	4.3
Community training and development	299	48	99	100	24	46	4.58	4.2
	950	**823**	89	85	32	42	**101.1**	**76.1**

01

01 Zelda Nel, manager: capital projects, Mooketsi Mocumi , communications and branding, and Theto Rangwato, corporate finance analyst, were among the finalists in the Anglo American Applaud Awards 2012.

ENVISION – FINANCIAL FITNESS

While Kumba's Envision programme has been remarkably successful in delivering wealth to employees, there have been a number of challenges during implementation, some of which were anticipated and planned for and some were totally unanticipated, such as high absenteeism rates after employees received substantial amounts of money.

Kumba provided financial training, covering tax and investment options, to the Envision recipient employees and their spouses for up to 12 months prior to receiving their payouts. Even though employees were trained and informed that the payouts would be taxed, this posed a major challenge once the payment was done.

Follow-up surveys have shown that 80% of employees trained applied the knowledge gained in using their payouts. Training for Envision II is already underway and will be improved by:

- creating an awareness of employees' roles in the payouts;
- clarifying tax management;
- advising on the settlement of debt; and
- providing customised and continuous training.

In 2012, Kumba employees received 81 hours of training (2011: 80 hours) on average per employee, with a total training expenditure of R224 million (2011: R134.8 million), equivalent to 5.8 % of total wage bill (2011: 4.4%). Training is also conducted for employees nearing the end of their careers through normal or medical retirement, and portable skills training that may be used as a basis for alternative careers or livelihoods after their employment with Kumba.

Adult basic education and training

One of the most significant barriers to skills development and employment in South Africa is a lack of basic education – namely literacy and numeracy skills. Approximately 95% of employees are deemed to be functionally literate. To further literacy and numeracy amongst both employees and community members, adult basic education and training (ABET) is made available to all employees on a part-time voluntary basis. A total of 72 employees participated in ABET in 2012.

Professionals in training

Kumba's PIT programme provides an innovative way to address the training of technical graduates, technicians, technologists and non-technical graduates alike. The length of the programme is between 24 and 36 months. Non-technical skills are also developed while training on report writing, personal development, Excel for engineers, aptitude profiling, safety and management skills is offered. There were 48 PIT participants in 2012.

OUR PEOPLE CONTINUED

Learnerships, bridging school, bursaries and scholarships

Learnerships offered by Kumba allow employees to improve their skills through studying and practical training, and can lead to qualifications recognised by the Sector Education and Training Authority (SETA) and the Department of Labour. A total of R53 million was spent on learnerships in 2012 (2011: R45 million) with the following learners trained in engineering: 128 in mechanical, 95 in electrical, 38 in civil and 189 in mining metallurgy. In 2012, 450 participants were acknowledged as proficient in the skills acquired and 138 artisans were trained.

Students who have completed secondary school are offered an opportunity to improve their maths and science marks for entry into tertiary institutions. Kumba sponsored 12 learners in 2012 (2011: 4).

As part of Kumba's employment equity plan, the company sponsors employees and learners from labour-sending areas to study at tertiary institutions in core mining disciplines. Their accomplishments are recognised at an annual function attended by the Executive Committee, exposing them to Kumba's culture and values. A total of 69 students (2011: 65) were sponsored in 2012 at a cost of R 9.4 million (2011: R4.4 million).

Community training and development

Short courses are offered to community members at the Kathu and Thabazimbi training centres where a total of 299 community members attended courses in 2012: including 30 in welding, nine in bricklaying, 11 in plumbing, eight in carpentry and 25 in sewing.

01

Housing and living conditions

Kumba's housing strategy is based on three pillars:

- the promotion of home ownership;
- the provision of company housing to facilitate recruitment and retention of senior employees; and
- the facilitation of access to accommodation.

Kumba is committed to facilitate the provision of accommodation to each permanent employee,forming either single quarter accommodation or a house, depending on their employment level. Transport support and housing subsidies or allowances contribute to achieving this goal.

The approved budget for the group-wide Kumba housing strategy until 2014 is R2.3 billion, of which R460 million was spent in 2012.

As part of our housing strategy, all of the company's hostels have been converted into self-contained bachelor apartments or family units, two years ahead of Mining Charter requirements.

A transition to green energy has been included in this programme with all of these units equipped with solar powered geysers. See pages 50 and 64 for further discussion on the housing project at Sishen mine, and our Sustainable Development Report 2012 for further information on progress at Sishen and Kolomela mines.

Kumba has used local contractors on these housing projects; training them in key skills such as plumbing and tiling. Around 75% of the labour required during the construction phase of the mine was drawn from local communities.

CED EXPENDITURE (R MILLION)

	2012	2011*	2010
Corporate office	110.5	71.2	6.2
Sishen mine	72.3	73.6	72.1
Kolomela mine	77.9	30.9	38.9
Thabazimbi mine	14.9	9.2	16.8
Total	**275.6**	**184.9**	**134.0**

* Including Kumba's inter-Anglo American contribution, the 2011 amount adds up to R190.9 million.

01 Lena Sebelego, Gracious Tlhaole and Martha Sebelego work in the Skeyfontein hydroponic vegetable farm near Kolomela mine.

02 The Groenwater poultry farm is funded by the Kumba.

03 The Deben Heuningpot Co-operative, a Kumba-led initiative, is addressing the high unemployment rate in the Northern Cape.

02

03

Our community engagement plan ensures that interaction with stakeholders achieves specific objectives and addresses engagement challenges.

SUPPORTING SUSTAINABLE COMMUNITIES

Kumba aims to create and leave a positive legacy in the communities in which we operate. Both the provinces in which our operations are located have fairly high levels of unemployment with lack of infrastructure, housing, economic development and poor education. Limpopo contributed only 7% to South Africa's gross domestic product (GDP) in 2012 while the Northern Cape contributed only 2.4%. Mining is a significant historical and potential economic activity in both provinces, particularly in respect of job creation.

Kumba's approach to community engagement and development is to demonstrate respect for local communities, and an understanding of the traditional rights and cultural heritage of the people, the sensitivities involved in addressing issues of social impact, and the local laws and customs. We consult with communities to identify norms that may be affected by operations, and strive to reach consensus in addressing any concerns.

Our social and labour plans are aligned with the needs of local communities and municipalities.

Key focus areas

Our operations compile community development reports on an annual basis to indicate that:

- the profiles of relevant communities have been considered;
- credible leaders have been identified within the communities;
- the leaders have been consulted prior to the implementation of projects;
- a needs analysis has been conducted and priorities set;
- the relevant ward or municipality has been consulted to determine the possibility of partnerships with respect to identified projects and the local authority's Integrated Development Plan (IDP); and
- provision has been made for the transfer of skills and capacity-building within the relevant community.

Our SLPs, developed to support our mining licences are aligned with local IDPs, and entrench our commitments to government and the communities. Identified focus areas for community development interventions are health and welfare, education, skills development and capacity building, small, medium and micro enterprise (SMME) development, infrastructure development and agriculture. Community engagement is also based on Anglo American's SEAT process which enables mines to identify and manage the socio-economic impact of their activities on local communities, and to provide guidance on how to improve performance on key social issues. The toolbox also guides and informs operations in selecting the best corporate social investment (CSI) initiatives to mitigate negative impacts and develop positive interventions.

An outcome of the SEAT process is a detailed community engagement plan (CEP) which is updated annually. The plan ensures that interaction with stakeholders achieves specific objectives and addresses engagement challenges. A review of the SEAT of each operation is conducted every three years by a group of employees, employee representatives, community representatives and local government officials. Thabazimbi mine completed its SEAT process in December 2012.

Kumba's total CED expenditure in 2012 amounted to R275.6 million (2011: R190.9 million), with R59.3 million (2011: R42.6 million) covering SLP commitments.

STRATEGIC ELEMENT: Delivering on our growth to ensure a sustainable future

01

ENSURING RELEVANCE

WITH THE FUTURE IN MIND

By optimising the value of our current operations, we continue to make a meaningful contribution to our customers around the world.

As we continue to evolve with our customers, by anticipating their needs and creating niche products that enhance their operational efficiencies as specialist steel manufacturers, so we move ahead in our journey to become a leading African growth company.

However, we remain on solid ground with quality, reliability and consistency as our guiding principles – and upholding our commitment to quality over quantity in the service and products we deliver.

Our results demonstrate that our strategy to optimise value from current operations and invest in safe, quality growth projects, is delivering more than just the goods.

FIVE-YEAR SIB CAPITAL PLAN OF

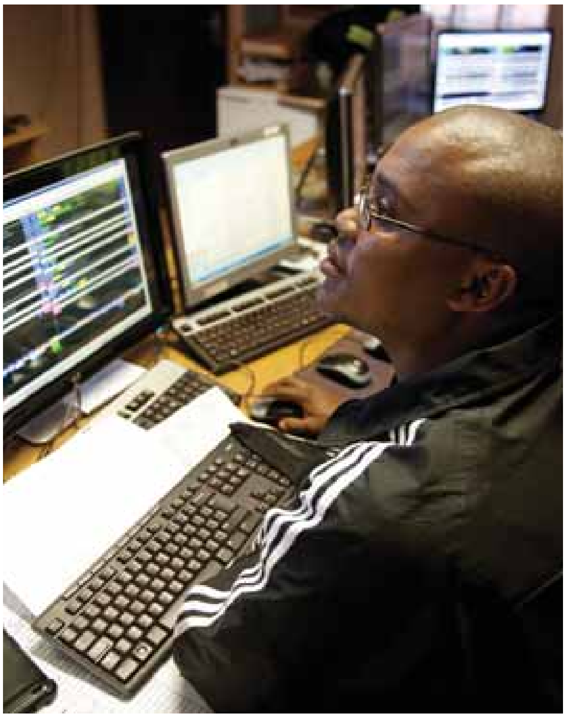
R8.7bn

02

GROWING PRODUCTION IN SOUTH AFRICA TO

70 Mtpa

03



R1.0bn

TOTAL EXPECTED INVESTMENT IN SWEP BY 2016.

Images

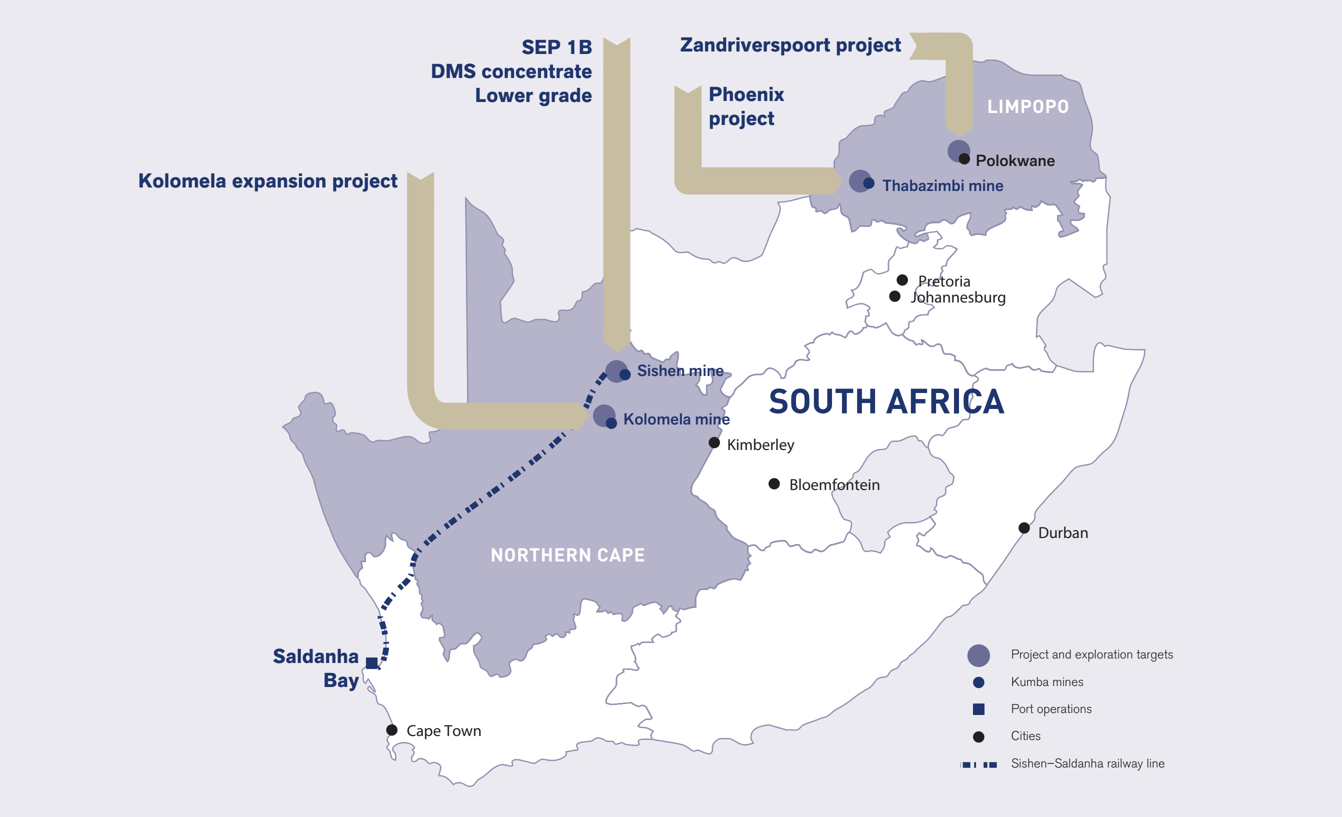
01 Diedre van Wyk works as a plant operator at the jig plant at Sishen mine.

02 Optimal production is achieved with advanced technology such as the collision avoidance system installed on the haul trucks.

03 Tebogo Ntatudi is a production co-ordinator in the central control room, which monitors the collision avoidance system at Sishen mine.

OUR FUTURE

PROJECT PIPELINE



We aim to grow production in South Africa to 70 Mtpa.

OUR PIPELINE TO SUSTAIN AND GROW PRODUCTION

Our strategic intention, to sustain and grow our production in South Africa and to progress our ambition to create a second footprint in west and central Africa, remains on track.

RESOURCE REPLACEMENT

Kumba is actively exploring opportunities in the Northern Cape Province and Limpopo Province with the aim of identifying early-stage potential that may represent resource replacement opportunities. We are also assessing the potential to use the lower-grade resources at current operations as resource replacement. This is largely dependent on the development of beneficiation technology currently under investigation which could upgrade these lower-grade resources economically to saleable product.

SOUTH AFRICAN EXPANSION

As stated previously, Kumba's aim is to grow production in South Africa to 70 Mt. The portfolio of projects making up this target is constantly being reviewed, taking into account the current and future market conditions. In late 2012, the project capital schedule was aligned with our growth targets while ensuring short-term capital preservation without having an impact on key delivery milestones. Our production growth is also aligned with the anticipated IOEC expansion ramp-up.

The components of our growth include additional production from new mineral resources, expansions at existing operations, and growth though the technological advancement that will allow the processing of lower-grade ore.

MINING AND PROCESSING

Kolomela mine, which began commercial production in 2012, is expected to run at a steady production of 9 Mtpa in 2013 to achieve annual design capacity. The next wave of growth projects currently at various stages of development are discussed on pages 47 to 48, and illustrated on our project pipeline, which extends from early exploration to conceptual study stage, pre-feasibility study stage, bankable feasibility study stage, project implementation and project optimisation.

The level of capital committed to a project increases as the project progresses though more advanced stages.

CURRENT PROJECT PHASE AND ANALYSIS

EXPLORATION → CONCEPT STUDY → PRE-FEASIBILITY STUDY → FEASIBILITY STUDY → IMPLEMENTATION → OPTIMISATION

PROJECTS

CURRENT PHASE

KOLOMELA EXPANSION PROJECT

Current phase: PRE-FEASIBILITY STUDY

Location	Kolomela mine, Northern Cape Province
Product	Similar product quality as currently being produced and 60:40 lump fine ratio
Stage of project	Concept study was completed in 2012. Currently in pre-feasibility study planned for 2015
Potential first production	2017
Potential production	6 Mtpa
Life of project	20 years

This involves the brownfields development and introduction of a beneficiation facility to increase production by 6 Mtpa by 2019 through rescheduling of the current LoM plan as well as the inclusion and processing of resources currently excluded from the LoM plan.

JIG DISCARD (SISHEN LOWER GRADE PROJECT PHASE 1)

Current phase: CONCEPT STUDY

Location	Sishen mine, Northern Cape Province
Product	Fine ore
Stage of project	Concept study
Potential first production	2019
Potential production	1.7 Mtpa
Life of project	20 years

The jig discard project aims to produce additional jig-quality product through the liberation and/or beneficiation of waste material from the Sishen jig plant. The project will target the -25+1 mm fraction of the jig discard stream currently being deposited onto the waste dump.

C GRADE (SISHEN LOWER GRADE PROJECT PHASE 2)

Current phase: EXPLORATION

Location	Sishen mine, Northern Cape Province
Product	Fine ore
Stage of project	Exploration
Potential first production	2019
Potential production	4.3 Mtpa
Life of project	20 years

The Sishen Lower Grade project is envisaged to produce additional product from the lower grade material available following the proof of beneficiation technology and the revised definition of the larger optimised pit shell. Lower-grade material previously classified as waste may be reclassified as resources/reserves pending proof of the techno-economic viability of the beneficiation technology. Further work is required to characterise the ore and to develop an appropriate beneficiation/processing technology to enable the integration of this potential product into Sishen mine's product suite. Work continues to better define and upgrade the evaluation of the ore resource.

OUR FUTURE CONTINUED

CURRENT PROJECT PHASE AND ANALYSIS CONTINUED

PROJECTS

CURRENT PHASE

SEP 1B PROJECT		CURRENT PHASE
Location	Sishen mine, Northern Cape Province	IMPLEMENTATION
Product	Fine ore – 0.2 mm to 1 mm	
Stage of project	Currently at implementation stage; to be completed at the end of 2014	
Potential first production	2013	
Potential production	0.73 Mtpa	
Life of project	~15 years	

The project involves the beneficiation of the -1+0.2mm fraction of the jig plant ROM feed which is currently discarded. This fraction was not initially included in the jig plant scope owing to the technical risks associated with the beneficiation and dewatering of this product. These technical risks have since been mitigated. This project has the potential to increase the jig plant product yield by 3% and to create 18 jobs. Construction of a pilot test module (first of four modules) began in 2011 to assist with the final technology selection. Metallurgical evaluation on the two technologies is still in progress. On finalisation, construction will start with the three further modules (2013).

SISHEN CONCENTRATE		CURRENT PHASE
Location	Sishen mine, Northern Cape Province	FEASIBILITY STUDY
Product	High-grade iron ore, -200 micron fraction or pellet feed	
Stage of project	Feasibility study to be completed by 2013	
Potential first production	1.1 Mtpa by 2018	
Potential production	1.1 Mtpa full production by 2018 and an additional 2.9 Mtpa as a phase 2 in 2019	
Life of project	20 years	

This brownfield expansion project will produce high-grade iron ore concentrate from the DMS plant's tailings. In the first phase of this expansion, around 1.1 Mtpa of -200 micron fraction product will be blended with the Sishen mine fines. By 2020, 2.9 Mtpa could be produced by including the treatment of the jig tailings and old Sishen tailings facilities. The project has the potential to ultimately create 120 new jobs.

PHOENIX PROJECT		CURRENT PHASE
Location	Thabazimbi mine, Limpopo Province	FEASIBILITY STUDY
Product	Fine ore (75%) and lump ore (25%)	
Stage of project	Feasibility study to be completed by 2015	
Potential first production	2019	
Potential production	3.4 Mtpa	
Life of project	20 years	

This project will exploit banded iron formation and remnant high-grade haematite available in the area east of the mined-out Vanderbijl area which has previously been mined underground. The current study considers the establishment of a possible new open-pit mine along with a new crushing and beneficiation plant. The feasibility study is expected to be completed in 2015. Geological exploration drilling is being undertaken from surface and underground tunnels, and bulk sample test work was done in 2012.

Kumba regards the Phoenix project, which is located within the Thabazimbi mining rights area, for which SIOC is the mining rights holder, as a separate, ring-fenced development, distinct from the remainder of the Thabazimbi mine from a commercial, technical and legal perspective. Drilling and metallurgical studies are under-way, and the feasibility report will be finalised in 2015.

PROJECTS

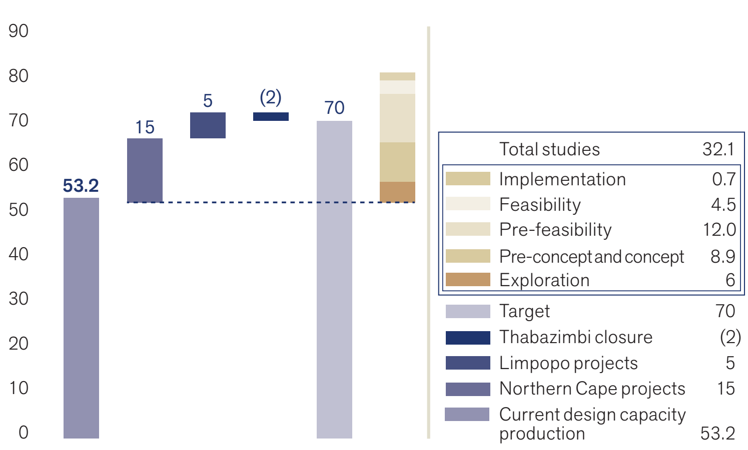
ZANDRIVIERSPOORT – POLOKWANE IRON ORE COMPANY PROPRIETARY LIMITED	
Location	Near Polokwane, Limpopo Province
Product	Concentrate or blast furnace pellets, high-quality product-69% Fe
Stage of project	Pre-feasibility to be completed in 2015
Potential first production	2019
Potential production	6 Mtpa
Life of project	23 years

This is a 50:50 JV with AMSA. This greenfields project aims to exploit a magnetite resource with low contaminant levels, and would involve the construction of a new open-pit mine and beneficiation plant. The project, which involves a 15 Mtpa RoM operation producing approximately 6 Mtpa of product, is currently the subject of a pre-feasibility study. This project could potentially come on stream in 2019.

CURRENT PHASE

PRE-FEASIBILITY STUDY

PROJECT PIPELINE



EXPLORATION

Kumba's South African exploration programme is focussed on identifying haematite resources close to existing mines in order to delineate additional resources outside current LoM plans but within mining right or valid prospecting right areas that may either extend the life of these mines or contribute to volume growth, and could use existing infrastructure.

There are currently three primary focus areas:

- The Sibelo project aimed at better defining brownfields and greenfields opportunities on land held under prospecting rights in the Northern Cape Province. Exploration drilling is continuing on three prospecting rights in the vicinity of Kolomela mine. Reconnaissance drilling over high-potential targets has confirmed mineralisation and delineation drilling capacity has been increased to further investigate the positive results. A totally of 63,000 m was drilled in 2012. All prospecting rights are in good standing.
- The Kolomela expansion project, which is a brownfields project adjacent to Kolomela mine, aims to better define the declared inferred resource of 72 Mt, as well as additional resources within the current mining right but outside of the current LoM. Resource delineation drilling on the Ploegfontein and Kapstevel South ore bodies within the mining right are continuing. Pending the results of the 2012 drilling campaign, a mineral resource will be declared on the Kapstevel South deposit in 2013. The Ploegfontein mineral resource remains unchanged for 2012, pending the geological re-modelling based on 2012 drilling data.
- Continued exploration at the Phoenix project, located within the Thabazimbi mining right but excluded from the Thabazimbi LoM. Pre-feasibility geological drilling is ongoing with significant improvements made in terms of drilling penetration and efficiency. The pre-feasibility geological model will be constructed and finalised in 2013.
- No drilling was undertaken at Zandrivierspoort in 2012. Pre-feasibility drilling began in February 2013.

01 Kumba focusses on identifying haematite resources close to existing mines in order to delineate additional resources outside current life-of-mine plans.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OUR FUTURE CONTINUED

MAJOR STAY IN BUSINESS PROJECTS

Major SIB capital projects have continued during the year at a total capital cost of R3.2 million (2011: 2.7 million). Three major projects at Sishen mine are the Sishen housing programme, the medium- and long-term workshop, and the Sishen heavy mining equipment (HME) expansion and replacement project.

AFRICAN GROWTH

In 2012, Kumba continued to progress its plans to transform into an African growth company by pursuing growth of between 10 Mtpa and 20 Mtpa in iron ore production from west and central Africa.

While Kumba's South African mineral resources are able to sustain a significant number of growth projects to potentially take production to 70 Mtpa (2012: 43.1 Mt), mostly from lower-grade resources, the resource base is unlikely to sufficiently replace depleting resources and sustain value for the company in the longer term (beyond 2030). The strategic intention being followed remains unchanged – to target both exploration opportunities (for longer-term replacement of resources) and the acquisition of near-development assets (for shorter-term revenue generation). The 10 Mtpa to 20 Mtpa target is considered the scale needed to warrant the funding required for infrastructure developments.

Kumba's South African-based team provided technical expertise to the on-the-ground Anglo American exploration programme in west and central Africa. This technical expertise was also provided to the Anglo American Group Iron Ore Business Development initiatives during several potential investment appraisals completed in 2012. This strategy maximises the key strength of both groups, and protects Kumba's balance sheet and cash-generating ability. The benefit of establishing a joint Kumba and Anglo American dedicated core team that focusses on west and central Africa is having significant key resources accessible to identify, screen, evaluate, negotiate, execute and integrate opportunities.

SISHEN HOUSING PROJECT	
Description	To meet housing requirements at Sishen mine in compliance with the Mining Charter, to promote home ownership for lower level employees and to satisfy the housing need in terms of the expansion with the LoM plan (1,730 units)
Stage of project	Implementation
SIB capital expenditure	R2.3 billion of which R460 million was spent in 2012; to date R645 million has been spent.

MEDIUM- AND LONG-TERM WORKSHOP	
Description	Heavy mining equipment (HME) workshop facility to accommodate the volume and size of Ultra Class HME.
Stage of project	Implementation
SIB capital expenditure	R1.4 billion; of which R568 million had been spent by the end of 2012.

SISHEN HME EXPANSION AND REPLACEMENT PROJECT	
Description	Expansion of the fleet of heavy mining equipment at Sishen mine to facilitate higher rates of waste stripping over a 10-year period, as well as the replacement of HME reaching the end of its economic life. The purpose of the project is to equip the open-pit mining operation at Sishen with an HME fleet that incorporates the latest safety features and technology, and is designed to meet the waste stripping and material movement targets in a cost-effective way.
Stage of project	Implementation commenced in 2009 and the approved multi-year HME plan governs the capital expenditure associated with this project until 2014. The plan will be updated during 2013/2014.
SIB capital expenditure	Approved five year capital plan of R8.7 billion – R4.5 billion had been spent by the end of 2012.

See page 60 for further discussion on Sishen mine.

The joint Kumba-Anglo American initiative has financial capacity to support the envisaged investment, and our track record of sustainability and community development in Africa also provides the programme with a compelling offering.

While Tier 1 discoveries (so called 'world-class' or 'company makers'), are rare, Kumba anticipates significant consolidation opportunities in the broader region that could lead to the creation of Tier 1-type margins from several clustered Tier 2, smaller, lower-grade deposits. Tier 2 assets are typically the 80% of deposits that contribute 20% of global production, with Tier 1 being those that contribute disproportionately to global production due to their size, grade and character.

The combined Kumba-Anglo American project team has developed and implemented a robust and efficient process for ranking and prioritising projects, providing detailed assessments, and subsequently recommending or rejecting potential greenfields and near-term development investment opportunities.

The transaction concluded with Jonah Capital in Liberia was a small but important step towards realising our second footprint in Africa.

The US$10.5 million investment, concluded in August 2012, is progressing well with drilling having started on the Gbarnga project area, in the Bong County of Liberia, at the end of October 2012. This initiative is fully aligned with our strategy of pursuing greenfields exploration opportunities, as well as nearer-to-production developments. Jonah Capital's exploration licences in Liberia are early-stage opportunities.

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01 Monitoring is done on the trucks at Sishen mine, as part of the successful collision-avoidance system.

02 Haul trucks fitted with the collision-avoidance system developed for the conditions at Sishen mine.

Business performance

Access to transport infrastructure and to a lesser extent, water and energy, remain critical aspects when potential opportunities are considered, and remain a constraint in these regions. However, the potential for the development of multi-user infrastructure corridors in iron ore-rich regions presents an opportunity for the company, and for the countries themselves in their journey towards economic development and self-sufficiency.

Our expenditure on our western and central African exploration initiative remains limited and cost-effective. Expenditure in 2012 amounted to around R67 million (US$8 million) (excluding the Jonah Capital JV investment) with planned expenditure in 2013 of some R49 million (US$6 million) which includes R19.5 million (US$2.3 million) directed towards the Jonah Capital JV.

TECHNOLOGY DEVELOPMENT

Kumba continues to invest extensively in technology development (TD) with a dedicated technical services division overseeing the group's metallurgical TD programmes which include ore low energy comminution, ultra-high (UH) DMS, magnetic separation and pelletising and agglomeration test work. TD success is an important component of Kumba's drive to optimise production and improve health, safety and environmental performance. TD also forms part of Kumba's strategic response to the beneficiation objectives of the MPRDA and the Mining Charter.

We have continued to engage closely with stakeholders, including the DMR and the Department of Trade and Industry (DTI), on the state's plans to play a more active role in the iron and steel value chain. We have also engaged with clients and have conducted tests on technology that will assist in establishing a beneficiation facility in South Africa, using domestic raw materials. See page 54 for further discussion on Kumba's approach to beneficiation.

Our TD initiatives are aimed not only at ensuring the optimal exploitation of lower-grade resources but also at adding value to the product for the benefit of the customer. In respect of the latter, Kumba's Value-in-Use department seeks to develop new and alternative products for customers, and to develop new products and alternative ways of using existing products. Significant focus has been placed on developing new ways to use and agglomerate fine concentrates to meet the anticipated growing global demand for pelletised products for use in blast furnaces, direct reduction shafts and kilns. This pelletising test work has been integrated with the Zandrivierspoort pre-feasibility study.

We continue to invest extensively in technology development.

A strategic pilot plant facility has been commissioned at Sishen mine, involving pilot crushing and beneficiation testing processes that will enable Kumba to perform bulk tests on the lower-grade resources in the Northern Cape Province to determine the optimal technology to yield a saleable product from these resources. A contract has been placed for the design, construction and installation of an UHDMS pilot facility at Sishen mine, which is planned to be operational by May 2013.

OUR LANDSCAPE

At Kumba, we seek to create and leave a positive legacy in the communities in which we operate.

We are committed to best practice in respect of safety and health, environmental management and community development, and seek to become the partner of choice for the broadest range of stakeholders. Our approach to our people and stakeholder engagement is discussed on page 36 and page 14 respectively. In this section, we briefly examine the social and economic landscape in which we operate.

Significant progress has been made in South Africa since its democracy post 1994. However, we recognise that South Africa and South Africans continue to experience many challenges – poverty, lack of education, unemployment, lack of access to basic infrastructure (water, electricity, roads), discrimination and/or inequality (on the basis of race, sex and physical capacity), poor health and lack of access to healthcare, no accommodation and/or poor living conditions and environmental degradation. Many of the challenges experienced in the South African context apply also to west and central Africa where we are pursuing our second footprint. The challenges we experience and our approach are discussed in greater detail on page 50 of this report and in our Sustainable Development Report 2012 at http://www.kumba.co.za/reports/kumba_ar2011/sustainability/pdf/sustainability.pdf

COMPLIANCE

Kumba is committed to complying with the legislation, regulations and permits that apply to our operations in the countries in which we operate.

SOCIAL COMPLIANCE

Mining Charter compliance

All of our operations were fully compliant with the requirements of the MPRDA and the Mining Charter in 2012. At the end of 2012, we had continued to meet or exceed almost every target set by the Mining Charter at all operations, and the commitments made in our SLPs.

Among the key commitments made and achieved were:

- the percentage of HDSAs in management was 52.24% at year-end (2011: 49.8%), against a Mining Charter target of 40%;
- women made up 12.78% of employees working in core mining activities (2011: 11.9%), against a Mining Charter target of 10%;
- we invested R275.6 million in local economic development (LED) expenditure (2011: R190.9 million).
- our BEE procurement amounted to R2.0 billion with BEE suppliers. This represents 60% of our discretionary expenditure. Our BEE expenditure in respect of goods, services and capital was 57%, 61% and 62% respectively.

Black economic empowerment

One of the Kumba's most significant achievements since its inception has been the delivery of broad-based black economic empowerment (BBBEE) that we believe meets the letter and spirit of the MPRDA, and further provides the group with a sustainable future. While the various elements of the Mining Charter (discussed above) ultimately deliver economic opportunity, the most direct mechanism has been the benefits that have accrued to Kumba's BEE shareholders. These shareholders collectively hold a 26.1% in SIOC and comprise:

- Employees who, through Envision, our employee share participation scheme, hold a 3.1% interest in SIOC, and have received a significant financial benefit that has had and will have the potential to provide long-term opportunities and security to them and their families. All permanent SIOC employees below managerial level at the South African operations are beneficiaries of Envision.

For more information go to pages 41 and 67 in this report

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- SIOC-cdt, which holds 3.0% in SIOC, has been unencumbered since 2010, and has delivered significant and meaningful benefits to those living and working in our communities. Dividend cash flows to the trust from SIOC amounted to R571 million in 2012 (2011: R526 million). Since its establishment, SIOC-cdt has received R1.1 billion by way of dividends. In addition to its significant outflows to community projects, SIOC-cdt has sufficient resources to take care of and sustain its own future beyond that of Kumba's operations. It is estimated that the direct beneficiaries have been some 361,000 people in five communities. See the case study on SIOC-cdt in our Sustainable Development Report 2012 at http://www.kumba.co.za/reports/kumba_ar2011/sustainability/pdf/sustainability.pdf
- Exxaro, a leading independent BEE company, holds a 19.98% stake in SIOC. In 2012, Exxaro received R2.8 billion by way of dividends from SIOC and R12.3 billion since the establishment of the scheme. Kumba's contribution to Exxaro has, without doubt ,contributed to that company's success. At the end of 2012, Exxaro was one of the top 20 companies on the JSE.

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01 Solar-powered geysers have been installed in the Boichoko Housing Project which accommodates employees of Kolomela mine.

02 The Batho Pele health project is an example of Kumba's partnership with government in social development and transformation.

03 Patrick Moamela overseeing the building of his new home purchased with his Envision payout.

For further discussion, see page 33, as well as our Sustainable Development Report 2012 at http://www.kumba.co.za/reports/kumba_ar2011/sustainability/pdf/sustainability.pdf

ENVIRONMENTAL COMPLIANCE

Kumba recognises that mining affects the environment, and that it is our responsibility to minimise these effects and positively offset any impacts. We place a great deal of emphasis on stakeholder engagement, on optimising our energy and water usage, and on minimising our environmental footprint.

All Kumba operations have EMPs, approved by the DMR, and IWULs, as well as other requisite permits including waste and emission permits. In August 2011 Thabazimbi mine submitted an amendment for its EMP to the DMR, and this is pending authorisation. In line with the MPRDA, annual performance assessments of our compliance with our EMPs are undertaken and submitted to the DMR.

During 2012, we initiated the change of certification bodies, moving from the South African Bureau of Standards (SABS) to Bureau Veritas South Africa (BVQI). Certification audits are now conducted by BVQI. Kumba applies the ISO 14001 environmental standard as the basis of our environmental management systems (EMS):

- Thabazimbi mine's recertification audit was conducted in October 2012 and its ISO 14001 certification was retained.
- Sishen mine's recertification audit, scheduled for the third quarter of 2012, was not conducted as operations were disrupted by strike action at the mine. This audit has now been scheduled for March 2013 and its certification has been extended to accommodate this.
- A preliminary 'gap' audit was conducted at Kolomela mine in July 2012 as a first step towards certification with the formal certification audit scheduled for June 2013.

We recognise that the dewatering of our open pits at Sishen and Kolomela mines in the Northern Cape province has an impact on the surrounding groundwater reservoir – an issue on which we engage continually with neighbouring farmers and are addressing through innovative recharge strategies.

OUR LANDSCAPE CONTINUED

See the discussion in our Sustainable Development Report 2012 http://www.kumba.co.za/reports/kumba_ar2011/sustainability/pdf/sustainability.pdf

However, a positive consequence is that we are able to provide much-needed water to the Sedibeng Water Authority (SWA) for use by local municipalities and other users in the region. In 2012, we provided 1.956 million m^3 of water to SWA (2011: 2.1 million m^3). We have also undertaken a number of biodiversity offset initiatives at Sishen and Kolomela mines.

Kumba supports the Carbon Disclosure Project (CDP) and participated in its surveys in 2012. Our responses may be found at http://www.kumba.co.za/index.php

SAFETY AND HEALTH COMPLIANCE

The safety and well-being of our employees are, without doubt, our most important priorities. For further discussion, see page 36, as well as the Safety section in our Sustainable Development Report 2012 at http://www.kumba.co.za/reports/kumba_ar2011/sustainability/pdf/sustainability.pdf

ALIGNMENT WITH THE NATIONAL DEVELOPMENT PLAN	
Create jobs	New projects – see page 46 SMME development* Supply chain principles and practices and local procurement targets*
Inclusive planning	Low-cost housing programmes – see page 42 Town planning for Dingleton resettlement* Conversion of hostels* Bulk services and IDP infrastructure projects – see page 43
Quality education	Early childhood development infrastructure and capacity building* Maths centre programmes* ICT in schools* Infrastructure support – see page 43 Schools support programme* Bursary scheme/Bridging school/Learnerships/Portable skills – see page 42
Quality health care	Batho Pele, Ulysses Gogi Modise (UGM), mobile clinics, clinics* Provision of ambulances* Employee and contractor health programmes, including provision of ART to employees and dependants – see page 38
Build a capable state	Anglo American's Development Bank of South Africa (DBSA) Municipal Capacity Building Programme Capacity building within municipalities*
Unite the nation	Compliance with (and exceeding) Mining Charter transformation targets – see page 05 Address inequality and poverty*
Use resources wisely	Kumba bid for solar park* New developments focussed on energy-efficient design* Water usage and targets* Carbon emission reduction programme* Beneficiation projects Developmental pricing

* Addressed in detail in our Sustainable Development Report 2012

OHSAS 18001 CERTIFICATION

Kolomela mine will seek OHSAS18 001 certification in 2014 when the current ramp-up is completed, after achieving ISO 14001 certification scheduled for June 2013. Thabazimbi mine passed a recertification audit by the Anglo American global service provider, Bureau Veritas, while Sishen mine postponed its recertification audit due to the strike. The audit is scheduled for March 2013 and Sishen mine's current certification has been extended for six months until April 2013.

REGULATORY ENVIRONMENT

Resource nationalism

Kumba recognises the rising global trend towards resource nationalism and understands the many challenges that countries face in meeting growing national and community demands. We caution, however, against the imposition of legislation and taxes that may achieve short-term benefit but would:

- be onerous to implement, monitor and manage;
- stifle investment in a highly capital-intensive sector already under pressure; and
- require extensive technical and management expertise by the state in an already skills-constrained sector.

Kumba is encouraged that the concept of nationalisation has been put to rest by South Africa's ruling political party at its elective conference in December 2012. Kumba is willing and able to work towards achieving significant gains for the country as a whole without undermining the nature and extent of our industry. Our approach to beneficiation is one example.

Currently all Sishen mine products are processed through the DMS or Jig beneficiation plants, while at Thabazimbi mine the product is processed through the DMS plant. At the envisaged Zandrivierspoort project, the beneficiation process involves two stage crushing followed by grinding and magnetic and gravity separation stages upgrading the material from a in situ Fe grade of 34% to a final product Fe grade of 69% (concentrate).

Kumba supports the South African Government's objective to maximise the developmental impact of the minerals sector, and is mindful of the important role that mining companies have to play in this space. Kumba is investigating innovative beneficiation

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01 Anthony Julius, a dentist from Kuruman, and his assistant, Mabel Leepile, attend to patients from a mobile dental unit provided by Kumba.

Business performance

techniques to upgrade its ore and improve recoveries and is at an advanced stage of investigating technologies to add value to the iron ore produced, keeping in mind the raw material endowment of South Africa. We have completed multiple trials to achieve this, and two technologies have been identified. Detailed testing has successfully produced Direct Reduced Iron (DRI) and pig iron, while further tests are planned to confirm options to utilise the slag and residues produced to reduce the environmental impact of the project. A concept study is planned to commence in the second half of 2013.

While we believe that our strategy delivers real and meaningful benefits to the broadest range of stakeholders in South Africa, we are conscious of the need to be aligned with national imperatives. The table on page 54 indicates our assessment of the alignment of our objectives and performance with the state's National Development Plan (NDP). The South African government endorsed the NDP in September 2012 as a blueprint for eliminating poverty and reducing inequality in the country by 2030, and as the strategic framework for detailed government planning going forward. The plan seeks to achieve this by drawing on the energies of the country's people, growing an inclusive economy, enhancing the capacity of the state, and promoting leadership and partnerships throughout society.

Carbon taxes

Kumba recognises the potential risk that carbon taxes pose for its operations through its exposure to fossil fuel energy sources and fossil-fuel generated electricity. A carbon tax will increase the cost of fossil fuel based-energy and, thereby, the operational cost of our operations.

The Minister of Finance, in his budget speech in 2013 announced that a carbon tax will be introduced from 1 January 2015. There are still uncertainties surrounding the specific format of the carbon tax and the potential impact of this on Kumba's business. The carbon tax will be implemented as a mechanism to fulfil the conditional pledge made by the South African government under the Copenhagen Accord.

LEGAL ISSUES

The group did not incur any fines in respect of non-compliance with laws or regulations in 2012, neither was the company involved in any legal action relating to anti-competitive behaviour, anti-trust or monopolistic practices during the year.

Kumba is pleased to report some progress towards the resolution of the legal disputes in which it continued to be engaged in 2012. Kumba has no desire to be involved in litigation and has always preferred to resolve disputes that arise during the course of business in as amicable and as fair a manner as possible. Those actions it has pursued, it has done in the firm belief that this is the right course to follow in the eyes of the law and in the interests of our shareholders, many of them employees and community members.

Progress in respect of various instances of litigation were as follows:

- In December 2011, judgment was delivered in the High Court regarding the status of the mining rights at the Sishen mine. The High Court held that, upon the conversion

OUR LANDSCAPE CONTINUED

of SIOC's old order mining right relating to the Sishen mine properties in 2008, SIOC became the exclusive holder of a converted mining right for iron ore and quartzite in respect of the Sishen mine properties. The High Court held further that, as a consequence, any decision taken by the DMR after such conversion in 2008 to accept or grant any further rights to iron ore at the Sishen mine properties was void. Finally, the High Court reviewed and set aside the decision of the DMR to grant a prospecting right to ICT relating to iron ore as to a 21.4% share in respect of the Sishen mine properties.

- On 3 February 2012, both the DMR and ICT submitted applications for leave to appeal against the High Court judgment. SIOC applied for leave to present a conditional cross-appeal in order to protect its rights. The SCA hearing was held on 19 February 2013, and the SCA judgment is expected to be received in the second quarter of 2013.
- The High Court order did not affect the interim supply agreement between AMSA and SIOC which was in place until 31 July 2012 and was extended to 31 December 2012.
- In December 2012 a further interim agreement was concluded after negotiations which were facilitated by the DTI. The further interim agreement will govern the sale of iron ore from the Sishen mine to AMSA for the period 1 January 2013 to 31 December 2013.
- AMSA and SIOC agreed to delay the arbitration proceedings in relation to the Sishen Supply Agreement until the final resolution of the mining-rights dispute. This arbitration is only expected to commence in the fourth quarter of 2013 with possible resolution only expected in the third quarter of 2014 at the earliest. These legal processes are the responsibility of the in-house legal team as well as the external lawyers and do not affect the business as Kumba operates on the basis of the interim pricing agreement.

Additional legal disputes have come to the fore during the year:

- The first relates to the development of the Phoenix project, a reserve located within the Thabazimbi mining licence area. SIOC is the holder of such mining right. In November 2001, a 'captive mine' supply agreement was concluded with AMSA in terms of which ore produced at Thabazimbi mine is supplied to AMSA on a cost-plus basis. There are a number of provisions in this agreement that regulate the development of future ore reserves.
  - The Phoenix ore reserve was initially mined using underground mining tunnel boring methods in the 1980s but this was abandoned as these operations became more complex and costly. In 2005, Kumba and AMSA jointly investigated the possibility of mining the Phoenix reserve, and it was found that different mining and beneficiation processing technology would be required to make this project viable. Kumba and AMSA established a joint task team to conduct a pre-feasibility study on the viability of mining the Phoenix reserve. In 2006, the feasibility study indicated a viable operation and this proposal was submitted to AMSA in order for AMSA to make an election to participate in the project. When AMSA took a strategic decision in November 2006 not to participate in this project, Kumba accepted AMSA's election and decided to develop the Phoenix project independently and at its own cost.
- In 2011, AMSA indicated that it wished to pursue the Phoenix project and formally declared a dispute with Kumba early in 2012 on the basis that the supply agreement entitles AMSA to obtain all ore from Thabazimbi mine. Kumba rejected this premise and, in line with the supply agreement dispute mechanisms, a mediation

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01 The project team at Kolomela mine worked with Transnet engineers in designing the rail link from Kolomela to the Sishen-Saldanha export line.

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02 Supported by Kumba, Sirk Swartman and Tom Assengeni earn a living by selling alien invasive trees as firewood.

Business performance

meeting of the respective chief executives was held on 6 June 2012 without resolution. The agreement requires that disputes are thereafter escalated to arbitration. The matter has not subsequently progressed.

- The unprotected industrial action at Sishen mine in October 2012 was declared unlawful by the Labour Court on 3 October 2012. The strike was dealt with in line with the company's labour relations procedure with due consideration for the safety of the majority of employees who did not take part in the action. Kumba closed the mine on 4 October in the interests of the safety of employees and security of its assets. A further Labour Court order was obtained and served on the striking employees on 15 October 2012 instructing them to immediately leave the mine, release the equipment they were holding and had damaged, and not come within 500m of the company's premises. The Court also instructed the South African Police Service to remove the strikers should they not obey the order.
  - The principal of 'no work, no pay' applied during the strike and Kumba undertook disciplinary action against the approximately 300 employees who participated in the strike. In November 2012, the company declared a general amnesty for employees who were dismissed for absence without permission following the strike, in terms of which they would be re instated on final written warnings, provided that they report for duty before 16:00 on Monday, 3 December 2012. This concession was made in an effort to resume normal operations. The majority of employees dismissed for absenteeism availed themselves to the amnesty offer. Employees who took up the amnesty offer were not paid for the period between the time when they absconded and when they reported again for duty with some losing up to a month's income. Kumba paid employees in the bargaining unit at all the company's sites a special, one-off bonus of R2,000 (after tax) at the end of December 2012 to encourage good attendance and productivity over the festive season. Re-instated staff also qualified for this bonus, provided that they met certain attendance standards - ie. did not miss a shift except when formal leave was captured in the systems. Kumba lodged criminal charges against 49 employees for offences related to violence, intimidation and extortion by seizing company equipment.
  - Dismissed employees were given 30 days' notice in accordance with their lease agreements to vacate company houses and/or hostels. The majority of employees failed to comply with the termination notices, and eviction proceedings have been instituted.
- Kumba declared *force majeure* on Transnet, AMSA and various contractors at Sishen mine as a result of the strike action, as the strike prevented the company from meeting its production targets. The *force majeure* in respect of a number of contractors was lifted when production resumed on 16 October 2012. The *force majeure* notices remained in place in respect of AMSA and Transnet as Kumba could not maintain its guaranteed tonnage down the IOEC line and could not meet its contractual obligation to supply AMSA with the ore volumes from the interim pricing agreement for the period August to December 2012. The *force majeure* notice of AMSA was lifted on 18 January 2013 and the Transnet *force majeure* notice was lifted on 8 March 2013. Kumba is working to overcome the production backlog, and is rebuilding its stock to ensure it meets future orders. No further legal implications are expected.

LOGISTICAL CONSTRAINTS AND RESPONSES

One of the most significant potential constraints or enablers of our business success is our chain of logistics – ensuring the delivery of products from our mines to customers around the globe.

This is particularly so as a number of links in this chain are outside of our management control. Despite this, our shipping and logistics infrastructure, relationships and competencies continued to provide Kumba with a competitive advantage in 2012.

Similarly, the achievement of our South African operations' expansion ambitions is dependent on the timely expansion of rail and port capacity on the IOEC at acceptable tariffs.

Rail

Performance by TFR in 2012 continued to be pleasing with all contractual commitments by TFR met or exceeded. There were no significant losses owing to derailments or Transnet industrial action.

However, Kumba declared *force majeure* on Transnet and AMSA as a result of the strike action. See pages 57 and 62 for further details on the strike.

In total, 40 Mt of iron ore was railed via the IOEC to Saldanha Bay in 2012 (2011: 39.1 Mt). Volumes from Kolomela mine rose to 8.5 Mt as the mine continued to ramp up while volumes from Sishen mine declined, largely as a result of industrial action. Of the product railed to Saldanha Bay, 38.7 Mt was exported, while 1.3 Mt was supplied to AMSA's Saldanha Bay steel plant. A total of 4.7 Mt (2011: 6.4 Mt) was railed to AMSA's inland plants, 1.2 Mt of which originated at the Thabazimbi mine.

The annual tariff increase structure agreed between Kumba and TFR is based on a basket of indices comprising the Producer Price Index (PPI), labour costs and electricity. No super-tariff capacity was utilised due to the ramp-up of Kolomela mine which is additional capacity in excess of contractual capacity.

EFFICIENT HANDLING AND TRANSPORTATION OF PRODUCTS ON THE IOEC AND VIA SALDANHA → **OPTIMISATION OF OUR SHIPPING BUSINESS** → **STRATEGIC PLACEMENT OF STOCKPILES**

CRITICAL LINKS	
Efficient handling and transportation of products by rail and via the port of Saldanha Bay	The rail and port operations we use are owned and managed by state-owned transport utility, Transnet. The relationship between Kumba and Transnet is highly valued and well managed to ensure volumes produced by Sishen and Kolomela mines are railed and loaded at the port.
Optimisation of Kumba's shipping business through Anglo American plc's shipping team which has recently moved to Singapore	Set up in early 2010, Anglo American Shipping oversees the group's freight-management programme, chartering vessels in the spot market and initiating negotiations for long-term contracts of affreightment, together with Kumba. They ensure competitive freight rates to reduce exposure to volatility in the shipping markets, protect FOB margins and even earn incremental profit. Kumba's marketing team has recently relocated to Singapore from Hong Kong. This move will enable the Kumba team to establish a close working relationship with and benefit from the commercial hub being established in Singapore by Anglo American. It will further enhance the team's market knowledge and provide further support to continue to improve its market intelligence; enabling it to better determine and follow best practice and to benefit from synergies with fellow business units, especially those involved with bulk commodities within the greater group.
Strategic placement of stockpiles at ports close to major markets	Kumba maintains iron ore stockpiles at Sishen and Kolomela mines, Saldanha Bay port and the port of Qingdao in China. While the company continues to benefit from having a stockpile at Qingdao, it is also investigating additional stockpile opportunities in China. These stockpiles enable us to better manage the quality of the product delivered to customers. These stockpiles were also critical to our ability to mitigate the impact of the strike in the last quarter of the year as they were used to ensure that we fulfilled all our contractual obligations. During the Sishen mine strike, stockpiles were significantly depleted but have since been partially rebuilt.

Ports

A total of 38.5 Mt of iron ore was loaded at Saldanha Bay in 2012 (2011: 37.9 Mt). At year end, Kumba held stockpiles of material at Saldanha Bay of 1.7 Mt (2011: 1.3 Mt) and Qingdao, China, of 0.5 Mt (2011:1.7 Mt), including ore in transit from Saldanha Bay to Qingdao.

Around 98% of product was shipped to customers in our four key markets, namely China, Europe, Japan and South Korea. For the first time ever, Kumba shipped several cargoes of lump ore to India.

Some 24.1 Mt of product was shipped on behalf of customers during the year (2011: 21.7 Mt), mostly to China.

Operating profit from shipping operations amounted to US$18.9 million in 2012 (2011: US$62.1 million) at a margin of US$2.30 per tonne (2011: US$2.86 per tonne).

Of the 24.1 Mt shipped in 2012, approximately 6.4 Mt related to long-term (three-year) contracts and 17.7 Mt to spot contracts, ie. 27% versus 73% respectively. There are currently two long-term contracts in place – 4 Mtpa with German shipping company Oldendorff GmbH and 2 Mtpa with NYK in Japan.

01 

01 A ship being loaded at the iron ore terminal in Saldanha.

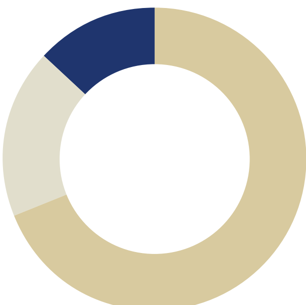
PERFORMANCE DURING THE YEAR

Performance summary: Logistics

	Units	2012	2011	2010	2009	2008
Total volumes railed to Saldanha Bay (including Saldanha Steel)	Mt	40.0	39.1	36.5	34.6	28.1
Total volumes loaded at Saldanha Bay	Mt	38.5	37.9	36.7	34.6	25.0
Export sales	Mt	39.7	37.1	36.1	34.2	24.9
Domestic sales	Mt	4.7	6.4	7.0	5.8	8.1
Total volumes shipped by Kumba	Mt	24.1	21.7	18.7	21.5	6.2
Shipping profit (Kumba Shipping Hong Kong)	US$million	18.9	62.1	51.6	80.0	38.0

EXPORT DESTINATIONS AND EXPORT VOLUMES 2012

%



China	69
Japan and South Korea	18
Europe and India	13

An additional 2 Mt contract is being negotiated which would bring the total volume of long-term contracts to 8 Mtpa.

GROWTH

Rail

Of the IOEC's expansion to 60 Mtpa, 9 Mtpa has been allocated to the Kolomela mine. Kumba's current total allocation on the IOEC is 44 Mtpa. Weekly rail volumes exceeding 1.3 Mt were achieved during the year, indicating that the expansion capacity appears to be sustainable.

The joint task team established in 2012, comprising representatives from TFR and producers (iron ore and manganese), continued to advance the plans to expand the IOEC beyond the current 60 Mtpa design capacity.

The expansion pre-feasibility study was completed in 2012. The outcomes were that:

- the required volume could be exported;
- the technical solutions were sound; and
- the estimated tariff would support growth.

TFR could potentially deliver on the expansion to rail volumes of 84 Mtpa and export volumes of 82 Mtpa by the end of 2017.

TFR has since decided to continue the next stages of this study independent of industry participants, and is currently undertaking a review of the pre-feasibility study. Kumba is awaiting the outcomes of this review. The expansion is critical to Kumba's growth aspirations in the Northern Cape Province.

Ports

Optimisation of port facilities continues – the previous expansion increased export capacity from 45 Mtpa to 60 Mtpa, and it is anticipated that at least another 2 Mtpa could be exported after optimisation.

OUTLOOK

Kumba's export sales volumes are expected to be approximately 40 Mt in 2013.

The year 2013 will be characterised by two halves; the first half is expected to be supply constrained as Kumba continues to work through the effects of the strike in the last quarter of 2012 while the second half of 2013 is expected to be constrained from a logistical perspective, mostly as a result of insufficient port capacity. We expect that our shipping business will undertake similar levels of business to that in 2012.

FOCUS ON SISHEN

BACKGROUND

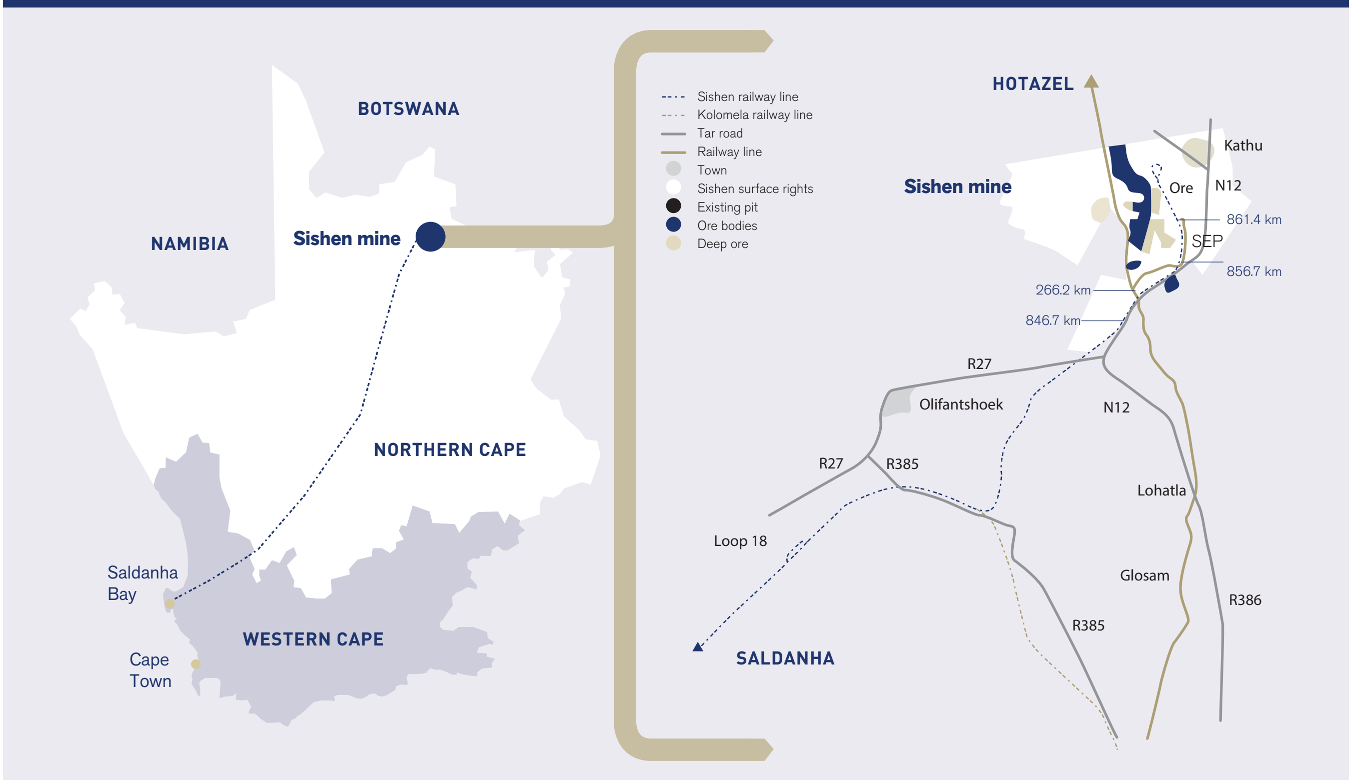
Mining operations started at Sishen mine 60 years ago with the first ore exported in 1976. Sishen mine is South Africa's largest iron ore producer, and one of the most significant iron-ore mines in the world. The mine has produced 876 Mt of iron-ore during its life, and is set to continue operations for a further 18 years. Current ore reserves amount to 918.9 Mt (as at 31 December 2012) while mineral resources (excluding reserves) at 31 December 2012 were 612.2 Mt.

The mine's large haematite orebody extends across a vast area - 14km by 3.2km – and to a depth of some 400m. Its lump ore is highly valued by steelmakers, with a lump to fine ratio of the order of 60: 40 (compared with a global average of 30: 70). Around 15% of Sishen mine's product is sold for domestic consumption with the balance being exported. Sishen mine is highly mechanised, operating 24 hours a day, 365 days a year.

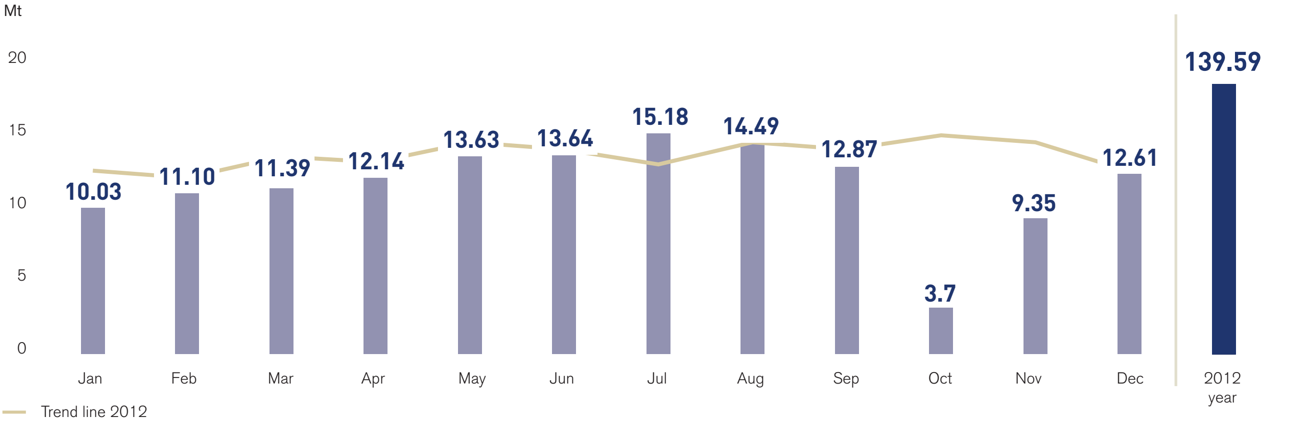
01

01 The Sishen mine jig plant is the largest of its type in the world.

LOCATION OF OPERATIONS – SISHEN MINE



TOTAL WASTE HANDLED 2012



At the end of December 2012, Sishen mine employed 8,213 people (2011: 8,277), comprising 5,303 (2011: 4,412) full-time permanent employees and 2,910 (2011: 3,865) contractors. Around 88% (2011: 91%) of employees are from local communities in the Northern Cape Province.

The mine's annual production capacity is of the order of 41 Mtpa. All material is beneficiated through a DMS process or through jig gravity separation. Export ore is transported via the IOEC to Saldanha Bay and then to customers around the world.

Sishen mine is located in the Northern Cape Province, 8km from the mining town of Kathu.

SAFETY IN 2012

It is with regret that we report that there were two fatal accidents at Sishen mine in 2012. The mine had been fatality-free since July 2010. See page 18 for further details. Prior to these tragic events, safety performance had continued to be world-class.

A particular feature of the past year was the absence of DMR-instigated safety stoppages, a consequence of a combination of:

- improved standards and compliance with standards (we worked very closely with the DMR in improving our performance, particularly in respect of explosive management); and
- the implementation of internally imposed safety stoppages that have created a culture of identifying and addressing any safety-related issues pro actively and rapidly.

A MINE IN TWO PARTS

The focus at Sishen mine has been, and remains, the optimisation of the mining plan to fully utilise our resource base. The key challenge for the mine remains the low level of mineable ore reserves to enable the mine to deliver on its production targets and product specifications. This necessitates a massive waste ramp-up, a project that was started in 2009 and will continue until the end of 2015, the nature and scale of which is akin to the development of a mine in its own right every year.

Sishen mine then, is effectively a mine in two parts – an operating entity that needs to produce, process and ship iron ore, and a project that is undertaking this significant waste ramp-up that will see the stripping ratio at an average of around 3.5 times over its LoM. To ensure delivery, the mine's operations are run by the on-the-ground mining and processing teams while the ramp-up process is being managed as an independent project. The latter had a capital budget of some R1.7 billion in 2012, representing higher capital expenditure intensity than that of Kolomela mine at its height. Fortunately, the experience gained in project management at Kolomela mine is now being applied to the Sishen mine capital project with a dedicated team overseeing its implementation.

PERFORMANCE IN 2012

Sishen mine produced 33.7 Mt of iron ore during the year which is below capacity and reflects a decline from last year of 13%. This reduced performance is as a result of:

- impact of the Sishen mine strike in October 2012, which resulted in around 5.0 Mt of production lost;
- the impact of absenteeism in the first quarter of the year; and
- continued mining constraints, which are being addressed through the waste stripping programme.

Although RoM production was down by 17% to 38.1 Mt (2011: 46 Mt), waste mined rose by 12% year-on-year to 133.45 Mt (2011: 119 Mt). Following the slow start-up in the first quarter, mining operations continued to recover. Record waste tonnages were removed in September 2012; demonstrating our ability to increase our waste removal to plan. Rainfall was less of a factor in production in 2012 than it was in 2011. The 'rain plan' that was developed and implemented at the beginning of the year contributed to this. Elements of this plan included dewatering of surface water, the creation of cut-off drains and additional road surfacing in clay areas.

FOCUS ON SISHEN CONTINUED

ANALYSIS OF THE STRIKE

The strike at Sishen mine was most notable, given historically positive relationships between management and employees, the magnitude of the Envision payout to employees, and that the capture of HME resulted in the complete stoppage of the mine.

The mine has undertaken a review of the strike to gain a better understanding of its causes.

Much effort was placed on engaging amicably with people in order to get them back to work, a process complicated by the fact that striking employees were acting as individuals and were not represented by any union. That damages to equipment of some R34 million was incurred, and that there were high levels of intimidation preventing employees not participating in the strike from coming to work, were particularly concerning factors.

It is clear that, not only has the company suffered from this setback, but so have employees and their families. The 'no work, no pay' principle was applied by Kumba.

In a further gesture of reconciliation and to normalise operations, Kumba announced, on 3 December 2012, the extension of the amnesty to absconding employees and the payment of an attendee bonus of R2,000 per employee to overcome the financial hardship during the festive season and to improve attendance in December 2012.

On the positive side, the mine was very pleased to be able to end the illegal occupation of our pit without serious injuries and loss of life.

DIARY OF THE SISHEN MINE STRIKE (2012)

2 October	About 300 night-shift employees embark on unprotected industrial action. The action is limited to one area within the vast mining area of the opencast mine; leaving most of the mine unaffected.
3 October	Striking employees block access to the pit, and seize 88 haul trucks and 13 pieces of secondary equipment. Processing of stockpiles continues. Mine obtains court order, declaring strike illegal. Efforts to try to engage the strikers continue. Mine supplies striking employees with food and water.
4 October	Mine suspends operations in the interests of safety of all employees.
5 October	Mine engages with representatives of the less than 300 employees, who demanded an increase of R15,000 per month* to be paid to all Kumba employees.
12 October	Employees notified to attend disciplinary hearings within 48 hours to show why they should not be dismissed and why criminal charges should not be laid against them. Fewer than 120 strikers remain in the pit.
16 October	Illegal occupation of the mine brought to an end by the police who remove the strikers in the early hours of the morning. The majority of the illegal strikers ignore an ultimatum to leave the mine or report for disciplinary hearings by 11:00 on Monday, 15 October 2012, to explain why they should not be dismissed. As a result, those persons have been dismissed. Criminal charges of extortion, intimidation, theft, trespassing, malicious damage to property and contempt of court have been laid.
18 October	Employees report for a two-day safety induction.
20 October	Certain mining activities resume. However, employee attendance rates in the mining production area are still lower than 50% on average which is less than what is required for the full operation of the mine. Incidences of severe intimidation are reported.
31 October	Production ramp up continues; attendance still low.
29 November	Sishen mine announces a general amnesty for the approximately 302 employees whose employment was terminated because they absconded from work.
3 December	An amnesty process** was concluded and people returned to work.
31 December	Kumba pays employees in bargaining unit at all of the company's sites a special, once-off bonus of R2,000 (after tax) to reward good attendance and productivity during the festive season.

* During the strike contagion across South Africa from August to October 2012, mineworkers were demanding wages of between R12,500 and R15,000 per month. At Kumba, the demand was for an additional R15,000 per month

** Arrangement did not apply to the 120 employees dismissed for misconduct during the unprotected and unlawful action

01

01 A plant maintenance team holds a toolbox talk prior to work.

Both the DMS and jig plants continued to be constrained by the lack of availability of high-grade material in the pit.

Labour relations issues proved to be the biggest challenge this year despite the unprecedented financial payouts to employees at the end of 2011.

Productivity was undermined by absenteeism in the first quarter of 2012, mainly following the Envision payouts and scheduled leave following the December break, and the immediate and lingering impact of the strike in the last quarter. See page 62 for more detail on the strike.

It should be noted that technological measures have now been taken in respect of the mine's equipment in order to prevent its capture and abuse in future.

COSTS AND EFFICIENCIES

Unit cash costs rose by 39% to R209.69 per tonne (2011: R150.47 per tonne), largely as a result of a higher stripping ratio and lower production. Components of total unit cash costs at Sishen mine were made up of:

- labour (22%);
- outside services (21%);
- maintenance (12%);
- fuel (17%);
- drilling and blasting (6%);
- energy (3%); and
- other (19%).

Sishen mine's optimisation and efficiency improvement project, Bokamoso, remained in place. First introduced in 2008, the programme combines the development of integrated technical systems to drive ideas for improvement throughout the business with focus on individuals' personal commitments to this improvement. Particular successes during the year include improved mine planning and record waste tonnages achieved.

ENVIRONMENTAL PERFORMANCE

Sishen mine is located in a water-scarce region. Despite this, the mine's activities generate significant amounts of water from groundwater inflow into the pit which must be dewatered to enable safe mining. In 2012, Sishen mine withdrew a total of 11.79 million m^3 of water (2011: 12.7 million m^3) of water, of which 5.38 million m^3 was used for the mine's primary activities, and the balance was provided to local municipalities and other users via Sedibeng Water. This withdrawal has an impact on the groundwater availability on some farms. A comprehensive monitoring network is used for the

FOCUS ON SISHEN CONTINUED

continuous monitoring of groundwater levels and, in particular, the drainage plume around the pit. Water and grazing is provided to affected farmers. As an alternative, we have offered to buy the farms at a significant premium to market value should our neighbours choose to relocate.

PEOPLE AND COMMUNITIES

Employment

Our diversity programmes are comprehensive and designed to transform the organisation, and not merely to achieve Mining Charter targets. Around 50.3% (2011: 48%) of management is made up of HDSA employees, in excess of the Mining Charter target of 40%. Women make up 14.9% (2011: 15%) of the total workforce with 11.3% (2011: 11%) in core mining jobs. Sishen mine's performance exceeds the Mining Charter's requirement for women to make up 10% of the staff complement involved in core mining activities – include blacks in management of above 40%.

Training and development

Around R115.7 million (2011: R70.6 million) was spent on training and development during the year, around 5.8% (2011: 3.7%) of the payroll. The mine places great emphasis on professionals in training, providing learnerships and bursaries, as well as ABET and portable skills training.

A total of 4,252 employees at Sishen mine received some R1.2 billion (after tax) as payouts from Envision in 2012. While there have been some unintended consequences from the Envision programme, the company remains committed to the principles behind Envision – that is, to close the gap in earnings, to empower people, to make them part of the company, and to give them part of the revenue and profits from the company in a way that provides a better, long-term financial future for them.

Housing and living conditions

Given Sishen mines remote location, the national housing crisis, and the expansions under way, we have continued to invest significant amounts in housing and infrastructure development to facilitate better living conditions and accommodation for our employees and their families.

SISHEN MINE – AREAS OF CED EXPENDITURE IN 2012 (R MILLION)

Education and skills development	Health and welfare	Poverty alleviation and enterprise development	Infrastructure	Environment	Total
19.5	17.2	5.0	29.4	1.2	72.3

During the first five-year SLP Sishen mine spent some R264.5 million on CED.

In 2012, Sishen mine completed the conversion of 18 hostel blocks into 648 family units. In addition, 474 housing units and 44 management houses were built. Servicing also started for 476 stands to be completed in 2013 where further houses will be built. We aim to build houses that employees can purchase as part of our home- ownership promotion. During the year, Sishen mine spent R398.1 million on housing, much of this with local BEE suppliers.

Community engagement and development

Sishen mine's CED programmes are extensive, and recognise the interdependence between the mine and the community. The mine is one of the largest contributors to the economy of the Northern Cape at local, district and provincial levels. Above all, Sishen mine aims to improve the socio-economic status of our communities by addressing community education and well-being through an integrated approach and sustainable partnerships: two examples of these are the Ulysses Gogi Modise (UGM) Wellness Clinic, which received R6.0 million in 2012; another R6.0 million was allocated to the Batho Pele Health Project mobile units. In total, Sishen mine spent R72.3 million on CED in 2012.

At the end of 2011, the mine concluded its first five-year SLP commitment, having met all of our targets. During these five years Sishen mine spent some R264.5 million on CED.

The implementation of the second five-year SLP programme began in 2012. The selection of projects has been driven by the identified needs of the community, and aligned with the aims and requirements of the provincial district and local municipalities (as identified by their IDPs). Commitments include roads and stormwater services.

Enterprise development

Enterprise development is a critical component of the mine's strategy.

The Anglo American plc Zimele Hub, situated in Kathu, directs Sishen mine's efforts and, in 2012, enterprises supported by the hub generated turnover of R53.8 million (2011: R46.5 million), were granted loans of R9.9 million (2011: R9.25 million), and created 608 jobs since inception. During 2012, around 55.5% (2011: 42.8%) of the mine's procurement was with BEE enterprises.

Dingleton relocation

Progress continued to be made with planning the relocation of the Dingleton community; although this has been slower than anticipated. See the detailed discussion in our Sustainable Development Report 2012 at http://www.kumba.co.za/reports/kumba_ar2011/sustainability/pdf/sustainability.pdf.

CAPITAL EXPENDITURE

During the year under review we spent a total of R3.0 billion (2011: R2.7 billion) on capital, largely related to the upgrading and expansion of the Sishen mining fleet as the waste removal ramp-up progresses. Further, SIB capital amounted to R437 million (2011: R490 million) which was mainly allocated to infrastructure development, including roads and the wash plant. A total of R438 million (2011: R381 million) was spent on the SWEP and SEP1B projects.

SIB Capital expenditure in 2013 is expected to be in the region of R3.9 billion with approved capital of R498 million for SWEP and SEP1B

The fleet replacement programme in particular has progressed very well, as has the training of additional operators.

01

01 Lucky Sebigi, a student, and Victor Kortman, a plant operator, below the feed area of the jig plant at Sishen mine.

We are now in a position where all of the production equipment for 2013 will be in place in January 2013 to achieve the full benefit for the full year, barring the effect of the dismissed employees.

GROWTH

A number of brownfield projects are continuing and are at various stages of development at Sishen mine.

The SEP1B project has advanced the furthest. The project will beneficiate the -1+0.2mm fraction of the jig plant RoM feed that is currently discarded. This project has the potential to increase the jig plant product yield by 3% to 5%. We have built the first module, and final commissioning of the technology and verification of which technology we want to use is under way. Design capacity of 0.75 Mtpa will be reached in early 2014.

See page 47 for detailed discussions on projects.

OUTLOOK FOR 2013

Sishen mine's production is anticipated to increase to at least 37 Mt in 2013, but is lower than previously guided, mainly due to the knock-on effect of the 2012 strike.

The waste ramp-up plan at Sishen mine, which began in 2009, continues, due to the Sishen ore-body dipping to the west.

It is anticipated that we will catch up on our waste plans, which were impacted by the strike in 2012, and mine between 40 Mt to 50 Mt of additional waste in 2013. This will put upward pressure on Sishen mine's costs but will get us to a period of increased flexibility earlier. This focus will continue, where we will see waste levels peaking at around 240 Mt, before reaching stability. The LoM average stripping ratio for Sishen mine is 3.5.

STRATEGIC ELEMENT: Investing in our people

01

REWARDING PERFORMANCE

WITH THE FUTURE IN MIND

After the successes of Envision last year, 2012 was about focussing on Envision Phase 2.

Phase 2 of Envision began in November 2011, and will mature in November 2016. Currently there are 6,253 employees, below managerial level, enrolled in the scheme. During 2012, R206 million in dividends were paid out: R106 million in March 2012 and R100 million in August 2012. Financial fitness training will continue in this phase, with an emphasis placed on helping our employees to understand the tax implications of such payouts.

The Envision employee share scheme began in 2006, as a way to make sure that all employees are able to benefit financially from Kumba's success, no matter what their job. It targets employees below managerial level, and recognises each person's contribution to the company. Participants in the scheme received up to R55,000 in dividends during the first five years, as well as a payout of up to R570,000 at the end of 2011.

02

ENVISION HAS CREATED THE OPPORTUNITY TO CHANGE LIVES.

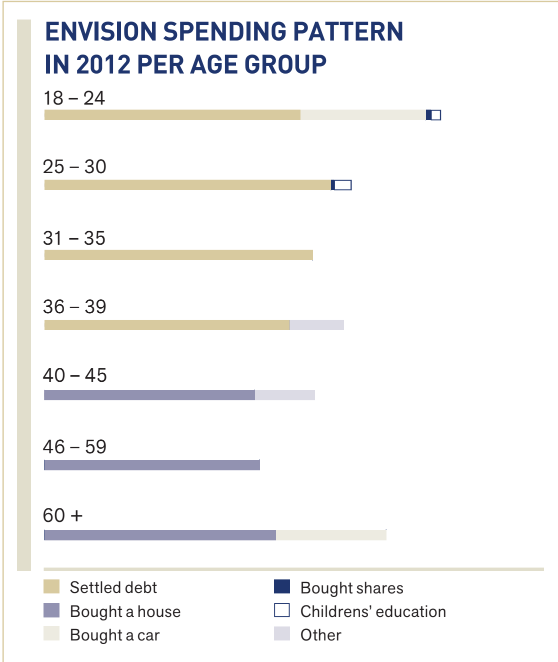
Images

01 Kumba's employees benefit from various incentive schemes rewarding good performance.

02 Marylin Zenda, fitter, and Jacqueline Monare, maintenance operator, work on the stacker at Kolomela mine.

03 Pit operations at the South Western pit at Sishen mine.

PHASE 2 OF ENVISION UNDERWAY



R206 million

PAID OUT AS DIVIDENDS TO 6,253 KUMBA EMPLOYEES DURING 2012

"Envision has undoubtedly been one of our most significant successes in recent years."

Norman Mbazima
Chief executive, Kumba Iron Ore

03

REMUNERATION REPORT

Kumba's vision is to be a leading, value-adding supplier of iron ore to the global steel industry. Attracting, retaining and developing the group's human resources are thus considered critical priorities for the group. In support of our business strategy and with the view to being the best mining company to work for, Kumba's remuneration strategy has an holistic approach; incorporating competitive remuneration, accredited and ongoing training and development, fair employment practices, the provision of benefits for a good quality of life for our employee and his/her dependents, as well as the provision of personal and professional growth prospects for individual self-fulfilment.

GOVERNANCE

The Human Resources, Remuneration and Nominations Committee of the board of directors (Remco) has been tasked with applying principles of accountability and transparency to remuneration matters in accordance with competitive market practices, legislation and guidelines. It is responsible for making recommendations to the board on performance-linked remuneration policies and practices for the company's executive directors, non-executive directors, senior management and personnel in support of the group's strategy which is aimed at creating value for shareholders. In its deliberations on the remuneration of directors and senior management, Remco considers both external market factors relating to remuneration matters, as well as the interest of shareholders. In addition, Remco maintains oversight of Kumba's competitive remuneration policies across the company.

Remco undertakes the following:

- approves reward policies and programmes in line with company strategy and objectives;
- reviews and approves targets and objectives for all performance-related pay, fixed and variable, as cascaded throughout the company;
- provides guidance on the evaluation of performance of executive directors;
- reviews and recommends to the board the remuneration of executive directors and executive management, including short-term incentive payments and long-term share awards;
- approves the overall cost of remuneration increases awarded to employees;
- approves the overall cost of short-term incentives awarded;
- approves the basis on which all grants in terms of Kumba's long-term incentive schemes are made; and
- approves the annual performance targets for both the chief executive and the executive management team.

The role of Remco in relation to the remuneration of directors and executive management is to:

- provide guidance on the evaluation of performance for executive directors;
- review and approve targets and objectives for all performance-related pay and incentive schemes for directors and executive management;
- review and recommend to the board, the remuneration of executive directors and executive management, including short-term awards; and
- approve the basis on which all grants in terms of Kumba's long-term incentive schemes are made.

See page 81 for further information on Remco and the company's website at www.angloamericankumba.com to access the Remco terms of reference.

REMUNERATION PHILOSOPHY

Kumba's remuneration philosophy ensures that employees are motivated and the positive performance of individuals is rewarded in an equitable, fair and consistent manner which is in line with:

- the company strategy, a key element of which is being a preferred employer;
- individual performance relevant to job accountability and responsibility; and
- the employment market.

Kumba's philosophy has been unchanged since its listing in 2006. However, reward elements are reviewed on an ongoing basis to ensure relevance and appropriateness in support of the business.

While competitive remuneration is part of Kumba's value offering, it is the complete offering that resulted in Kumba being voted the 'best employer to work for' in the mining category by Deloitte in 2012. The offering includes training, housing and medical benefits, and personal and professional growth prospects.

Kumba's employees are the heart of the company and the engine responsible for the company's success. As a result, Kumba does the following:

- expends considerable effort in recruiting employees, including a focussed drive to attract and recruit employees of colour;
- ensures that employees remain at the company by offering them competitive remuneration packages, and a range of training and development opportunities; and
- affords learners at secondary and tertiary education institutions the opportunity to complete their studies on Kumba's account, thus providing Kumba with the best talent from a young age.

REMUNERATION POLICY

The aim of the remuneration policy is to attract, retain and motivate talented, skilled and high-performing employees to execute the company's business strategy, and to create sustainable growth and value for all shareholders – see page 14 for further discussion on stakeholder engagement.

The remuneration policy indicates a reward mix of market-related base pay, aimed at the median of the market, combined with strong emphasis on variable pay. The fixed pay component ensures external competitiveness to attract and retain the correct skills required by Kumba, from a global market where skilled labour is in short supply, without unduly inflating the salary bill. Short-term incentives directly linked to company and/or individual performance supports the short- and medium-term objectives by rewarding performance over the period of the financial year. Long-term incentives form part of the reward mix for all employees, to ensure alignment with shareholder objectives and in support of the company's long-term sustainability and growth.

For employees in the bargaining (unionised employees) category, a 'basic salary-plus allowances-plus benefits' model is used.

REPORTING

Kumba maintains the highest levels of corporate governance. Our remuneration disclosures are made in compliance with the King Code on Corporate Governance 2009 (King III) and best practice.

REWARD COMPONENTS

Benchmarking

All salaries are benchmarked annually against an appropriate comparator group within the South African market. For executives, industry, size of company and job content are used to benchmark against the external market. The last benchmarking exercise for non-bargaining employees was carried out during September 2012. The outcome of which compared well to the median of the market. A similar benchmarking exercise was completed for bargaining unit employees during May 2012 prior to wage negotiations.

Approach to remuneration

Attracting scarce skills in a market where skilled labour within the mining industry is in short supply, remains a challenge. Employing people with the necessary skills to do their jobs is an imperative for the long-term sustainability of any business. Kumba recognises that it competes for these skills in a global market. Despite the pressure to increase base pay, especially for appropriately qualified and experienced HDSA candidates and legal appointments, the company aims to stay within its pay structure, and to provide a more holistic approach to reward through an integrated approach to remuneration for non-bargaining unit employees, with a reward model made up of total guaranteed packages, short-term incentives, long-term incentive programmes and development opportunities.

Robust talent management strategies are in place to ensure that gaps in the Kumba skills profiles are identified, and that succession plans are developed and implemented. A special retention review was done during 2012 to identify scarce and critical skills, especially in respect of HDSA employees, with the focus on medium- to long-term retention through the allocation of additional shares. A scarcity allowance has been introduced for legal appointments in terms of the Mine Safety and Health Act (Act 85 of. 1993)

In 2012, the reward components supported the strategy; contributing to the creation of short- and long-term value and high performance for shareholders by focusing on specific earnings before interest and tax (EBIT) and return on capital employed (ROCE) targets. Base salary is kept lean and targeted at the 50th percentile of the market while short-term incentives are market-related and directly linked to performance. The long-term incentives are derived directly from short-term incentives which fully support the 'pay-for-performance' principle.

The following table illustrates the key components and drivers of Kumba's integrated approach to remuneration:

Our remuneration policy aims to attract, retain and motivate talented, skilled and high-performing employees

<table>
<tr><th colspan="2">REMUNERATION ELEMENTS</th><th>STRATEGIC INTENT</th><th>REWARD DELIVERY</th><th>ELIGIBILITY</th></tr>
<tr><td rowspan="3">Cost to company</td><td>Basic employment cost (BEC)</td><td rowspan="3">1. Attract people with the necessary competencies (knowledge, skill, attitude) to add value to our business
2. Retain competent, high performing employees who are engaged and demonstrate our values
3. Competitive and market related rewards
4. Compliant with legislative provisions and negotiated contractual commitments
5. Support high performing individuals and teams by aligning reward to performance
6. Reinforce and enhance the principle that employees are key assets of our company</td><td>Monthly salary reviewed annually for non-bargaining unit employees and negotiated agreements with recognised trade unions</td><td rowspan="2">All employees</td></tr>
<tr><td>Benefits</td><td>1. Employer contribution to selected retirement funds
2. Subsidised medical aid
3. Life and disability insurance
4. Housing allowances and/or 5 year mortgage subsidy plan
5. Study assistance for formal education</td></tr>
<tr><td>Circumstantial remuneration</td><td colspan="2">Job-specific
Scarce skills</td></tr>
</table>

REMUNERATION REPORT CONTINUED

REMUNERATION ELEMENTS		STRATEGIC INTENT	REWARD DELIVERY	ELIGIBILITY
Short-term incentives	Annual bonus scheme aligned to financial performance year	Aligned to the achievement of stretched targets at company/business unit/ functional level: 1. Financial targets 2. Production targets 3. Safety performance	Annual bonuses, paid on monthly, quarterly or annual basis. Performance related payment Gain share	All employees
	Gain share	Group/business unit performance measures cascaded to individual performance level to align behaviour to achieve performance objectives. No adjustment allowed on performance measures (i.e. EBIT)		
Long-term incentives		1. Achieve direct alignment with shareholder interests 2. Reward employees for contributing to long-term sustainable company performance 3. Attract and retain key employees	Participation in: Bonus Share Plan (BSP) Long Term Incentive Scheme (LTIP)	Executive directors and executive management nominated key employees
			Participation in Employee Share Ownership Plan (Envision)	Employees first line management and below

Split between fixed and variable remuneration

The split between fixed (guaranteed) and variable (performance-related) remuneration is linked to company strategy and individual KPIs. The company strategy, business objectives and targets are aligned and signed off by Remco on an annual basis. All executive management performance score cards speak directly to these business objectives and targets which are then cascaded throughout the business to operation, team and individual level.

DIRECTORS' FEES AND REMUNERATION

The directors are appointed by the Kumba board based on their competence, ability and appropriate experience to contribute to achievement of the company's objectives as a leading, value-adding iron-ore supplier to the global steel industry. The policy is to ensure that executive directors receive remuneration that is appropriate to their scope of responsibility and contribution to the operating and financial performance, taking into account industry norms and external market and country benchmarks.

The application of the remuneration principles is aimed at encouraging long-term performance and the continual alignment of such performance with the strategic direction and specific value drivers of the business.

Executive directors

The remuneration of executive directors of Kumba consists of two components: a fixed and a variable component of an annual executive performance incentive and long-term incentives in terms of Kumba's Bonus Share Plan and a Long-term Incentive Plan.

Both fixed and variable components are designed to ensure that a substantial portion of the remuneration package is linked to the achievement of the company's strategic objectives, thereby aligning incentives awarded to improving shareholder value.

Fixed remuneration

Following established practice, the fixed salaries of executive directors are reviewed every year in January. Adjustments to the fixed packages are determined with reference to the scope and nature of an individual's role and their performance and experience. The fixed packages are also compared to the median pay levels of other companies of comparable size and complexity to ensure market competitiveness and performance excellence. The review also takes into account any change in the scope of the role performed by the individual, changes required to meet the principles of the remuneration policy and market competitiveness. Reward benchmarking is conducted bi-annually when reward elements are compared with those of peer companies.

In addition to a basic cash salary, executive directors receive benefits that include a contribution towards membership of one of the group's approved medical health care schemes, vehicle benefits, vehicle insurance and security services. No other material benefits are paid.

Retirement and risk benefits, including life cover and death-in-service benefits ,are provided to executive directors subject to the rules of the Kumba Selector Pension and Provident funds. During the year, contributions calculated as a percentage of the pensionable income are paid to contributory retirement schemes established and/or approved by the group, and subject to the rules of the pension and provident funds.

The employer's retirement contribution is 11% of pensionable emoluments for 2012. The rate of contribution for each executive director is calculated on the basis of the assumption that executive directors will retire at the age of 60 years.

The emoluments paid/payable to the executive directors are presented in the table on the right.

Variable remuneration

Annual performance incentives

From 2012 onwards, executive directors participate in the Anglo American Performance Standard that is linked to a group-wide annual incentive scheme. The incentive scheme is designed to reward and motivate the achievement of agreed company financial, strategic and performance objectives, linked to key performance areas that form part of their respective portfolios.

The performance targets for executive directors within Kumba's operations will vary depending on business-specific strategic value drivers and key objectives approved by the board.

In 2012, emphasis was placed on operational targets, including production, waste volumes and unit cash costs. Other strategic objectives such as growth, safety, financial and people measures were some of the key performance indicators that the executive directors delivered on.

During February 2013, Remco considered an overall assessment of company performance for the 2012 financial year. In addition, executive directors and members of the executive team were assessed in terms of achievement against strategic and key performance objectives within their respective areas of accountability. Following this, the Remco reported the outcome to the board which then approved annual incentive payments for 2012.

EXECUTIVE DIRECTORS' EMOLUMENTS

Executive directors	Base salary[1,2]	Benefits (retirement and medical aid)[3]	Cash bonus based on 2012 performance (paid in March 2013)	Face value of BSP shares awarded in respect of 2012 performance (awarded in March 2013)	LTIP – value earned in respect of performance period 2010 to 2012 (vesting in 2013)	**Total emoluments 2012**	Total emoluments 2011
CI Griffith[5]	3,181	422	1,377	–	3,029	**8,009**	13,929
NB Mbazima[5,]	2,290	276	1,084	4,123	–	**7,773**	–
FT Kotzee[6]	1,828	228	715	1,001	–	**3,772**	–
VP Uren	–	–	–	–	–	–	11,465
Total	**7,299**	**926**	**3,176**	**5,124**	**3,029**	**19,554**	**25,394**

(1) Executive directors do not receive any fees for their services as members of the board of directors or members of board committees.
(2) Base salary includes travel allowance.
(3) Benefits include company contributions to the Kumba Retirement Fund and medical aid.
(4) Value based on the average Kumba Iron Ore share price in the period 1 October 2012 to 31 December 2012.
(5) Mr CI Griffith resigned from the board of directors with effect from 1 September 2012 to assume the role of chief executive officer of Anglo American Platinum Limited. Mr NB Mbazima was appointed as chief executive officer and a member of the board of directors,with effect from 1 September 2012.
(6) Mr FT Kotzee was appointed as chief financial officer and a member of the board of directors with effect from 1 June 2012 The recruitment process was conducted by an extended nominations group and the appointment was made by the Kumba board. Mr VP Uren, who was appointed to the board of directors on 7 April 2006, stepped down from his role as chief financial officer and as a member of the board of Directors on 31 December 2011. He continued his employment with Kumba, working exclusively on legal issues, until 30 June 2012. Emoluments exclude retention payment of R2.5 million.
(7) Emoluments paid in 2012 to Mr CI Griffith included cash payments determined and paid in terms of separate employment agreements concluded between Kumba International Trading SA (KITSA) and the respective executive director for services rendered outside of South Africa.

Long-term incentive plans

Executive directors and executive management participate in one or more of the long-term incentive schemes described below as proposed by Remco and approved by the board:

- the BSP;
- the LTIP;
- the share appreciation rights scheme (no new grants made since 2008);
- the deferred bonus plan (no new grants will be made); and
- Kumba management share incentive scheme (no grants awarded since unbundling).

Bonus share plan

The BSP was approved by shareholders at the AGM on 20 March 2009 and was implemented in 2009. It is offered to executive directors and senior managers who have the opportunity and the responsibility to contribute towards the group's overall strategic objectives. The rationale for implementing the BSP was to:

- provide a mechanism for wealth creation for participants that is

CHIEF EXECUTIVE'S PERFORMANCE TARGETS 2012

%

Operational targets (including production, waste volumes and unit cash costs)	40
Personal KPA's (strategic targets, people targets and energy and water savings)	25
Financial targets	15
Safety targets	10
Anglo American plc earnings per share (EPS)	10

CHIEF FINANCIAL OFFICER'S PERFORMANCE TARGETS 2012

%

Good governance (King III, JSE, legal and financial compliance)	24
Financial targets	16
Legal issues	16
Asset optimisation	14
Supply chain management	14
Strategy	8
People	8

REMUNERATION REPORT CONTINUED

linked to wealth creation for the group's shareholders;

- strengthen the performance culture and provide a direct link between annual performance objectives and share-based incentives;
- encourage participants to build up a shareholding in the company and thus increase the alignment of employees' interests with shareholders; and
- increase the effectiveness of the overall remuneration and enable the company to attract, motivate and retain key management talent.

The BSP has two components:

- a payment of an annual cash bonus, more fully described above; and
- a forfeitable award of shares linked to the participant's annual cash bonus award – these shares are known as bonus shares. The split between the cash and bonus share elements is determined by the employees' grade.

The number of bonus shares awarded is determined by the value of the annual cash bonus awarded to each participant. The bonus shares are held by an escrow agent and released to the participant three years after the award date (conditional upon the participant still being in the employment of the Anglo American Group). During the three-year period, the participant is entitled to all rights attaching to the bonus shares, including dividend entitlements and voting rights. No performance conditions are linked to the bonus shares although the individual performance determines the actual bonus amount on which these shares are based.

In terms of the BSP rules, the combined unvested BSP shares allocated may not exceed 1% of shares issued (3,194,612 shares). The maximum value of BSPs that can be allocated in any one year is 140% of BEC for management, plus 50% additional forfeitable shares, which are restricted to top management levels.

Long-term incentive plan

Executive directors may receive, on a discretionary basis each year, a conditional award of Kumba shares. Conditional shares are awarded at 100% of annual BEC at the face value of the underlying Kumba share, with 150% of annual BEC for chief executive and 100% for chief financial officer.

Any vesting of each of the annual LTIP awards made since the inception of the plan in 2007 is subject to the achievement of stretched performance targets relating to total shareholder return (TSR) (50% of the award) and to a financial measure (ROCE), (50% of the award) over a fixed three-year period. No retesting of the performance conditions is allowed. The part of the share award that is subject to the TSR performance condition is determined by the extent to which the company's TSR performance reaches certain hurdles relative to the TSR of an agreed peer group over the same three-year performance period. During 2010, Remco assessed the appropriateness of the peer group and changed it to be more representative of the mining sector. Currently Kumba's performance is targeted to be at the upper quartile of the peer group for shares subject to this performance condition to vest. ROCE targets attached to conditional shares are set and approved by the Remco at the time of the award. A threshold target is set at 95% of target with an upper limit set at 105% of target. Linear vesting takes place once the threshold is reached.

Upon vesting, the participant will be entitled to shares in Kumba to the value of the vested portion of the conditional award. Such portion of the conditional awards which does not vest at the end of the three-year period will lapse.

The table on the following page details the extent to which the executive directors participate in the company's share incentive plans.

Executive directors' service contracts

Executive directors are not employed on fixed-term contracts and have standard employment service agreements with notice periods of up to 12 months. No restraint of trade provisions apply and no restraint payments have been made during the year. There are no changes to control provisions or any provisions relating to payment on termination of employment.

Non-executive directors

In order to attract and retain directors of sufficient calibre and experience that best serve the company and to fulfil roles that are becoming increasingly demanding, the company pays a fair market-related retainer to ensure that directors provide necessary leadership to meet the business strategy and to deliver on KPIs. Non-executive directors do not hold service contracts with the company.

Board fees are set annually and informed by a market benchmark study conducted by an independent external service provider. PwC conducted the benchmark study for 2012/2013. Fees payable are not dependent upon attendance of meetings and no other supplementary fees are payable unless special circumstances prevail. The proposed fees were determined following a benchmarking exercise using market data, including a survey of the top 40 companies listed on the JSE which indicated a need for an adjustment to bring the fees in line with the market. The board also considered the increased scope of responsibilities for its committees, taking into account, specifically, the fact that both Remco and the Social and Ethics Committee have additional roles as Nominations, and Social and Ethics Committees, thereby increasing the workload of their members. The board is of the view that the fee increase proposal is in line with the market and is appropriate.

Non-executive directors are prohibited from participating in the company's share incentives schemes.

Remco recommends fees payable to the non-executive directors for approval by shareholders.
The annual fees payable to non-executive directors were approved by the shareholders at the annual general meeting of shareholders in May 2012.

Capacity and name	Number of awards at 1 January 2012	Awards granted: Number of awards	Awards granted: Grant date	Awards granted: Fair value of awards (R'000)	Awards vested: Number of awards	Awards vested: Vesting date	Awards vested: Notional value at vesting date (R'000)	Outstanding awards: Number of awards at 31 December 2012	Outstanding awards: Notional value (R'000)	Outstanding awards: Earliest date of vesting
Executive directors										
BSPs										
NB Mbazima	–	–	–	–	–	–	–	–	–	–
FT Kotzee	–	2,222	01-Jun-12	1,231	–	–	–	2,222	1,264	01-Jun-13
CI Griffith	21,032	6,709	01-Mar-12	3,864	7,328	01-Apr-12	3,847	20,413	11,613	22-Jul-13
VP Uren	20,509	5,454	01-Mar-12	3,141	9,528	01-Apr-12	5,002	16,435	9,350	22-Jul-13
LTIP										
CI Griffith	39,594	8,870	01-Mar-12	5,108	18,586	01-Apr-12	9,758	29,878	16,997	22-Jul-13
VP Uren	34,372	7,344	01-Mar-12	4,230	16,858	01-Apr-12	8,850	24,858	14,141	22-Jul-13
SARS										
CI Griffith	7,540	–		–	7,540	10-Feb-12	2,235	–	–	–
	123,047	**30,599**		**17,574**	**59,840**		**29,692**	**93,806**	**53,365**	

(1) Mr CI Griffith resigned from the board of directors with effect from 1 September 2012 to assume the role of chief executive of Anglo American Platinum Limited. Mr NB Mbazima was appointed as chief executive and a member of the board of directors with effect from 1 September 2012.

(2) Mr FT Kotzee was appointed as chief financial officer and a member of the board of directors with effect from 1 June 2012. The recruitment process was conducted by an extended nominations group and the appointment was made by the Kumba board. Mr VP Uren, who was appointed to the board of directors on 7 April 2006, stepped down from his role as chief financial officer and as a member of the board of directors on 31 December 2011. He continued working for Kumba, exclusively on legal issues, until 30 June 2012.

The fees paid/payable to the non-executive directors are made up as follows:

Rands ('000) Non-executive directors	2012 Director fees	2012 Committee fees	2012 Total fees	2011 Director fees	2011 Committee fees	2011 Additional directors' fees[14]	2011 Total fees
ZBM Bassa[1,2,7]	185	361	**546**	177	356	75	**608**
GG Gomwe[2,5,8]	146	155	**301**	177	79	60	**316**
GS Gouws[2,3,15]	185	176	**361**	177	79	90	**346**
KT Kweyama[9]	39	31	**70**	–	–	–	**–**
PB Matlare[1,3,4]	44	39	**83**	177	157	75	**409**
DD Mokgatle[1,2,4,7]	185	433	**618**	177	353	105	**635**
AJ Morgan[1,2,3,4,7,10]	880	146	**1,026**	1,100	–	105	**1,205**
LM Nyhonyha[1,2,7,11]	185	227	**412**	89	58	–	**147**
BP Sonjica[7,12]	110	122	**232**	–	–	–	**–**
F Titi[7,13]	279	–	**279**	–	–	–	**–**
DM Weston[6]	185	–	**185**	177	–	75	**252**
Total non-executive directors	**2,423**	**1,690**	**4,113**	**2,251**	**1,082**	**585**	**3,918**

(1) Member of the Audit Committee
(2) Member of the Risk Committee
(3) Member of the Remco
(4) Member of the Social and Ethics Committee
(5) Directors' fees ceded to Anglo Operations Limited (AOL), a wholly owned subsidiary of Anglo American plc
(6) Directors' fees ceded to Anglo American Services (UK) Limited, a wholly owned subsidiary of Anglo American plc
(7) Independent non-executive director
(8) Resigned from the board with effect from 15 October 2012
(9) Appointed to the board with effect from 15 October 2012
(10) Stepped down as interim chairman with effect from 1 October 2012 which he assumed on 15 December 2012. Retains position as the senior lead independent director of the board
(11) Appointed to the board with effect from 14 June 2011
(12) Appointed to the board with effect from 1 June 2012
(13) Appointed to the board and chairman with effect from 1 October 2012
(14) Includes additional directors' board meeting fees paid in 2011 in respect of once-off additional board meetings held in 2010
(15) Directors' fees ceded to Industrial Development Corporation

REMUNERATION REPORT CONTINUED

Non-executive directors are subject to retirement by rotation and re-election by shareholders in accordance with the terms of the Memorandum of Incorporation (MOI) of the company.

Prescribed officers' remuneration

In accordance with the requirements of King III and the Companies Act, the remuneration of prescribed officers of the company is to be disclosed. At its meeting held in November 2011, Remco approved the appointment of each Executive Committee member, other than executive directors, as a prescribed officer.

The fixed remuneration of members of the Executive Committee, other than executive directors, was reviewed by Remco at its meeting held in November 2011. The salaries of prescribed officers and executive directors were reviewed in November 2012 for implementation on 1 January 2013. 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.

NON-EXECUTIVE DIRECTORS FEES:

Capacity	2012/13 fees per annum
Chairman of the board	1,116,000
Director	188,000
Audit Committee chairman	251,000
Audit Committee member	124,800
Risk Committee chairman	167,000
Risk Committee member	83,500
Social and Ethics Committee chairman	251,000
Social and Ethics Committee member	124,800
Remco chairman	251,000
Remco member	124,800

PRESCRIBED OFFICERS' REMUNERATION Rands ('000)

Prescribed officers	Base salary[1]	Benefits (retirement and medical aid)[2]	Cash bonus based on 2012 performance (paid in March 2013)	Face value of BSP shares awarded in respect of 2012 performance (awarded in March 2013)[3]	Total emoluments 2012	Total emoluments 2011
CC Holtzhausen	1,618	206	485	1,361	**3,670**	3,689
AC Loots	2,141	275	696	1,877	**4,989**	4,889
FM Louw	2,156	277	1,034	2,584	**6,051**	5,457
VF Malie	1,530	197	306	1,074	**3,107**	3,326
Y Mfolo	1,734	228	650	1,641	**4,253**	760
LL A Mgadzah	1,618	214	566	1,475	**3,873**	1,703
SV Tyobeka	1,860	247	699	1,764	**4,570**	4,202
A van den Brink	1,852	240	879	2,011	**4,982**	4,181
C van Loggerenberg	2,168	278	1,040	2,598	**6,084**	5,490
Total prescribed officers	**16,677**	**2,162**	**6,355**	**16,385**	**41,579**	**33,697**

[1] Base salary includes travel allowance
[2] Benefits include company contributions to the Kumba Retirement Fund and medical aid
[3] Value based on the average Kumba Iron Ore share price in the period 1 October 2012 to 31 December 2012

As is the case with the executive directors, the members of the group Executive Committee participate in the BSP. The table below details the extent of the prescribed officers' participation in the company's share incentive scheme:

Number of shares	CC Holtzhausen	AC Loots	FM Louw	VF Malie	Y Mfolo	LLA Mgadzah	SV Tyobeka	A van den Brink	C van Loggerenberg
Opening balance at 1 January 2012	5,134	13,252	17,465	9,823	–	7,124	17,944	13,144	20,209
Granted during 2012	2,734	3,849	5,152	2,776	2,265	2,873	3,309	3,391	5,021
Vested during 2012 (March 2012)	(1,477)	(5,179)	(7,271)	(4,486)	–	–	(4,486)	(6,500)	(9,928)
Closing balance at 31 December 2012	6,391	11,922	15,346	8,113	2,265	9,997	16,767	10,035	15,302
Notional value of awards at date of vesting (Rand)	775	2,719	3,817	2,355	–	–	2,355	3,413	5,212

DIRECTORS' AND PRESCRIBED OFFICERS' INTEREST IN SHARES

The interests of directors and prescribed officers in the ordinary shares of the company as at 31 December and their immediate families (none of which has a holding greater than 1%) in the issued shares of the company are detailed below. There have been no changes in these shareholdings since 31 December 2012 and the date of approval of the annual financial statements.

A register detailing directors' and prescribed officers' interests in contracts is available for inspection at the company's registered and corporate office.

DIRECTORS' INTERESTS IN SHARES

	2012			2011		
	Number of shares	Long-term incentive scheme shares [1]	Total beneficial interest	Number of shares	Long-term incentive scheme shares[1]	Total beneficial interest
Executive directors						
CI Griffith [2]	–	50,291	**50,291**	330	68,166	**68,496**
VP Uren [2]	–	41,293	**41,293**	1,000	34,372	**35,372**
NB Mbazima	–	–	**–**	–	–	**–**
FT Kotzee	–	2,222	**2,222**	–	–	**–**
Non-executive directors						
GS Gouws#	213	–	**213**	213	–	**213**
DD Mokgatle#	428	–	**428**	428	–	**428**
Total	**641**	**93,806**	**94,447**	**1,971**	**102,538**	**104,509**

[1] Granted under the Bonus Share Plan, Long-term Incentive Plan and Kumba Share Appreciation Rights Scheme and disclosed in the tables above.

[2] The employment contract for Mr CI Griffith was terminated during 2012 and the employment contract for Mr VP Uren was terminated on 31 December 2011.

Total indirect interests held by spouses

BARGAINING CATEGORY EMPLOYEES

Relations with employees and organised labour are governed by recognition agreements while conditions of employment are determined by a process of collective bargaining with representative trade unions. Employment equity practices, trade union access and membership, compensation for occupational illness or injury on duty, and the provision and financing of training programmes are managed in accordance with applicable labour legislation.

A minimum notice period of 60 days in respect of operational changes is prescribed by legislation and recognition agreements with unions which also regulate aspects such as participation in safety and health structures, and disciplinary and grievance procedures. Wages and other conditions of service are negotiated on an annual or biannual basis.

A two-year agreement was signed with Solidarity and NUM for the period 1 July 2012 to 30 June 2014. This provided for increases in basic salary ranging from 8.5% to 10.5% (including a 0.5% safety component) with effect from 1 July 2012. Kumba's pay levels compare favourably to the market median. Subsequently, housing allowances were also increased by 8.5% and the same range of increases, or CPI +2%, whichever is the greater will be awarded from 1 July 2013.

During the wage negotiations, the company proposed a continuous operation model to secure the principle of compulsory work on public holidays to ensure that all mines operate on a continuous basis. While no agreement was reached, the parties committed to formalise agreements to work on public holidays on a voluntary basis at the specific operations. The parties further agreed to a joint roadshow to encourage employees to avail themselves for voluntary work on public holidays.

In 2012, 57.6% of the total workforce were represented by recognised unions or catered for through agency-shop agreements.

Kumba recognises the following unions: the NUM, Solidarity and BAMCU.

STIs are awarded, based on achievements of direct drivers, such as production factors with waste and safety modifiers. The unprotected strike, which started on 3 October 2012 and ended on 16 October 2012, impacted negatively on production to the extent that no STIs will be awarded for the 2012 financial year. For details of the unprotected strike, refer to page 62.

Envision was set up in 2006 as part of the company's BEE initiative, and to work towards compliance with the Mining Charter, which requires that mining companies are at least 26% black-owned. Some 26.1% of Kumba's shares are black-owned: 19.98% of SIOC's shares are owned by Exxaro Resources, 3% are held by SIOC-cdt and 3.1% are issued to Envision.

The aim of establishing Envision was to ensure that all Kumba employees, regardless of position, could share in the company's success. It was designed as a performance incentive and to encourage staff retention, as well as to promote BEE through the participation of HDSAs.

On 17 December 2011, the first phase of Envision matured, at which time

Location	NUM	Solidarity	Agency shop	BAMCU	Non-unionised
Corporate office	4.99%	8.07%	3.28%	0%	83.66%
Sishen mine	37.58%	32.54%	6.14%	6.26%	17.73%
Thabazimbi mine	41.83%	30.52%	7.05%	0%	24.12%
Kolomela mine	38.71%	14.62%	2.33%	0.13%	44.02%

* Granted in terms of the BSP, LTIP & forfeitable shares awarded

(1) Indirect interest held by spouses

REMUNERATION REPORT CONTINUED

R2.7 billion was paid to 6,209 employees below management level. A pre-tax cash payout of approximately R570,000 was made to each employee employed since 2006 with reducing payouts dependent on length of service. Each member also received dividends during the year amounting to R33,675 (pre-tax). Prior to the vesting of the Envision awards, all employee participants were given a choice of receiving shares in Kumba or receiving a cash payout. The majority of employees elected to receive the cash payout. Kumba provided employees with education programmes called "Financial Fitness", to prepare them for the substantial remuneration they would receive and to advise them on the best and most prudent way of spending and/or investing their payouts. The training was also extended to the wives and husbands of beneficiaries.

The emphasis of the training was on sound financial management and long-term planning, and subject matter ranged from the benefits of home ownership and education, to the need for estate planning and a will. It also included warnings against hazards such as pyramid schemes and information regarding the risks of misplaced entrepreneurship.

Pursuant to a survey conducted by Kumba, 37% of Envision members used their proceeds to settle debts; 11% bought a car; 33% bought a house; 1% bought shares; 6% provided for their children's education and 12% applied their proceeds for other uses.

For further details on Envision, refer to pages 41 and 67.

A second phase of Envision, which matures in 2016, is now underway and operates on similar terms.

CONTRACTORS

Kumba engages contractors and their employees at its operations to undertake specialist and fixed-term jobs. As a minimum, contractors receive benefits that are in line with the Basic Conditions of Employment Act 75 of 1997. At the end of 2012, the percentage ratio of full-time contractors to full-time employees within the group was 60.4% (2011: 89%).

Since poor performance by contractors in any aspect of the day-to-day management of its operations poses a reputational risk to Kumba, contractor engagement is a critical factor for the group's success. Company-wide programmes continue to be implemented to ensure that all contractors conform to Kumba's requirements across a wide range of disciplines, including safety and health, training and development and fair employment practices. Kumba is fast-tracking performance-linked incentives for contractors and from the third quarter of 2011 contractors have taken part in the Kolomela Rapid Ramp-up Bonus Scheme, an incentive scheme tied strictly to stretched performance targets, for which payments are made on a quarterly basis provided that the performance conditions are met.

EMPLOYMENT

At the end of 2012, Kumba employed a total of 11,773 people (2011: 11,898) made up of full-time permanent employees, full-time contractors and 702 learnerships as detailed below. A further 8,806 fixed-term project contractors (2011: 4,131) were employed at Kumba's construction projects.

BREAKDOWN OF EMPLOYEES AND CONTRACTORS

	Full time, permanent 2012*	Full time, permanent 2011*	Full time, contractor 2012	Full time, contractor 2011	Total employment 2012*	Total employment 2011
Corporate office	125	120	-	20	125	140
Sishen mine	5,303	4,412	2,910	3,865	8,213	8,277
Kolomela mine	1,030	771	811	711	1,841	1,482
Thabazimbi mine	852	815	470	889	1,322	1,704
Technical services	120	91	-	35	120	126
Projects	45	43	2	56	47	99
Saldanha Bay and other	105	51	-	19	105	70
Group	**7,580**	**6,303**	**4,193**	**5,595**	**11,773**	**11,898**

* Including learnerships

CORPORATE GOVERNANCE

The Kumba board of directors is committed to the highest standards of corporate governance contained in the Code of Governance Principles for South Africa 2009 (King III), the Companies Act 71 of 2008, as amended, (the Act), the JSE's Listings Requirements (listings requirements) and other regulations.

It is the board's role to provide the leadership necessary to promote the application of the principles of good corporate governance throughout the group. The year under review saw the continuation of the implementation of the recommendations of King III, the Act and amendments to the listings requirements, with significant progress achieved.

KING III COMPLIANCE

In 2011 and 2012, the board prioritised and reported on progress with the implementation of the compliance framework, processes, controls, management of ethics, and regulatory and legislative compliance as recommended in Chapters 1 and 6 of King III. The board is of the view that the activities of the group should be underpinned by a strong ethical foundation and is satisfied that the company's Business Integrity Policy and management processes are adequate.

For information on the group's management of ethics, refer to pages 23 to 24 of the Sustainable Development Report 2012.

The South African legislative and regulatory environment is very dynamic. The development of the regulatory compliance framework continued in 2012 with a process plan approved by the Risk Committee. The following has been implemented:

- The regulatory universe of national legislation affecting the group was identified.
- A risk rating of the regulatory universe was conducted and key headline risk acts were identified.
- Compliance risk management plans were developed for each of the identified headline risk acts.

In February 2013, the board, through its Risk Committee, reviewed the process and considered the compliance risk report for the MPRDA. The board is satisfied that the group has adequate controls in place to manage compliance risk regarding this act. The journey to full maturity continues with further compliance risk reports scheduled for development in 2013.

The board is satisfied that the group complies fully with the principles and recommendations of King III, most of which are entrenched in the group's internal controls, policies and procedures, with the following exceptions:

- Principle 2.24: The development of a governance framework between Anglo American plc and Kumba is in progress.
- Principle 2.25: The board believes that it is not neccessary to implement an attendance fee per meeting for non-executive directors as the directors consistently attend meetings and where attendance is not possible, they contribute to matters to be considered at meetings.

COMPANIES ACT

The Act came into effect on 1 May 2011, and provided the board with an opportunity to review a number of areas within the group's corporate governance system and processes. The board conducted a workshop in July 2012 to review the MOI and the treatment of alterable provisions in the Act. The MOI was subsequently approved by the board for adoption by the shareholders. The company secretary consulted with a number of stakeholders regarding the proposed MOI. Meetings were held with some significant South African shareholders and correspondence was entered with a few offshore shareholders after the publication of the MOI circular on 4 December 2012. The first important issue that was discussed extensively by the board at its workshop and with stakeholders was the requirement for the rotation of executive directors. Guidance was sought from the company's sponsors and legal advisors. The board took the view that executive directors are first and foremost, employees of the company and have employment contracts which regulate their relationship with the company. As such requiring executive directors to rotate every three years would contradict the terms of employment. The board is satisfied that the right of the shareholders to remove a director of the company is entrenched in the Act. The MOI was presented to and adopted by the shareholders on 18 January 2013.

The other important issue that was discussed was that of board tenure and director independence. This is discussed further on page 79.

JSE LISTINGS REQUIREMENTS

There were a number of amendments and guidance notes issued by the JSE on the listings requirements during 2012. The board is satisfied that the group is fully compliant with the listings requirements, and the annual compliance certificate for the year under review has been submitted to the JSE.

KUMBA 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, SIOC, in which Kumba has a majority 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 to ensure that decisions pertaining to either of the companies are taken by the correct board. 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. Kumba's governance structure is depicted on page 78.

CORPORATE GOVERNANCE CONTINUED

KUMBA GOVERNANCE STRUCTURE

THE BOARD

Board composition

Kumba has a unitary board which is led by an independent non-executive chairman. The board consists of two executive directors and nine non-executive directors, six of whom are independent, as outlined in the table. The non-executive directors have the necessary skills, qualifications and experience to provide judgement that is independent of management on issues material to the group.

Biographical details of each director are provided on page 12.

DIRECTOR	DESIGNATION	APPOINTMENT DATE
Zarina BM Bassa	Independent non-executive director	02 December 2008
Gert S Gouws	Non-executive director	09 February 2006
Frederick (Frikkie) T Kotzee	Executive director (chief financial officer)	01 June 2012
Khanyisile T Kweyama	Non-executive director	15 October 2012
Norman B Mbazima*	Executive director (chief executive)	01 September 2012
Dolly D Mokgatle	Independent non-executive director	07 April 2006
Allen J Morgan	Lead independent non-executive director	09 February 2006
Litha M Nyhonyha	Independent non-executive director	14 June 2011
Buyelwa P Sonjica	Independent non-executive director	01 June 2012
Fani Titi	Independent non-executive director (chairman)	01 October 2012
David M Weston†	Non-executive director	10 February 2010

* Zambian
† British

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 deals with the following:

- regulates the parameters within which the board operates;
- sets out specific responsibilities to be discharged by the board members; and
- requires directors to adhere to the provisions of the MOI.

The board charter also addresses 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 the regulatory 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 for capital expenditure and reviewing investment, capital and funding proposals reserved for board approval in terms of the DAF.
- Appointing the chief executive and executive and non-executive directors on recommendation from the Human Resources, Remuneration and Nomination Committee (Remco).
- Approving succession planning for the board and key positions within the group.

- Ensuring the integrity of financial reporting and the full and timely disclosure of material matters concerning the group.

Changes to the board during the year

A formal procedure exists for the appointment of directors to the board. This procedure is transparent and a matter for the board as a whole. The Remco applies identified criteria in conducting the search for a director and takes into account the balance of skills, experience and diversity before making a recommendation to the board.

There were a number of changes to the board to both executive and non-executive directors during the year under review. Peter Matlare resigned as a non-executive director on 31 March 2012. On 1 June 2012, Frikkie Kotzee was appointed as an executive director and chief financial officer, following the resignation of Vincent Uren at the end of 2011, and Buyelwa Sonjica was appointed as a non-executive director. On 1 September 2012, Chris Griffith resigned as executive director and chief executive and was replaced by Norman Mbazima. On 1 October 2012, Fani Titi was appointed to the board as the non-executive chairman. He took over from Allen Morgan who had been the interim chairman since 14 December 2010.

On 15 October 2012, Godfrey Gomwe resigned from the board and Khanyisile Kweyama was appointed to the board.

Board meetings and attendance during the year

The board met four times for normal business and twice for special business during the year under review. The special meetings were convened at short notice on 5 and 11 October 2012 to discuss the Sishen unprotected strike. The board held its annual strategy workshop on 24 and 25 May 2012. The board also held a risk and corporate governance workshop on 12 July 2012. See table above for attendance details.

Conflict of interest

Kumba has a conflict of interest policy in place which is designed to assist directors in identifying situations that could present potential conflict 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 Act as well as the listings requirements. A comprehensive register of directors' interests is maintained and updated and signed by each director individually. The register is circulated at each board meeting and formally noted by the board. The directors are called upon to apply their minds to situations where a perception of conflict could arise and appropriate action is recommended.

	Scheduled board meetings				Special board meetings*		Board strategy workshop	Governance and risk workshop
Director	7 Feb	18 May	18 Jul	16 Nov	5 Oct	11 Oct	24 and 25 May	12 Jul
ZBM Bassa	✓	✓	✓	✓	✓	✗	✓	✓
CI Griffith	✓	✓	✓	n/a	n/a	n/a	✓	✓
GG Gomwe	✗	✓	✓	n/a	✗	✓	✓	✗
GS Gouws	✓	✓	✓	✓	✗	✓	✓	✓
FT Kotzee	n/a	n/a	✓	✓	✓	✓	n/a	✗
KT Kweyama	n/a	n/a	n/a	✓	n/a	n/a	n/a	n/a
PB Matlare	✓	n/a	n/a	✓	n/a	n/a	n/a	n/a
NB Mbazima	n/a	n/a	n/a	✓	✓	✓	n/a	n/a
DD Mokgatle	✓	✓	✓	✓	✓	✗	✓	✓
AJ Morgan	✓	✓	✓	✓	✗	✗	✓	✓
LM Nyhonyha	✓	✓	✓	✓	✗	✓	✓	✓
BP Sonjica	n/a	n/a	✓	✓	✗	✗	n/a	✓
F Titi	n/a	n/a	n/a	✓	✓	✓	n/a	n/a
DM Weston	✓	✓	✓	✓	✓	✗	✓	✓

✓ indicates attendance
✗ indicates absence with an apology
n/a indicates individual was not a director of the company at date of meeting
* Special board meetings were called on short notice

Independence

The company secretary and lead independent director assessed the independence of the non-executive directors against the criteria set out in King III, the listings requirements and the Act. The assessment confirmed that six non-executive directors were independent. During the stakeholder engagement in the development of the MOI, the issue of length of term and independence of non-executive directors was discussed. The board is of the view that tenure on its own is not an indicator of independence. The Remco will develop a policy to evaluate independence on any director that has been on the board for more than nine years.

Responsibilities of chairman and chief executive

A clear separation is maintained between the responsibilities of the chairman and the chief executive to also ensure that no one person or a block of persons has unfettered power and that there is and remains an appropriate balance of power and authority on the board. 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's responsibility is to focus on the operation of the business, ensuring it is run efficiently and effectively in accordance with the strategy that is approved by the board.

Election and rotation of directors

Directors are subject to rotation in accordance with the provisions of the MOI of the company and the Act. At least one third of directors in office retire and can offer themselves for re-election at every AGM. Zarina Bassa, Dolly Mokgatle and Allen Morgan will retire by rotation at the AGM to be held on 10 May 2013 and offer themselves for re-election. Directors appointed by the board after the AGM are elected at the next AGM following their appointment. Khanyisile Kweyama, Buyelwa Sonjica and Fani Titi will offer themselves for election at the AGM to be held on 10 May 2013. The board is satisfied that all the directors are eligible for election or re-election.

Director induction and on-going training

All newly appointed directors attend both formal and informal inductions 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; and
- full briefing by the company's sponsor on directors' continuing obligations in terms of the listings requirements.

Non-executive directors can, where necessary, obtain independent professional advice at the expense of the company. Ongoing director training is a key focus area to ensure that directors are informed of the changes in the governance landscape. A governance and risk workshop was held on 12 July 2012 at which the directors were trained on the Competition Amendment Act , the Prevention and Combating of Corrupt Activities Act, the Companies Act and latest amendments to the listings requirements. The directors also

CORPORATE GOVERNANCE CONTINUED

re-evaluated the group's strategic risk areas and reviewed the group's headline risk matrix.

Board and committee performance evaluation

The board evaluates its performance, processes, and procedures on an annual basis. The board carries out an external assessment every two years in which one-on-one interviews with each of the directors is conducted. A comprehensive report of the issues highlighted for focus to improve board performance is presented to the board.

The issues in the report form part of the board affairs agenda for the year under the stewardship of the lead independent director. The results of the 2011 assessment were presented to the board on February 2012. The following areas were highlighted in the process:

- board composition and independence;
- director development;
- succession planning;
- board committee performance; and
- performance of the chairman.

The chairman holds one-on-one meetings with individual directors to deal with any issues that they have raised in their respective responses.

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 AGMs, press announcements of the interim and year-end results, the company's website, its Integrated Report to shareholders and the proxy form shareholders use to exercise their voting rights. Furthermore, in 2013, the chairman and the chairmen of the various board committees will engage directly with the investment community.

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 listings requirements. Kumba's company secretary is not a director of the company or its subsidiaries and therefore, maintains an arms length relationship with the board of directors. 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 board, the company itself and, where appropriate, owners of securities in the company are properly administered in accordance with the relevant laws. The board is satisfied that the company secretary has the competence, qualification and experience required.

Biographical details of the company secretary, Vusani Malie, are provided on page 23.

DEALING IN SECURITIES

In accordance with the 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 listings requirements, directors, their associates and designated employees are prohibited from dealing in the company's securities. Subsequent to the commencement of each closed period, a formal notification is circulated to all directors and employees advising of the closed period which specifies dates of prohibited dealings in the company's securities.

THE EXECUTIVE COMMITTEE

The Executive Committee, chaired by the chief executive, consists of the executive directors, executive function 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.

BOARD COMMITTEES

The board has established four standing committees through which it executes some of its duties. The committees are the Audit Committee, Risk Committee, Social and Ethics 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 respective chairmen of the committees report back to the board on the deliberations of the committees and the minutes of the committee meetings are circulated to the board. Further information on the committees is contained in the subsequent pages.

RISK COMMITTEE

Introduction

The Risk Committee was established to assist the board with its responsibilities for the governance of risk. 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 the group's risk philosophy;
- assessing whether information management risks are adequately managed;
- reviewing the regulatory compliance framework and whether the regulatory compliance risks are adequately managed;
- assessing whether the combined assurance model on risk is appropriate and that assurance received is adequate; and
- reviewing the adequacy of the group insurance programme.

Composition

The committee is constituted of all the members of the Audit Committee and two additional non-executive directors. The committee comprises the following members:

- LM Nyhonyha (chairman)
- ZBM Bassa
- GS Gouws
- DD Mokgatle
- AJ Morgan
- BP Sonjica

Zarina Bassa was chairman of the committee until 30 June 2012.

Frequency and attendance of committee meetings

The committee met four times during the period under review. In addition, the committee facilitated the board risk workshop in which the board identified headline risks to be mitigated and managed. The committee will convene further risk workshops in 2013 to assist the board in reviewing the group strategy and determining the risks attendant to the strategy and to set the group's risk appetite. In addition to the committee members, the chief executive, 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:

Member	3 Feb	10 May	12 Jul	8 Nov
LM Nyhonyha	n/a	n/a	✓	✓
ZBM Bassa	✓	✓	✓	✓
DD Mokgatle	✓	✓	✓	✓
AJ Morgan	✓	✓	✓	✓
GS Gouws	✓	✓	✓	✓
GG Gomwe	✓	n/a	n/a	n/a
BP Sonjica	n/a	n/a	✓	✓

✓ indicates attendance
n/a indicates individual was not a member of the committee at date of meeting

The risk management report on page 24 provides further detail on the governance of risk in the group.

SOCIAL AND ETHICS COMMITTEE

Introduction

The Social and Ethics Committee is constituted as a statutory committee in terms of the Act, as well as a board committee approved by the board.

The committee is responsible for developing policies and guidelines to manage social, economic and sustainable development, safety, health and environmental matters. The committee normally meets three times every year which includes a visit to a community project supported by Kumba. The committee has terms of reference in place and its mandate includes both statutory and board delegated duties which include monitoring the company's activities, having regard to any relevant legislation, regulator, best practice and codes with respect to:

- social and economic development;
- good corporate citizenship;
- environmental management, safety and health of employees and communities in which the company operates; and
- labour and employment practices.

The committee performs the following duties on behalf of the board:

- reviews recommendations of group standards and national and international regulation on safety, sustainable development, health and environmental management; and
- ensures that the group Business Integrity Policy and performance standards are managed effectively through the leadership of the audit committee.

Composition

The committee comprises the following non-executive directors:

- DD Mokgatle (chairman)
- KT Kweyama
- AJ Morgan
- BP Sonjica

Frequency and attendance of committee meetings

In addition to the committee members, the chief executive, the executive head of Safety and Sustainable Development, the executive head of Public Affairs and the executive head of Human Resources attend meetings of the committee.

During the review period, the committee met four times. Attendance of meetings held during the year under review is presented below:

Member	6 Feb	14 Mar	10 May	8 Nov
DD Mokgatle	✓	✓	✓	✓
AJ Morgan	✓	✓	✓	✓
BP Sonjica	n/a	n/a	n/a	✓
KT Kweyama	n/a	n/a	n/a	✓
GG Gomwe	✓	✘	✓	n/a
PB Matlare	✓	✘	n/a	n/a

✓ indicates attendance
✘ indicates absence with an apology
n/a indicates individual was not a member of the committee at date of meeting

The Sustainable Development Report contains further information on the activities of the company that the committee oversees.

HUMAN RESOURCES, REMUNERATION AND NOMINATION COMMITTEE (REMCO)

Introduction

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;
- approving 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; and
- reviewing the performance of the board and its committees and senior management.

Composition

The committee comprises the following non-executive directors:

- AJ Morgan (chairman)
- GS Gouws
- KT Kweyama
- F Titi

Frequency and attendance of committee meetings

In addition to the committee members, the chief executive and the executive head of human resources attend meetings of the committee. The committee met four times. Attendance of meetings held during the year under review is presented below:

Member	2 Feb	16 Mar	8 May	6 Nov
AJ Morgan	✓	✓	✓	✓
F Titi	n/a	n/a	n/a	n/a
GS Gouws	n/a	✓	✓	✓
KT Kweyama	n/a	n/a	n/a	n/a
GG Gomwe	n/a	n/a	✓	n/a
PB Matlare	✓	✓	n/a	n/a

✓ indicates attendance
n/a indicates individual was not a member of the committee at date of meeting

Detail of the activities of the committee for the period under review are provided in the remuneration report on pages 20 to 26 of the Annual Financial Statements 2012.

REPORT OF THE AUDIT COMMITTEE

for the year ended 31 December 2012

Introduction

The committee is pleased to present its report for the financial year ended 31 December 2012 as recommended by the King Report's principles of good corporate governance (King III) and in line with the Companies Act.

The Audit Committee is constituted as a statutory committee of the group, as well as a board committee approved by the board.

The committee has terms of reference in place, which include both its statutory duties and those assigned to it by the board.

Its mandate includes:

- monitoring the integrity of the group's integrated reporting and regarding all factors and risks that may impact on the reporting;
- nominating 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;
- ensuring that a combined assurance model is applied to provide a co-ordinated 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; and
- evaluating the effectiveness of the committee.

Composition

The Audit Committee, appointed by the board and approved by the shareholders in respect of the financial year ended 31 December 2012, comprised the following independent non-executive directors, who have the requisite financial skills and experience to fulfil the committee's duties:

- ZBM Bassa (chairman)
- DD Mokgatle
- AJ Morgan
- LM Nyhonyha

Details of the members of the Audit Committee are available on pages 12 and 13 as well as on the company website at: www.angloamericankumba.com/au_directorate.php.

During the year under review the current members of the committee were nominated by the board for re-election and all the members having availed themselves for re-election by shareholders at the 2012 annual general meeting were re-elected accordingly.

Frequency and attendance of Audit Committee meetings

In addition to the committee members, the chief executive, chief financial officer, the risk manager, heads of finance and internal auditors and external audit attend meetings of the committee by invitation.

The committee or the chairman meets separately with management, internal audit and external audit prior to or at every meeting. During the year under review, the committee met five times. Attendance of meetings held during the year under review is presented in the following table:

Member	3 Feb	14 March	10 May	16 July	8 Nov
ZBM Bassa	✓	✓	✓	✓	✓
DD Mokgatle	✓	✓	✓	✓	✓
AJ Morgan	✓	✓	✓	✓	✓
LM Nyhonyha	✓	✓	✓	✓	✓

✓ Indicates attendance

Oversight for risk management

Although the board has a Risk Committee to assist with the discharge of its duties with regard to the integrated risk management process, the Audit Committee has an interest in risk management as a result of its responsibility for internal controls. The chairman of the group's Risk Committee, Litha Nyhonyha, is a member of the Audit Committee and the chairman of the Audit Committee, Zarina Bassa, is a member of the Risk Committee, to ensure that the Audit Committee is aware of matters canvassed by the Risk Committee which may impact the control environment. Zarina Bassa was chairman of the Risk Committee until 30 June 2012. All the other members of the Audit Committee are also members of the Risk Committee.

Internal audit

The group's internal audit function is fulfilled by Anglo Business Assurance Services (ABAS) and provides the board with assurance on the key areas of the group's internal and internal financial controls.

The internal audit plan for the 2012 financial year was reviewed and approved by the committee. The year under review saw an extensive rollout of internal financial controls testing for effectiveness and adequacy as elaborated on below.

Internal audit provides assurance that the company operates in a responsibly governed manner by performing the following functions:

- evaluating ethics management;
- objectively assuring effectiveness of risk management and the internal control framework;
- analysing and assessing business processes and associated controls; and
- reporting audit findings and recommendations to management and the Audit Committee.

ABAS has tested the group's internal financial controls in order to provide the board with assurance on the key areas of the group's internal financial controls. These systems are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the financial statements and to safeguard, verify and maintain accountability of its assets, as well as to detect and minimise significant fraud, potential liability, loss and material misstatement, while complying with applicable laws and regulations.

The committee is of the opinion, having considered the positive assurance statement provided by ABAS, that the group's system of internal financial controls is effective and provides reasonable assurance that the financial records may be relied upon for the preparation of the annual financial statements.

Duties carried out in 2012

The committee is satisfied that, during the financial year ended 31 December 2012, it has considered and discharged its duties and responsibilities as required by section 94(2) of the Companies Act, King III, the committee's terms of reference and in accordance with its annual plan.

Statutory duties of the committee:

- evaluated the independence and effectiveness of the external auditors, Deloitte, and having conducted such assessment, accordingly nominates Deloitte as independent auditors to continue in office until the conclusion of the 2013 annual general meeting, noting that Grant Krog would be withdrawing from the Deloitte partnership and Sebastian Carter is proposed to take over from him. The committee agreed to recommend the approval of Sebastian Carter as the lead partner to the board and shareholders;

- considered and approved the audit fee payable to the external auditors for the year ended 31 December 2012;
- ensured and satisfied itself that the appointment of the external auditor is in compliance with the Companies Act, The Auditing Professions Act, 2005 and the Listings Requirements of the JSE; and
- considered and pre-approved non-audit services and fees provided by the external auditors in terms of an established policy to ensure that the independence of the external auditors is not compromised.
- performed the Audit Committee functions for subsidiaries within the group as contemplated in section 90 of the Companies Act.
- reviewed the findings of the external assurance provider, PwC, emanating from the performance of an independent assurance exercise on the sustainability content of the integrated report. The committee is satisfied with the findings of the independent assurance exercise and in addition has reviewed the sustainability information set out in the integrated report and is satisfied that the sustainability information is reliable and consistent with the information contained in the annual financial statements.

The committee performed the following additional duties:

- reviewed the group financial statements and declaration of compliance with statutory requirements;
- reviewed interim reports, results announcements and release of price sensitive information;
- reviewed the quality, independence and effectiveness of the internal audit process, as well as the positive assurance opinion of the internal auditor on internal financial controls;
- 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;
- recommended the reappointment of the external auditors and engagement partner to shareholders;
- ensured that the appointments of the external auditors complied with all relevant legislation;
- reviewed the fees to be paid to the external auditors and ensured that they were fair and equitable;
- maintained a non-audit services policy;
- 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;
  - strategic risks;
  - operational risks;
  - IT governance risks;
- reviewed and were satisfied with the expertise of the chief financial officer; and
- reviewed the group's compliance with the requirements of King III, the Companies Act and JSE's listing requirements.

Combined assurance

The Audit Committee has reviewed the company's combined assurance model and has satisfied itself as to its completeness, that the level of unmitigated risks both individually and in totality are within the risk appetite of the group and that there is sufficient assurance provided to manage risks and the control environment through both internal and external assurance providers.

Legal matters

Updates on the legal matters are provided at the committee's meetings.

Ore reserves and mineral resources

The group's ore reserves and mineral resources and changes thereto are reviewed annually by the committee.

Finance function and chief financial officer

The committee conducted an assessment of the appropriateness, skills, expertise and resourcing of the finance function and was satisfied with the overall adequacy and appropriateness of the function. The committee further reviewed the expertise and experience of the chief financial officer, Frikkie Kotzee (view Mr Kotzee's abridged profile on page 12) and was satisfied with the appropriateness of the expertise and experience of the chief financial officer, as well as the acting chief financial officer, Martin Poggiolini, who acted in this capacity from 1 January 2012 to 31 May 2012.

Going concern

The Audit Committee has reviewed a documented assessment, including key assumptions, prepared by management of the going concern status of the group and has made recommendation to the board in accordance therewith. The board's statement on the going concern status of the group, as supported by the Audit Committee, is found on page 17 of the Annual Financial Statements 2012.

Annual financial statements

The Audit Committee has evaluated the group and company annual financial statements for the year ended 31 December 2012 and concluded that they comply, in all material aspects, with the requirements of the Companies Act and IFRS.

The committee has therefore recommended the approval of the annual financial statements to the board.

Integrated report

The committee fulfils an oversight role regarding the group's integrated report and its reporting processes and having regard to material factors that may impact on the integrity of the information, has recommended the integrated report for approval by the board.

Conclusion

The committee is satisfied that it has considered and discharged its responsibilities in accordance with its mandate and terms of reference during the year under review.

ZBM Bassa
Chairman, Audit Committee

8 February 2013

ORE RESERVES AND MINERAL RESOURCES

Kumba continuously strives to deliver in terms of quality, reliability and consistency.

In line with this ethos, the Kumba corporate office as well as site technical service departments have spent a considerable amount of effort on the annual estimation and subsequent reporting of Kumba's Ore Reserves and Mineral Resources.

INTRODUCTION AND SCOPE

Our reporting is governed by the SAMREC Code (2007 edition - July 2009 amended version), Kumba's Resource and Reserve Reporting Policy (http://www.angloamericankumba.com/sd_policies.php), and supporting reporting procedures and templates derived from the latter.

The material contained in this document serves as an indication of Kumba's Ore Reserve and Mineral Resource status at 31 December 2012. It is not an inventory of all mineral occurrences drilled or sampled but is a realistic record of those which, under assumed and justifiable technical and economic conditions, may be economically extractable at current and in the future. The term 'Ore Reserves' in the context of this report has the same meaning as 'Mineral Reserves', as defined by the SAMREC Code. In the case of Kumba, the term 'Ore Reserves' is preferred because it emphasises the difference between these and Mineral Resources.

The declaration of Ore Reserves in this document is derived from Indicated and Measured Mineral Resources only (those modified or converted into RoM reserves and which have been scheduled for processing). Commodity prices and exchange rates used to estimate the current economic viability of Ore Reserves and reasonable prospects for future economic extraction of Mineral Resources are based on Anglo American plc's long-term forecasts.

Ore Reserve estimates for the mining operations were updated two months before the end of the financial year while Mineral Resource estimates, reported in addition to Ore Reserves, were reported according to the latest available geological models. Typically, these are updated six to eight months before the end of the year of reporting.

This estimate of Kumba's Ore Reserves and Mineral

Resources starts with a broad overview, and is followed by a more detailed description of the Ore Reserves and Mineral Resources of Kumba's operations and growth projects.

These operations and projects (seen in the map below) are:

- Kolomela mine in the Northern Cape Province near the town of Postmasburg;
- Sishen mine in the Northern Cape Province near the town of Kathu which accounts for the bulk of Kumba's production;
- Thabazimbi mine in Limpopo Province near the town of Thabazimbi; and
- the Zandrivierspoort project, approximately 25 km northeast of Polokwane in Limpopo Province.

Geographic locations of Kumba operations and projects for which Ore Reserves and Mineral Resources have been declared

OPERATIONS IN SOUTHERN AFRICA

01

01 Sishen mine accounts for the bulk of Kumba's production.

ATTRIBUTABLE SHAREHOLDING

Kumba, as the parent holding company, has access to its iron ore Reserves and Resources through SIOC via a 73.93% shareholding. Ore Reserve and Mineral Resource estimates are stated in full (as if for 100% shareholding).

The shares of mineral assets attributable to SIOC, Kumba and Anglo American are summarised in the table below.

Mineral assets held by SIOC, attributable to Kumba and Anglo American plc (%)

Mineral asset	% attrib. to SIOC	% attrib. to Kumba	% attrib. to other	% attrib. to AAplc via Kumba[1]
Kolomela mine	100.0	73.9	26.1	51.5
Sishen mine	100.0	73.9	26.1	51.5
Thabazimbi mine	100.0	73.9	26.1	51.5
Phoenix project	100.0	73.9	26.1	51.5
Zandrivierspoort project[2]	50.0	37.0	63.0	25.8

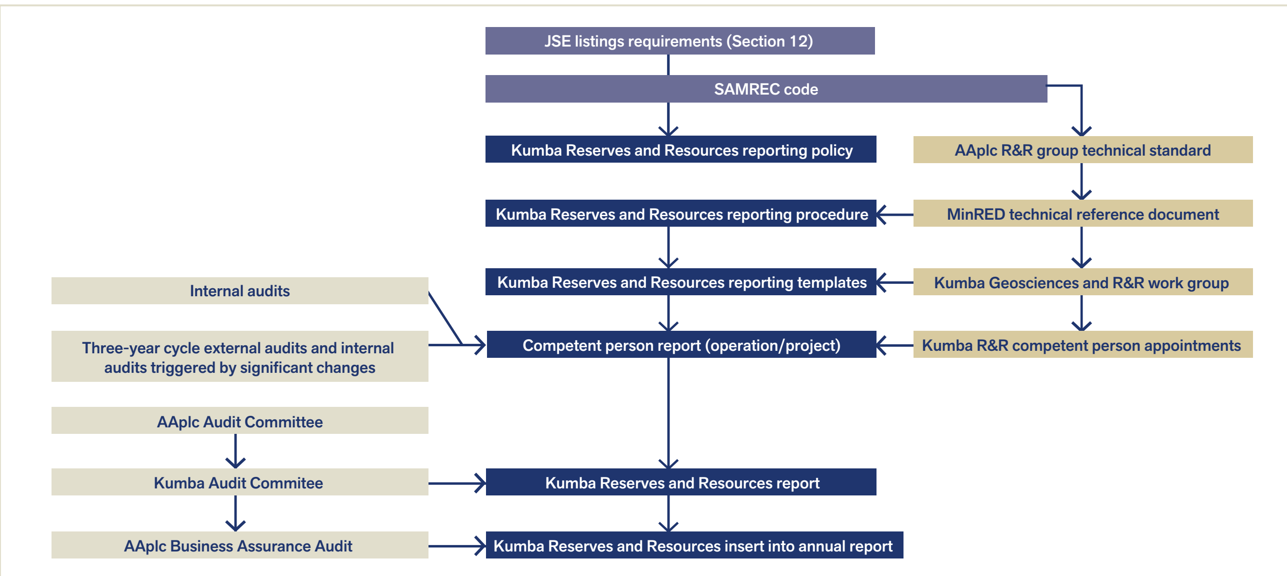
[1] SIOC is 73.93% owned by Kumba, which in turn is 69.72% owned by Anglo American plc (as at 31 December 2012)

[2] Zandrivierspoort is a 50:50 JV between AMSA and SIOC

GOVERNANCE AND COMPETENCE

Kumba's Ore Reserve and Mineral Resource reporting framework is summarised in the diagram below.

The Kumba reserve and resource reporting framework



ORE RESERVES AND MINERAL RESOURCES CONTINUED

KUMBA'S ORE RESERVE AND MINERAL RESOURCE REPORTING FRAMEWORK

Ore Reserve and Mineral Resource estimation governance and execution processes are continually refined. Kumba's Executive Committee identified the Mineral Resource estimation and LoM optimisation and scheduling processes as critical to the company's success and sanctioned the development of standardised responsibilities and accountabilities across the company.

All competent persons (see table that follows) have been duly appointed and made aware of their responsibility to undertake unbiased Ore Reserve and/or Mineral Resource estimation at an operational or project level. They have sufficient relevant experience in the style of mineralisation, type of deposit and mining method, as well as in the activity for which they have taken responsibility, to qualify as a competent person, as defined by the 2007 SAMREC Code (July 2009 amended version). The Ore Reserve and Mineral Resource estimates have been signed off by the relevant competent persons who consent to the inclusion of the information in this report in the form and context in which it appears.

Kumba's competent persons register 2012

Operation	Field	Name	Years relevant experience	Designation	Professional organisation	Registration number
COMPANY						
Kumba Iron Ore	Mineral Resources	Jean Britz	8	Principal, Mineral Resources	SACNASP	400423/04
Kumba Iron Ore	Ore Reserves	Theunis Otto	8	Head, Mining Process	ECSA	990072
MINING OPERATIONS						
Sishen mine	Mineral Resources	Johan J Pretorius	18	Senior Resource Geologist	SACNASP	400100/2000
Thabazimbi mine	Mineral Resources	Venter J Combrink	13	Senior Resource Geologist	SACNASP	400053/08
Kolomela mine	Mineral Resources	Mike D Carney	13	Mineral Resource Manager	SACNASP	400096/99
Sishen mine	Ore Reserves	Jaco F Van Graan	6	LoM Planning Manager	ECSA	20100342
Thabazimbi mine	Ore Reserves	Hermanus J Kriel	17	Consulting Mining Engineer	ECSA	20080140
Kolomela mine	Ore Reserves	Terence Jordaan	8	Senior Mining Engineer	ECSA	20110246
PROJECTS						
Zandrivierspoort	Mineral Resources	Pieter J Mienie	25	Commodity Leader Ferrous	SACNASP	400093/88
Zandrivierspoort			No Ore Reserve declared in 2012			

MINERAL RIGHTS AND SECURITY OF TENURE

All Ore Reserves and Mineral Resources quoted in this report are contained within areas that have new order mining and prospecting rights held by SIOC. 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 2012 Ore Reserves and subsequent saleable product figures have been derived.

The same applies to all Mineral Resources stated for 2012. They are contained within areas for which new order mining or prospecting rights have been granted and executed. Kumba's portfolio of prospecting rights, which is held through 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 for five-year periods. The first of the new order prospecting rights expired in 2011. In cases where Kumba has a continued interest, the necessary renewal or conversion applications were timeously submitted.

It is public knowledge that SIOC instituted a High Court review application in 2010 to challenge the grant by the DMR of an iron ore prospecting right application by a third party, Imperial Crown Trading 189 Proprietary Limited (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. This application was rejected by the DMR, a decision which was challenged by SIOC in appeal proceedings.

In December 2011, judgment was delivered in the High Court regarding the status of the mining rights at the Sishen mine. The High Court held that, upon the conversion of SIOC's old order mining right relating to the Sishen mine properties in 2008, SIOC became the exclusive holder of a converted mining right for iron ore and quartzite in respect of the Sishen mine properties. The High Court held further that as a consequence, any decision taken by the DMR after such conversion in 2008, to accept or grant any further rights to iron ore at the Sishen mine properties was void.

Finally, the High Court reviewed and set aside the decision of the DMR to grant a prospecting right to ICT relating to iron ore as to a 21.4% share in respect of the Sishen mine properties.

On 3 February 2013 both the DMR and ICT submitted applications for leave to appeal against the High Court judgment. SIOC applied for leave to present a conditional cross-appeal in order to protect its rights. The SCA hearing was held on 19 February 2013 and the SCA judgment is expected to be received in the second quarter of 2013.

RISK, LIABILITY AND ASSURANCE

Kumba provides assurance for the quoted estimates through a rolling audit schedule. This means that each site undergoes an external audit once every three years. Apart from validating adherence to the SAMREC Code as far as reporting practices and actual reported figures are concerned, the scope of each external audit also includes an evaluation of the:

- Mineral Resource estimation processes (borehole database, wire frames, block models, classification and reporting); and
- Ore Reserve estimation and LoM planning processes (mining block modelling, pit optimisation, pit design, scheduling, geotechnical input and assessments, and geohydrological input).

Site visits by the external auditors are compulsory as per Kumba master contract. XStract Mining Consultants (Australia), a Calibre Group company, has been appointed to independently review Ore Reserves and Mineral Resources (see table below).

Kumba's recently commissioned Kolomela mine's Reserves and Resources were reviewed by XStract in 2012.

Reserve and LoM and Resource estimation audit schedule

		2012				2013				2014				2015				
Operation	Resource and/or Reserve	1st	2nd	3rd	4th	1st	2nd	3rd	4th	1st	2nd	3rd	4th	1st	2nd	3rd	4th	Comments
Sishen mine	Resource						All[1]											1) Planned External Audit of 2012 Resources by XStract
	LoM plan and Reserve						All[2]											2) Planned External Audit of 2012 Ore Reserves by XStract
Kolomela mine	Resource		All[3]												All[5]			3) External Audit by XStract on 2011 Resources completed 5) Planned External Audit on 2014 Resources
	LoM plan and Reserve		All[1]												All[6]			4) External Audit by XStract on 2011 Reserves & LoM completed 6) Planned External Audit on 2014 Reserves & LoM
Thabazimbi mine	Resource										All[7]							7) Planned External Audit on 2013 Resources by XStract
	LoM plan and Reserve										All[3]							8) Planned External Audit on 2013 Reserves and LoM by XStract
Zandrivierspoort	Resource						All[6]											9) Planned External Audit of 2012 Pre-feasibility Resources by XStract
	LoM plan and Reserve									All[10]								10) Planned External Audit of 2012 Pre-feasibility Reserves and LoM Plan by XStract

The findings resulting from this review have been prioritised, and captured in action plans to be addressed according to schedule. The highest rank finding relates to the representivity of samples from which Mineral Resource grade estimates are derived. No quality assurance (QA)/quality control (QC) metadata exists for most of the historically generated grade information to indicate sample representivity.

Kumba acknowledges this finding and can confirm that stringent QA/QC protocols have been in place since 2010 to ensure sample (grade) representivity. Although Kolomela mine does consider sample representivity in its quantitative scorecard Mineral Resource classification process, we will consider a recommendation to assign a higher weighting to this element in future classification events. Furthermore, Kumba corporate office is in the

ORE RESERVES AND MINERAL RESOURCES CONTINUED

process of developing a comprehensive sample representivity indexing system, considering the total sampling value chain to be applied throughout the company during Mineral Resource classification.

On a practical front, the Kolomela mine is conducting infill drilling, considering twin drilling to quantify the risk as identified and conducting an in-depth validation of its borehole database to identify all data that cannot be substantiated.

Sishen mine's Mineral Resources, Ore Reserves and LoM plan, together with the Zandrivierspoort project (concept phase) Mineral Resource, will be audited in 2013.

The internal review process whereby mandatory stage-gate reviews are scheduled for project Reserves and Resources after concept, pre-feasibility and feasibility stages have been further refined and now include the following triggers for additional reviews:

- A year-on-year decrease of 10% or more in Measured plus Indicated Mineral Resources or Proved plus Probable Ore Reserves (tonnages and/or average Fe grade), excluding depletion and production figures for a mining operation. This criterion is applicable to all mining operations with a mine life longer than six years and triggers a C(I) Review (internal independent appraisal of methodologies applied) with recommendations for possible follow-up higher A or B level reviews.
- A year-on-year increase of 15% or more in Measured plus Indicated Mineral Resources or Proved plus Probable Reserves (tonnages and/or average Fe grade). This criterion is applicable to all mining operations with a mine life exceeding six years and triggers a C(I) Review with recommendations for possible follow-up higher A or B level reviews.
- A year-on-year increase of 25% or decrease of 20% in Measured plus Indicated Mineral Resources or Proved plus Probable Ore Reserves for a mining operation with a mine life less than or equal to six years (excluding depletion and production figures) or a project beyond a pre-feasibility stage but pre-implementation, triggers a C(I) Review with recommendations for follow-up higher A or B level reviews.

An internal independent Mineral Resource and Ore Reserve Reporting process audit (Report KIO_1205_R&R_EP) conducted by the Anglo American Business Assurance Department during April and May of 2012 has concluded that:

"Overall, the reserves and resources reporting process at Kumba Iron Ore is mature and is supported by robust controls to ensure that the risks associated with this process are managed effectively."

SUMMARY OF RESERVE AND RESOURCE ESTIMATES

ORE RESERVES

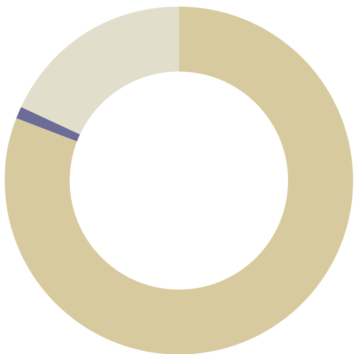
As at 31 December 2012, Kumba, via its shareholding in SIOC, had access to an estimated haematite Ore Reserve of 1.1 billion tonnes at an average unbeneficiated grade of 60.2%°Fe at its three mining operations (see the diagram below):

- Kolomela mine (209.5 Mt @ 64.4% Fe);
- Sishen mine (918.9 Mt @ 59.2% Fe), and
- Thabazimbi mine (9.5 Mt @ 60.6% Fe).

This relates to a total Ore Reserve of 840.9 million tonnes if Kumba's 73.93% attributable shareholding in the various operations is considered.

SIOC 2012 ORE RESERVE PORTFOLIO

% per site



Sishen mine	81	(918.9Mt)
Thabazimbi mine	1	(9.5Mt)
Kolomela mine	18	(209.5Mt)

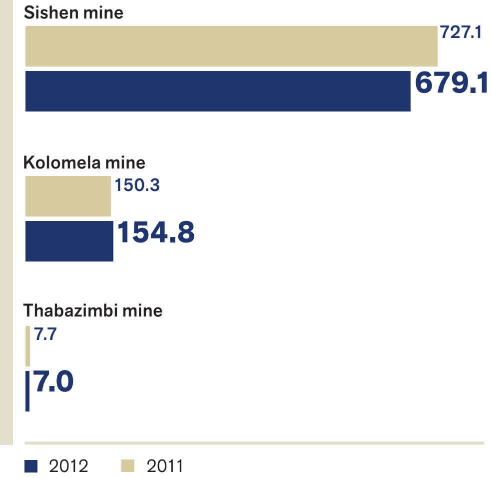
SIOC 2012 ORE RESERVE PORTFOLIO

% per confidence class

Proved	66	(751.0Mt)
Probable	34	(386.9Mt)

KUMBA IRON ORE ATTRIBUTABLE ORE RESERVES

Mt



01 Sishen mine yields high-grade iron ore, primarily for the export market.

Ore Reserve annual movement from 2011 to 2012 (per site and per Ore Reserve class)

A 5% net decrease of 59.8 Mt is noted for the total 2012 Kumba Ore Reserve compared to 2011. A 49.8 Mt annual RoM or Ore Reserve production (including 2.6 Mt from RoM stockpiles and excluding 2 Mt Inferred Mineral Resource depletion), accounts for the majority of the annual decrease.

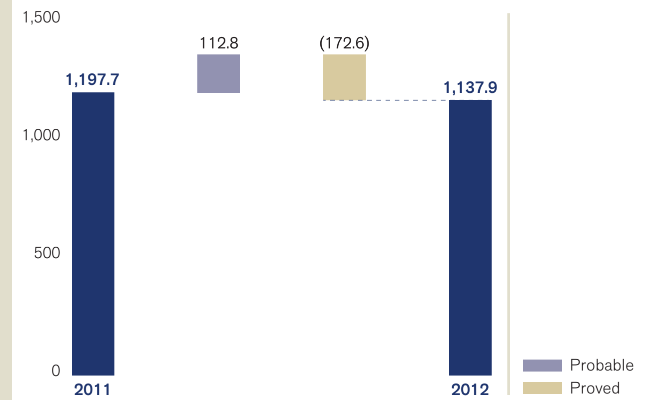
A marked improvement in the Proved to Probable ratio of the Ore Reserves from 53 : 47 in 2011 to 66 : 34 is mainly the result of replacing a borehole sample density classification method with a scorecard classification approach to Mineral Resources at all our sites.

The score card classification spatially considers the geological and grade continuity of parameters critical to each type of deposit. The improvement in Mineral Resource classification is, therefore, carried through to the Ore Reserve classification.

See diagrams below summarising the Ore Reserve Movement per confidence class and life.

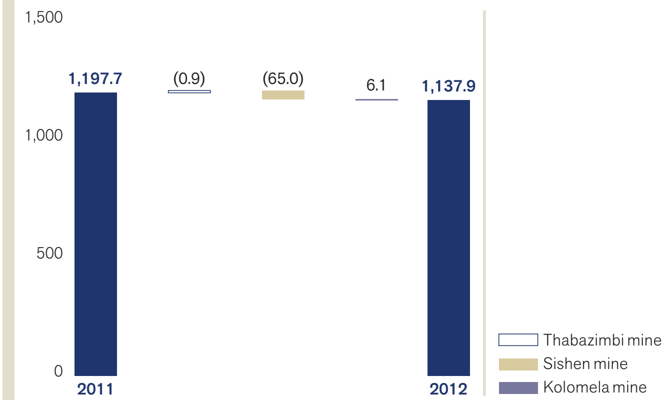
KUMBA ORE RESERVES MOVEMENT

Mt per confidence class from 2011 to 2012



KUMBA ORE RESERVE MOVEMENT

Mt movement per site from 2011 to 2012



Ore reserves and mineral resources

ORE RESERVES AND MINERAL RESOURCES CONTINUED

The table below provides a full account of Kumba's Ore Reserves.

Kumba's Ore Reserve statement for 2012 (referenced against 2011)

				2012					2011				
				Ore Reserves									
	Operation/project	% attrib. to Kumba	Reserve category	Tonnage (Mt)	Grade (%Fe) Average	Grade (%Fe) Cut-off*	Reserve life** Years	LoM** Years	Tonnage (Mt)	Grade (%Fe) Average	Grade (%Fe) Cut-off*	Reserve life** Years	LoM** Years
Mining operations	Kolomela mine[1]	73.9	Proved	107.6	64.8				109.7	64.9			
			Probable	102.0	64.0				93.7	64.3			
			Sub total	209.5	64.4	42	24	29	203.4	64.6	42	23	27
	Sishen mine[2]	73.9	Proved	642.9	59.4				525.8	58.9			
			Probable	276.0	58.8				458.1	59.3			
			Sub total	918.9	59.2	40	17	18	983.9	59.1	40	18	21
	Thabazimbi mine[3]	73.9	Proved	0.4	61.1				2.7	61.4			
			Probable	9.0	60.6				7.7	60.4			
			Sub total	9.5	60.6	55	6	6	10.4	60.7	50	4	6
Company	Kumba Iron Ore – Mining operations		Proved	751.0	60.2				638.2	59.9			
			Probable	386.9	60.2				559.5	60.1			
			Total	1,137,9	60.2				1,197.7	60.0			
	Kumba Iron Ore – Total Ore Reserves		Proved	751.0	60.2				638.2	59.9			
			Probable	386.9	60.2				559.5	60.1			
			Total	1,137.9	60.2				1,197.7	60.0			

- The tonnages are quoted in dry metric tonnes and million tonnes is abbreviated as Mt.
- Rounding of figures may cause computational discrepancies.
- Ore Reserve figures reported at 100% irrespective of percentage attributable to Kumba.
- For Kolomela mine a 24-year reserve life has been quoted in 2012; the corresponding approved LoM, which includes 19% Inferred Mineral Resources is 29 years. Because Inferred Mineral Resources are included in each year of the LoM schedule, a continuous rolling resource definition drilling programme is planned in parallel with production with the aim of decreasing the volume of Inferred material in the given production year. Due to the uncertainty that may be attached to some Inferred Mineral Resources, it cannot be assumed that all or part of an Inferred Mineral Resource will necessarily be upgraded to an Indicated or Measured Resource after continued exploration. Because of this risk (LoM plan contains more than 10% Inferred Mineral Resources), Kolomela mine generated and evaluated a LoM schedule scenario excluding all Inferred Mineral Resources. It was determined that the inclusion of the Inferred Mineral Resources does not have a significant impact on the economic valuation of the mine.
- A 17-year Reserve life has been quoted for Sishen mine in 2012; the corresponding LOM (including 3% Inferred Mineral Resources considered for the LoM plan) is 18 years.
- For Thabazimbi mine a six-year Reserve life has been quoted in 2012; the corresponding LoM (including 23% Inferred Mineral Resources considered for the LoM plan) is six years. The fact that the reserve life equals the LoM plan years despite the latter including 23% Inferred material can be assigned to the fact that the Reserve life schedule scenario could only be made economically viable by reducing the average annual throughput of saleable product tonnes from 1.7Mt to 1.4Mt (with a concomitant 30% increase in cost).

* The cut-off grade used for Ore Reserves is variable and is dependent on our ability to beneficiate and/or blend diluted ore over time which is iteratively determined during LoM plan scheduling to achieve a scheduling grade target set to meet the client specifications. The percentage 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 grade.

** Since 2011, Kumba has quoted Reserve life (the number of years of mining remaining after 31 December of the year of reporting, as calculated from only the scheduled Proved and Probable Ore Reserves within the LoM plan with explicit managerial intent, and based on reasonable prospects for economic extraction and viable modifying factors. Kumba has, however, also retained the term LoM years where the number of years of mining remaining after 31 December of the year of reporting is calculated from the Proved and Probable Ore Reserves and, in addition, also the Inferred Mineral Resources occurring inside final pit layout boundaries which are considered practically and economically mineable (these Inferred Mineral Resources are distinguishable from other not considered for LoM planning by adding the abbreviation 'considered for the LoM plan' or 'outside the LoM plan' in the table on page 87. It should be noted that the Inferred Mineral Resources considered for LoM planning quoted in the Mineral Resource table are not reported as Ore Reserves and do not include modifying factors.

(1) Kolomela mine's Ore Reserves increased by 6.1 Mt (3%) from 2011 to 2012. This can primarily be assigned to the fact that the annual RoM Ore Reserve production of 9.4 Mt has been offset by an increase in Ore Reserves based on an enlargement of the pit layouts in the three mining areas considered in the LoM plan, following a pit optimisation revision to consider the current cost and pricing structure applicable to Kolomela mine.

(2) Apart from the annual production, estimated at 41.4 Mt RoM for 2012 (4.3 Mt from RoM stockpiles), the most significant contribution to the 65 Mt Ore Reserve decrease was the lower Mineral Resource to Ore Reserve conversion rate (less Mineral Resources were converted to Ore Reserves than in 2011 and remained on the RoM stockpile at the end of the LoM schedule and were re-allocated to Mineral Resources). Further, a more conservative scheduling approach was followed in 2012 to achieve a LoM plan that is more executable in terms of the required product specifications (in particular at the end of the mine life when the deeper located Mineral Resources are mined with progressively higher contaminant levels). The final contributing factor to the decrease in the Ore Reserves is the reduction in Banded Iron Formation (BIF) Ore Reserves. The reduction is as a result of the incorporation of newly obtained borehole sample information and a revised Mineral Resource estimation method that considers the trend of decreasing percentage of Fe with depth in the BIF instead of using a single global estimate in cased where borehole sample information is not yet available, 7.2 Mt of the Sishen Probable Ore Reserves are located within prospecting rights immediately adjacent to Sishen Mine.

(3) Overall, the Thabazimbi Ore Reserves decreased by 0.9 Mt from 2011 to 2012. The annual Ore Reserve production of 0.7 Mt was not the only noticeable contributor to the Ore Reserve movement, the Mineral Resource classification approach which was redone to fully implement the preferred Kumba quantitative score card approach, also led to Ore Reserves being re-allocated to Inferred Mineral Resources.

SALEABLE PRODUCT

LoM plans consider current contract and client supply agreement conditions and deliver saleable product (902.5 Mt with an average 65.0% Fe) that is acceptable for off-take in current market conditions, applying metallurgical recoveries representing currently installed beneficiation capacity and efficiencies to Ore Reserves which, in turn, has been derived from and are aligned with the most recent updated site-specific geological models.

MINERAL RESOURCES

Kumba, via its shareholding in SIOC, has a total Mineral Resource base, in addition to Ore Reserves, estimated at 1.2 billion tonnes, of which 800.6 Mt with an estimated average in-situ grade of 60.3% Fe can be assigned to Kumba's mining operations and 375.3 Mt to the Zandrivierspoort low-grade magnetite project which is in the concept phase of evaluation (see graphs below).

Haematite ore bodies:

- Operation: Kolomela mine (166.6 Mt @ 64.0% Fe)
- Operation: Sishen mine (612.2 Mt @ 59.2% Fe)
- Operation: Thabazimbi mine (21.7 Mt @ 62.4% Fe)

Magnetite ore bodies:

- Concept project: Zandrivierspoort project (375.3 Mt @ 34.6% Fe)

01 Infrastructure at Sishen mine includes a high-capacity jig plant.

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The Mineral Resource, in addition to Ore Reserves, relates to a total of 730.5 Mt if Kumba's 73.93% (37% for Zandrivierspoort project) attributable shareholding in the various operations and projects is applied (see graph below).

The 2012 remaining Mineral Resource is 164.7 Mt (12%) less than that reported in 2011 (see graphs below).

A decrease in the BIF Mineral Resource at Sishen mine is the primary reason for this negative movement in Mineral Resources.

Kumba's saleable product for 2012 (referenced against 2011)

	Operation/project		2012 Metallurgical recovery (%)	2011 Metallurgical recovery (%)	2012 Saleable Product Tonnage (Mt)	2012 Saleable Product Grade (% Fe) Average	2011 Saleable Product Tonnage (Mt)	2011 Saleable Product Grade (% Fe) Average
Mining operations	Kolomela mine	Proved	99.8	99.8	107.4	64.8	109.5	65.0
		Probable	99.8	99.8	101.8	64.0	93.5	64.4
		Sub total	99.8	99.8	209.1	64.4	203.0	64.7
	Sishen mine	Proved	75.5	74.7	485.2	65.3	393.0	65.5
		Probable	72.8	76.7	200.9	65.0	351.3	65.1
		Sub total	74.7	75.6	686.1	65.2	744.3	65.0
	Thabazimbi mine	Proved	82.3	84.8	0.4	62.9	2.3	63.2
		Probable	77.1	76.6	7.0	62.9	5.9	63.0
		Sub total	77.3	78.7	7.3	62.9	8.2	63.0
Company	Kumba Iron Ore – Mining operations	Proved	79.0	79.1	592.9	65.2	504.8	65.0
		Probable	80.0	80.6	309.6	64.6	450.7	64.9
		Total	79.3	79.8	902.5	65.0	955.5	64.9
	Kumba Iron Ore – Total saleable product	Proved	79.0	79.1	592.9	65.2	504.8	65.0
		Probable	80.0	80.6	309.6	64.6	450.7	64.9
		Total	79.3	79.8	902.5	65.0	955.5	64.9

ORE RESERVES AND MINERAL RESOURCES CONTINUED

ESTIMATION METHODOLOGY SUMMARY

ORE RESERVES

The geological block model input is initially converted to mining block models through the application of a smallest mining unit (defined by considering resource recovery efficiencies and associated cost). Smallest mining units are sometimes combined for scheduling purposes but the original geological attributes are retained and weighted by tonne for the accurate estimation of modifying factors such as dilution. The mining block model is the platform for subsequent mining engineering functions to derive Ore Reserves.

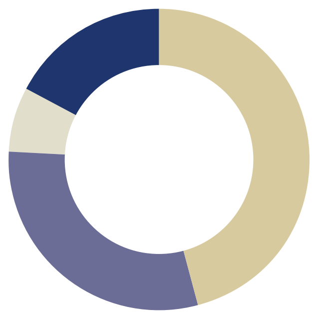
Protocols ensure that Kumba's operations weigh up the expected long-term revenues against the operating and production costs associated with mining and beneficiation as well as legislative, environmental and social costs, in determining whether or not a Mineral Resource can be economically extracted and converted to an Ore Reserve. A Lerchs-Grosmann algorithm is applied to the mining model to derive an optimised pit shell (selected by deriving an optimal cost benefit ratio from a set of so-called set nested pit shells and taking practicable mining execution into consideration). This optimised pit shell is then iteratively converted to a practical layout by applying geotechnical slope stability parameters, designing haul roads and ramps, and taking such matters as legal restrictions into account, with safety being one of the most important aspects.

Once a practical pit layout has been established, the material within the pit is iteratively scheduled to derive a LoM plan (sustainable and constant product throughput over time that satisfies client requirements). For Kumba, achieving client

2012 SIOC EXCLUSIVE MINERAL RESOURCE PORTFOLIO
% per site

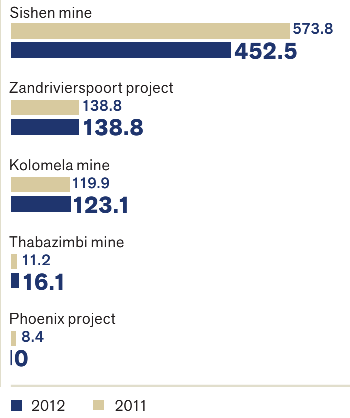
Kolomela mine	14	(166.6 Mt)
Sishen mine	52	(612.2 Mt)
Thabazimbi mine	2	(21.7 Mt)
Zandrivierspoort project	32	(375.3 Mt)

2012 SIOC EXCLUSIVE MINERAL RESOURCE PORTFOLIO
% per confidence interval

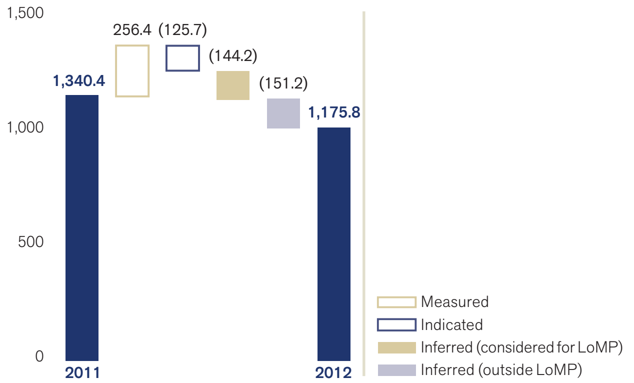


Measured	46	(543.8 Mt)
Indicated	30	(354.7 Mt)
Inferred (considered for LoMP)	7	(78.1 Mt)
Inferred (outside LoMP)	17	(199.3 Mt)

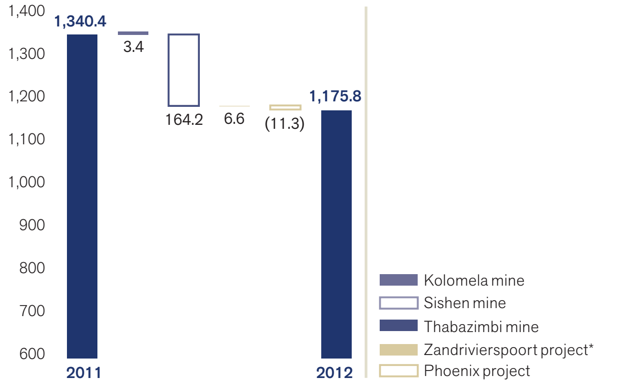
KUMBA IRON ORE ATTRIBUTABLE MINERAL RESOURCES
Mt



EXCLUSIVE MINERAL RESOURCE MOVEMENT
Mt movement per confidence class from 2011 to 2012



EXCLUSIVE MINERAL RESOURCE MOVEMENT
Mt movement per site from 2011 to 2012



* No movement for 2012

specifications has been translated into a Fe grade scheduling target that is slightly higher than client specifications.

This is determined by adding one times the standard deviation of the frequency distribution of the product's Fe grade from the product beds of the mining operation in question (as recorded during the latest applicable fiscal year in terms of the client specification percentage for Fe). The 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 which means that Measured Mineral Resources occurring within the optimised pit are converted to Proved or Probable Ore Reserves and Indicated Mineral Resources are converted to Probable Ore Reserves. The competent person may reclassify the Ore Reserves and even reallocate Ore Reserves back to Mineral Resources should certain mining-related, legal, environmental, governmental and social aspects warrant it.

MINERAL RESOURCES

The geological characteristics of interpretations of the mineral occurrence under consideration, such as structure, lithology and alteration, as derived from borehole logs, geological mapping, geophysical surveys and other procedures, as well as topography are recorded and incorporated into a three-dimensional geological wireframe model. Within the geological wireframe model, the orebody is divided into different zones or domains that reflect areas of common grade, metallurgical characteristics, structure or other relevant characteristics, so that appropriate interpolation functions can be applied to distinct domains within the deposit.

Subsequently, the domains are intersected with statistically analysed and sometimes sub-grouped composited assay and relative density point data in referenced three-dimensional space, after which the data is geostatistically analysed for each domain. Depending on statistical and geostatistical results, sub-domaining may occur. A parent block size is chosen through a kriging neighbourhood analysis exercise to optimise for volume versus grade variance. Based on the latter, a block model is created to intersect the geological wireframe model.

The geological block model is then populated with the critical grade and relative density variables or attributes through various methods of interpolation applicable to the number and spacing of point data available (for example, various types of kriging depending on site specific conditions) for ore domains and inverse distance squared for waste domains. Where data is sparsely distributed, global estimates as derived from statistical analyses of grade and relative density data per domain are assigned to characterise domains.

The interpolated grades and other parameters within the block models are then used to estimate the grades and tonnages of the Mineral Resources under consideration. The 'reasonable and realistic' portion of the SAMREC Code Mineral Resource definition considers whether the mineralisation could be mined in future, given positive economic factors. Thus, Kumba's 2011 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.

The assumption used to differentiate between Mineral Resources and Mineral Inventory (not quoted in this statement) is the application of an 'un-engineered' optimistic pit shell to act as the boundary for 'eventual economic extraction'. Resource (optimistic) shells were established by simply increasing the revenue factor (derived from a long-term view on costs and a long-term forward-looking iron ore price as prescribed by Anglo American, converted into site-specific rand values by Kumba) used to define the optimised pit shell that, in turn, defines current economic viability.

Kumba compiled a guideline for Mineral Resource classification that promotes a score card approach (See figure on page 94). This guideline is the preferred approach to Mineral Resource classification within the company but not a standard, as the company acknowledges the autonomy of its competent persons and technical specialists in defining mineral resource confidence levels. The guideline prompts the competent person to identify parameters critical to the site-specific grade and geological (tonnage) continuity of the orebody. These parameters are then quantified and spatially estimated. Each parameter is captured in every parent cell of the geological block model that intersects ore.

The competent person then is expected to weight each parameter in terms of its importance (according to the competent person's experience and understanding) in relation to the ore deposit grade or geological estimate. The weighting must then be applied to determine a normalised grade confidence index and a geological confidence index (GCI).

These two indices are then again weighted and combined into a resource classification index (RCI). The last step required from the competent person is to assign cut-offs on the normalised RCI figures contained in each parent cell in the geological block model to distinguish between Measured, Indicated and Inferred Mineral Resources.

ANCILLARY RESERVE AND RESOURCE INFORMATION BY OPERATION/PROJECT

All the production-related figures quoted in this section are estimated (9 + 3) as the site Reserve and Resource Statements from which this summary Reserve and Resource Statement was compiled for Kumba, were initiated at the beginning of October 2012.

ORE RESERVES AND MINERAL RESOURCES CONTINUED

Kumba's Mineral Resource (in addition to Ore Reserves) statement for 2012 (referenced against 2011)

				2012			2011		
				Tonnage	Grade (% Fe)		Tonnage	Grade (% Fe)	
Operation project	One type	% attrib. to KIO	Resource category	(Mt)	Average	Cut-off*	(Mt)	Average	Cut-off*
Kolomela mine[1] – Mineral resources in addition to ore reserves	Haematite	73.9	Measured	43.3	64.9		46.6	65.0	
			Indicated	17.0	65.2		16.1	65.1	
			Measured and indicated	60.3	65.0		62.7	65.0	
			Inferred (considered for LoM plan)	50.5	64.2		45.9	64.3	
			Inferred (outside LoM plan)	55.7	62.8	50.0	53.7	62.7	50.0
			Sub total	**166.6**	**64.0**	**50.0**	**162.3**	**64.0**	**50.0**
Sishen mine[2] – Mineral resources in addition to ore reserves	Haematite	73.9	Measured	315.1	61.0		111.1	61.3	
			Indicated	137.3	58.4		274.8	61.6	
			Measured and indicated	452.4	60.2		385.9	61.5	
			Inferred (considered for LoM plan)	24.7	56.0		173.4	49.1	
			Inferred (outside LoM plan)	67.7	55.0	40.0	217.2	53.8	40.0
			Sub total	**544.9**	**59.4**	**40.0**	**776.4**	**56.6**	**40.0**
Sishen mine – End-of-Life Mine Stockpile[3] – Mineral resources in addition to ore reserves	Haematite	73.9	Measured	52.2	58.1				
			Indicated	11.9	57.7				
			Measured and indicated	64.2	58.0				
			Inferred (considered for LoM plan)	0.0	0.0				
			Inferred (outside LoM plan)	3.2	56.7	40.0		Not reported	
			Sub total	**67.3**	**57.9**	**40.0**			
Thabazimbi mine[4] – Mineral resources in addition to ore reserves	Haematite	73.9	Measured	0.2	62.5		1.1	61.1	
			Indicated	10.4	62.5		7.2	62.0	
			Measured and indicated	10.7	62.5		8.3	61.9	
			Inferred (considered for LoM plan)	2.8	60.7		3.0	61.8	
			Inferred (outside LoM plan)	8.2	62.8	55.0	3.9	61.8	55.0
			Sub total	**21.7**	**62.4**	**55.0**	**15.2**	**61.8**	**55.0**
Kumba Iron Ore – mining operations – Total mineral resources in addition ore reserves			Measured	410.9	51.0		158.8	62.4	
			Indicated	176.7	59.2		298.1	61.8	
			Measured and indicated	587.6	60.5		456.9	62.0	
			Inferred (considered for LoM plan)	78.1	61.5		222.2	52.4	
			Inferred (outside LoM plan)	134.9	58.7		274.7	65.7	
			Total	**800.6**	**60.3**		**953.9**	**57.9**	

(1) Kolomela mine has quoted a net 4.3 Mt increase in Mineral Resources from 2011 to 2012. This is primarily as a result of the 2012 pit optimisation which considered an update in costs and pricing. The resulting resource pit shell (spatial boundary defining reasonable prospects of eventual economic extraction) was slightly larger than the previous shell and therefore resulted in a Mineral Resource gain.

(2) The significant 164.2 Mt (21%) decrease in Sishen mine's Mineral Resources can mostly be attributed to a decrease in the Inferred BIF Mineral Resources where the 2012 geological model update confirmed a previous over-estimation of the percentage Fe grade of this material and which was classified as Inferred in 2011. Revised estimation methods (considering the decrease in the percentage Fe of the BIF strata with depth) combined with newly-obtained borehole sample assay data, as part of an on-going large-scale re-sampling programme, resulted in the material decrease. The significant 34% increase in the Measured and Indicated Mineral Resource is the result of a full implementation of the Kumba Mineral Resource Classification Guideline which promotes a quantitative scorecard approach to Mineral Resource classification and replaces the former classification method whereby borehole density was used as a primary classification parameter and geological complexity as a secondary downgrading parameter.

(3) RoM remaining on stockpiles at the end of the LoM plan schedules are separately itemised as Mineral Resources (clause 40 of SAMREC Code) as Kumba is of the opinion that, although this material is not currently economically viable, it still has reasonable prospects for eventual economic extraction, pending changes in specific marketing conditions and/or possible future technological advances, if, and only if, the average grade of the RoM stockpile material is above the Mineral Resource cut-off grade. In 2012, this has been the case at Sishen mine. In total, 67.3 Mt of the Inferred Mineral Resources (outside the LoM plan) is declared in the state in which it occurs on stockpiles at the end of the mine life.

(4) Thabazimbi mine reported an annual increase in Mineral Resources of 6.6 Mt. As Thabazimbi mine is a mature mine, and is captive to a domestic client, frequent pit optimisation revisions are conducted, and as in 2011, the exercise was repeated in 2012 to consider up-to-date cost and pricing structures. This resulted in a significant increase in Mineral Resources, especially at the Donkerpoort Neck area where the resource shell incorporated most of the 6.6 Mt Mineral Resources addition.

Kumba's Mineral Resource (in addition to Ore Reserves) statement for 2012 (referenced against 2011) continued

				2012			2011		
Zandrivierspoort[5] – Mineral resources in addition to ore reserves	Magnetite and Haematite	37.0	Measured	132.9	35.0		128.5	34.9	
			Indicated	177.9	34.5		182.3	34.5	
			Measured and indicated	310.8	34.7		310.8	34.7	
			Inferred (considered for LoM plan)	0.0	0.0		0.0	0.0	
			Inferred (outside LoM plan)	64.5	34.2	23.0	64.5	34.2	23.0
			Sub total	**375.3**	**34.6**	**23.0**	**375.3**	**34.6**	**23.0**
Phoenix[6] – Mineral resources in addition to ore reserves	Haematite	73.0	Measured	Not reported			0.0	0.0	
			Indicated				0.0	0.0	
			Measured and indicated				0.0	0.0	
			Inferred (considered for LoM plan)				0.0	0.0	
			Inferred (outside LoM plan)				11.3	63.0	55.0
			Sub total				**11.3**	**63.0**	**55.0**
Kumba Iron Ore – projects – Total mineral resources in addition ore reserves			Measured	132.9	35.0		128.5	34.9	
			Indicated	177.9	34.5		182.3	34.5	
			Measured and indicated	310.8	34.7		310.8	34.7	
			Inferred (considered for LoM plan)	0.0	0.0		0.0	0.0	
			Inferred (outside LoM plan)	64.5	34.2		75.8	38.5	
			Total	**375.3**	**34.6**		**386.6**	**35.5**	
Kumba Iron Ore – Grand total mineral resources in addition to ore reserves			Measured	543.8	54.7		287.3	50.1	
			Indicated	354.7	46.8		480.3	51.5	
			Measured and indicated	898.4	51.6		767.7	51.0	
			Inferred (considered for LoM plan)	78.1	61.5		222.2	62.4	
			Inferred (outside LoM plan)	199.3	50.8		350.5	52.0	
			Grand total	**1,175.8**	**52.1**		**1,340.4**	**51.5**	

(5) Except for a localised upgrading of 4.3 Mt Indicated to Measured Mineral Resources, based on the competent person's review of the Mineral Resource before publication, no other annual Mineral Resource movements were recorded for the Zandrivierspoort project.

(6) Since the 2011 declared Mineral Resources are not aligned with the beneficiation processes considered for the Phoenix project, it was decided that high-grade haematite Mineral Resources historically quoted would not be reported in 2012 until such time as the project has met the required project evaluation criteria. The Phoenix project is ringfenced and not part of the "captive" mine setup at Thabazimbi mine, i.e. not subject to the exclusive AMSA offtake.

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

Rounding of figures may cause computational discrepancies.

Mineral Resource figures are reported at 100% irrespective of percentage attributable to Kumba.

The term Inferred Mineral Resource (outside the LoM plan) refers to that portion of the Mineral Resources not utilised in the LoM plan of the specific mining operation.

The term Inferred Mineral Resource (considered for LoM plan) refers to that portion of the Mineral Resources utilised in the LoM plan of the specific mining operation. It is reported without having any modifying factors applied, hence the term 'considered for LoM plan' instead of 'inside LoM plan'.

Due to the uncertainty that may be attached to some Inferred Mineral Resources, it cannot be assumed that all or part of an Inferred Mineral Resource will necessarily be upgraded to an Indicated or Measured Resource after continued exploration.

9.9 Mt Inferred Mineral Resources have been extrapolated beyond borehole intersections.

* The cut-off grade quoted for all the Kumba sites except the Zandrivierspoort project, is a fixed chemical cut-off grade. In the case of the Zandrivierspoort project, the 23% Fe cut-off grade is a minimum value, with the cut-off grade being spatially dynamic. A minimum yield of 34.3% is required to define eventual economic extractability. This yield has been empirically derived considering the total in-situ percentage Fe as well as the in-situ magnetite: haematite ratio and a break-even cost that cannot be published because of the sensitivity thereof and considering SIOC's joint venture partner in the project, AMSA.

ORE RESERVES AND MINERAL RESOURCES CONTINUED

KOLOMELA MINE

Kolomela mine's mining right 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 hosting the Sishen deposit towards the north. See map below.

Geology

Iron ore at Kolomela mine is preserved in the chemical and clastic sediments of the Proterozoic Griqualand West Supergroup. These sediments define the western margin of the Kaapvaal Craton in the Northern Cape Province.

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. Karstification has been responsible for the development of deep sinkholes. The iron ore at Kolomela mine has been preserved from erosion within these geological structures. The structural regime that dictates post-depositional changes at Kolomela mine was reviewed in 2011.

Four distinct iron ore types have been described at the Kolomela mine deposit with the bulk of the ores having their equivalents at Sishen mine. There are, however, slight differences in the chemical properties of the ores found at the two deposits. The Kolomela mine deposit comprises high-quality, clastic-textured (29%), laminated (53%), collapse breccia (10%) and conglomeratic (8%) ores. The diagram below is a generalised vertical section depicting the local geological sequence at Kolomela's Leeuwfontein mining area.

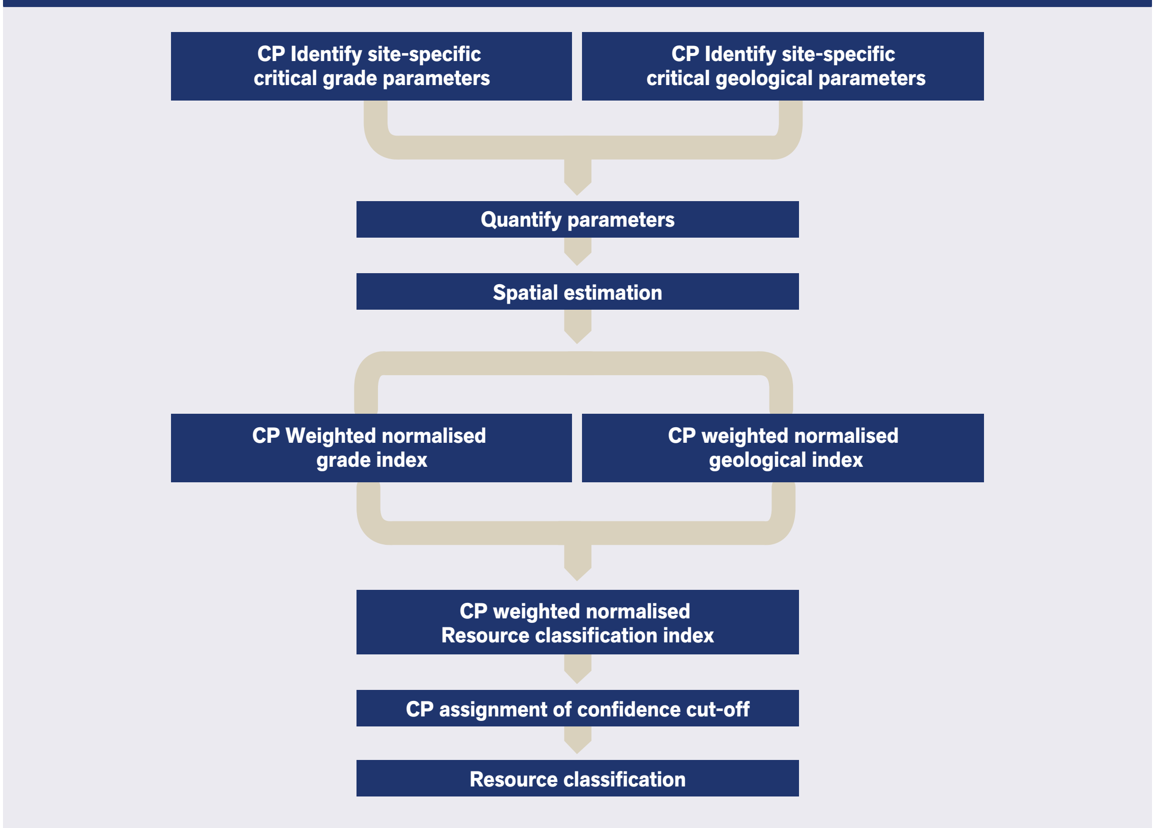
Mining method and processing

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 are applied to mine the group of ore bodies from different pits.

A combination of RoM buffer and product stockpile blending on site, as well as further blending with the product from Sishen mine, are used to ensure that the final product adheres to the required client grade specifications. Product size is controlled via a crushing and screening plant for all buffer stockpile and pit RoM material.

The mine is scheduled to produce 9 Mt of saleable product annually. The iron ore is transported to the Saldanha export harbour via the Orex iron ore export line. The product is marketed to SIOC's current overseas client base as part of the SIOC marketing strategy and will be blended with Sishen mine's product.

KUMBA'S PREFERRED MINERAL RESOURCE CLASSIFICATION GUIDELINE



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01 The stacker-reclaimer at Kolomela mine assists in the blending of different grades of processed ore prior to shipment.

The historical saleable product depletion of Kolomela mine is summarised in the table below.

Saleable product depletion at Kolomela mine.

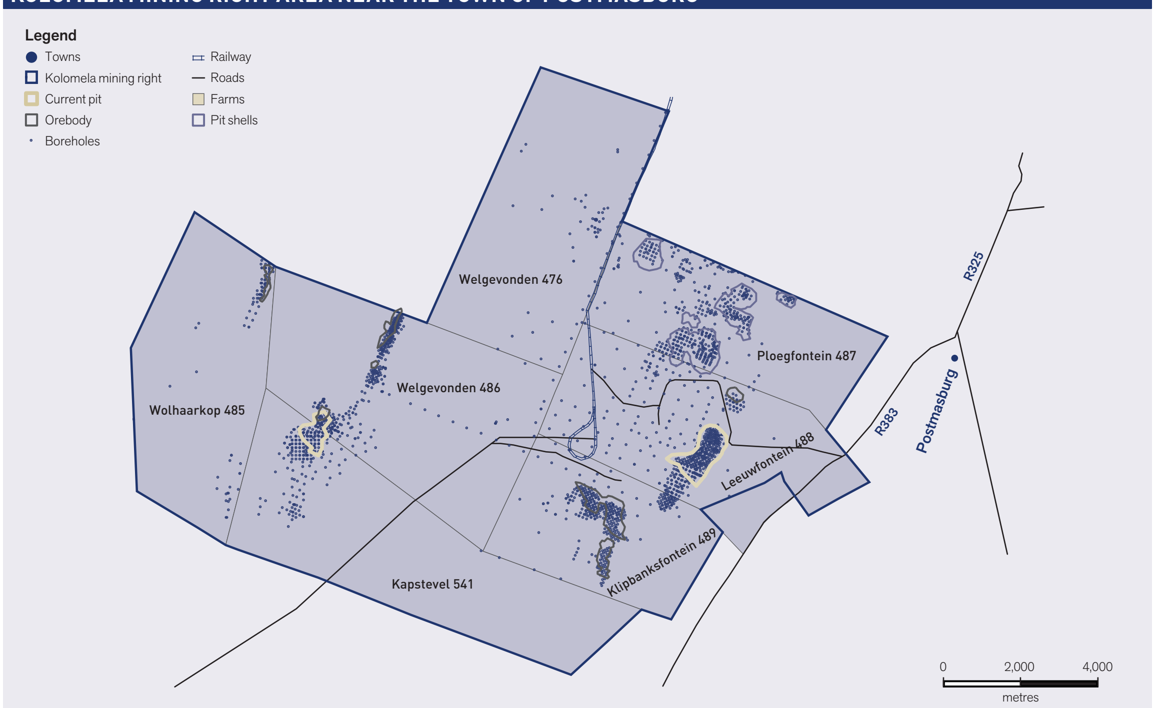
Year	Mt
2010	0
2011	1.5
2012 (Estimate*)	**8.6**

* Report compiles before year end and October, November and December production are estimated using short term planning figures.

As part of the ramp up to installed capacity in 2013, the total tonnes mined at Kolomela mine increased by 27% from 34.6 Mt in 2011 to 44.1 Mt. In 2012, mining resulted in 34.2 Mt of waste and 9.9 Mt of ex-pit ore.

In total, 8.6 Mt of saleable product was produced in 2012 on site from the RoM delivered to the crushing and screening plant, of which 8.2 Mt was railed to the blending beds at Saldanha Bay.

KOLOMELA MINING RIGHT AREA NEAR THE TOWN OF POSTMASBURG



ORE RESERVES AND MINERAL RESOURCES CONTINUED

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. The Sishen mining right area is depicted in the table below.

Geology

High-grade haematite iron ore (laminated, massive, conglomeratic and breccia types – see figure below) is found in the upper parts of a Lake Superior-type, BIF succession of the Griqualand West Supergroup as the Transvaal Supergroup is known where it occurs in the Northern Cape.

Due to the long geological time interval between the deposition of the oldest rocks of the Griqualand West Supergroup, the Campbellrand Group dolomites, 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.

At the mine, the deposits are located on the western flank of the Maremane Anticline, which strikes north-south and dips about 11° west. Local structures in the mine area are, however, very complicated and the interplay between the various tectonic events and associated geological structures was critical to the formation and preservation of ore in the region. 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 and 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.

Mining method and processing

Ore is extracted at Sishen mine through open-cast mining methods. The current mining process entails the 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 blend (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 (through the DMS plant) or jigging process (through the jig plant) 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 2012, the total tonnes mined at Sishen mine decreased by 2% from 188.9 Mt in 2011 to 185.4 Mt, of which waste mined in 2012 was 143.0 Mt. The increase in waste mining activities will improve flexible access to ore as the depth at which mining intersects the orebody increases.

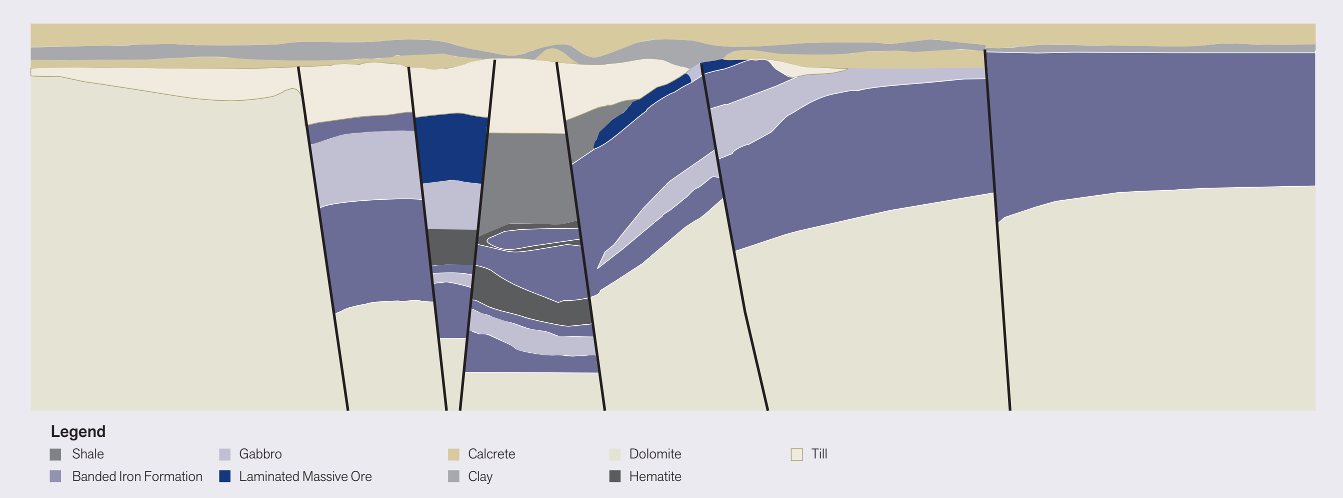
Total production at Sishen mine decreased by 14% from 38.9 Mt in 2011 to 33.6 Mt total saleable product in 2012, beneficiated from an annual RoM of 42.4 Mt (including 1.0 Mt Inferred material as well as 4.3 Mt RoM from stockpiles). Production through the DMS plant did not meet the 2012 target of 28 Mt, and delivered 23.2 Mt. The jig plant throughput was below target with 2012 production totalling 10.4 Mt. The total sales for 2012 were 31.2 Mt.

Historical saleable product depletion at Sishen mine

Year	Mt
2005	28.5
2006	28.7
2007	29.7
2008	34.0
2009	39.4
2010	41.3
2011	38.9
2012 (Estimate*)	**33.6**

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

GENERALISED WEST-EAST GEOLOGICAL SECTION THROUGH KOLOMELA'S LEEUWFONTEIN MINING AREA



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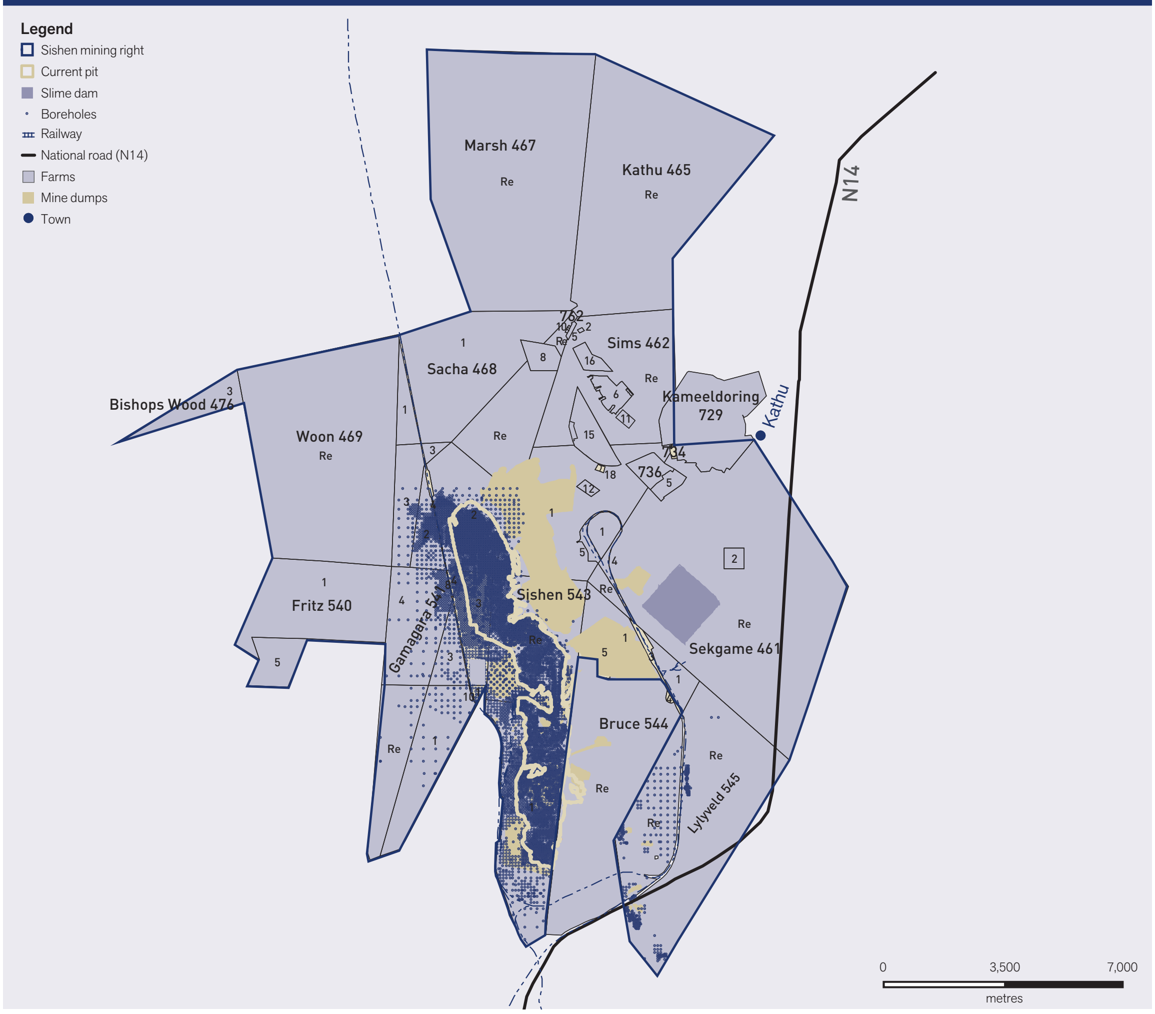
01 Sishen mine's fleet of mega-size haul trucks ensures the efficient hauling of waste and ore.

The majority of Sishen mine's iron ore was exported. A second interim pricing agreement was concluded between AMSA and SIOC, effective 1 August 2011 to 31 July 2012, for a fixed volume and FoR price for its dispatched tonnages to Saldanha Steel Works and AMSA's inland mills respectively. A third interim pricing agreement was concluded which extended the second interim agreement until 31 December 2012 on the same terms and conditions. In December 2012, a further interim agreement was concluded after negotiations which were facilitated by the DTI. The further interim agreement will govern the sale of iron ore from Sishen mine to AMSA for the period 1 January 2013 to 31 December 2013.

The dispute between AMSA and SIOC, to determine whether the 2001 supply agreement became inoperative when AMSA failed to convert its old order mining rights (21.4%), has been postponed. See page 55.

SISHEN MINING RIGHT AREA NEAR THE TOWN OF KATHU



ORE RESERVES AND MINERAL RESOURCES CONTINUED

THABAZIMBI MINE

Thabazimbi mine is located in the Limpopo Province close to the town of Thabazimbi (see map below), and was responsible for 2% of the production of the company's iron ore for 2012.

Geology

The operation extracts iron ore which mainly occurs in the form of basal units within the Penge Formation, a BIF of the Transvaal Supergroup. Locally, it takes the form of remnant hills, dipping south at an average 45°, which have been triplicated by thrust faulting believed to be the result of the intrusion of the Bushveld Igneous Complex. The figure below is a generalised section through the Kumba mining area at Thabazimbi mine which depicts the lenticular ore bodies that are the main target for mining in the remaining six years of mine life.

Ore genesis is of a chemical nature with secondary haematite replacing chert within the BIF. Later stages of ferruginisation followed to produce high-grade laminated-to-brecciated iron ore. The occurrence of iron ore is structurally controlled with faults serving firstly as conduits for iron-rich fluids and later as mechanisms for displacing (and/or duplicating) ore zones.

Local collapse structures within the underlying dolomites produced brecciated zones within the BIF which were then filled by iron-rich fluids. A regional network of diabase sills and dykes served as trapping mechanisms for mineralising fluids in the lower section of the BIF which resulted in an enriched lower section and a less-enriched upper section of the Penge Formation.

At depth, the haematite-rich rocks grade into calcite-haematite and talc-haematite rocks. The mineralisation extends for 12km along strike with sterile gaps of BIF occurring in between the deposits. The occurrence of sterile zones between deposits is associated with faulting where the ore zones wedge out laterally and vary in thickness from 10m to 25m. The intensity of ferruginisation is usually associated with the intensity of brecciation of the BIF due to the underlying karst topography of the dolomites, that is, the more severe the brecciation the higher the ferruginisation.

Mining method and processing

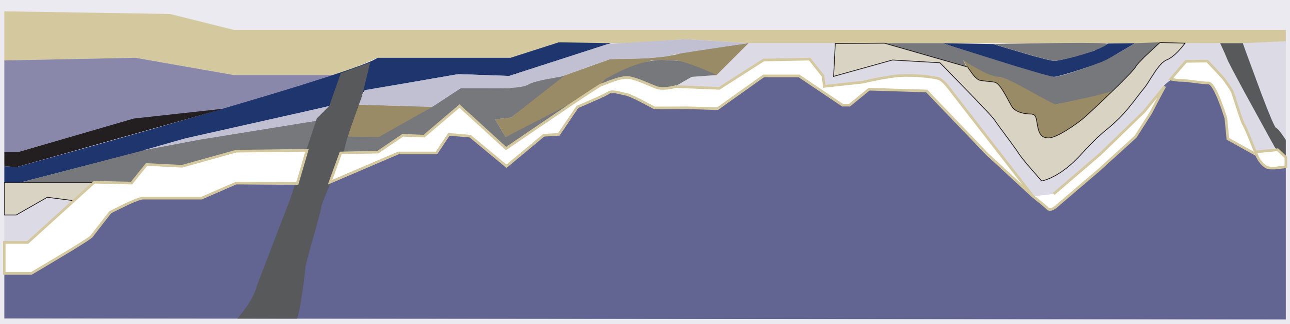
Thabazimbi mine's product is sold exclusively to AMSA. The mine is a captive operation that operates on a cost plus 3% management fee basis. The lump and fine high-grade haematite product is transported, mostly by rail, to AMSA's steel works at Vanderbijlpark and Newcastle.

Thabazimbi mine produces primarily high-grade (>60% Fe) haematite iron ore, with some very minor specularite ore, through open-pit mining. Annual beneficiated production for 2012 was 1.0 Mt, which equates to an average 83 kt product per month. The mine is in the process of scaling down, having reached a mature stage after mining in excess of 50 years, with a remaining foreseen mine life of six years (including Inferred material), pending the market (requirements of AMSA). It is foreseen that production will remain at the 83 kt per month level for 2013, 131 kt per month for 2014 to 2015 and 176 kt per month for 2016 to 2018 as the mine is nearing closure, to enable delivery of a constant product grade to the steel works.

Thabazimbi mine extracts iron ore via conventional open-cast mining methods of drilling and blasting followed by loading and hauling via a truck and shovel fleet. Mining at present is conducted in three pits that are geographically separated from one another. Annual waste production for 2012 was 28.1 Mt. In total, 1.3 Mt iron ore was extracted from the pits of which 1.2 Mt was delivered as RoM to the beneficiation plant while the remainder resulted in a RoM buffer stockpile growth of 0.1 Mt.

The RoM material is beneficiated through a DMS 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 AMSA steel works.

GENERALISED WEST-EAST GEOLOGICAL SECTION THROUGH SISHEN'S NORTH MINE AREA



Legend

- Calcrete
- Diabase dyke
- Quartzite
- Flagstone
- Shale
- Conglomeratic Ore
- Breccia Ore
- Andesitic Lava
- Diamictite
- Laminated and Massive Ore
- Branded Iron Formation
- Chert Breccia
- Dolomite

01 Thabazimbi mine is one of the oldest iron ore mines in South Africa and is nearing the end of its life.

The historical saleable product depletion of Thabazimbi mine is summarised in table below.

Historical saleable product depletion at Thabazimbi mine

Year	Mt
2005	2.5
2006	2.4
2007	2.7
2008	2.7
2009	2.5
2010	2.1
2011	0.9
2012 (Estimate*)	**1.0**

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

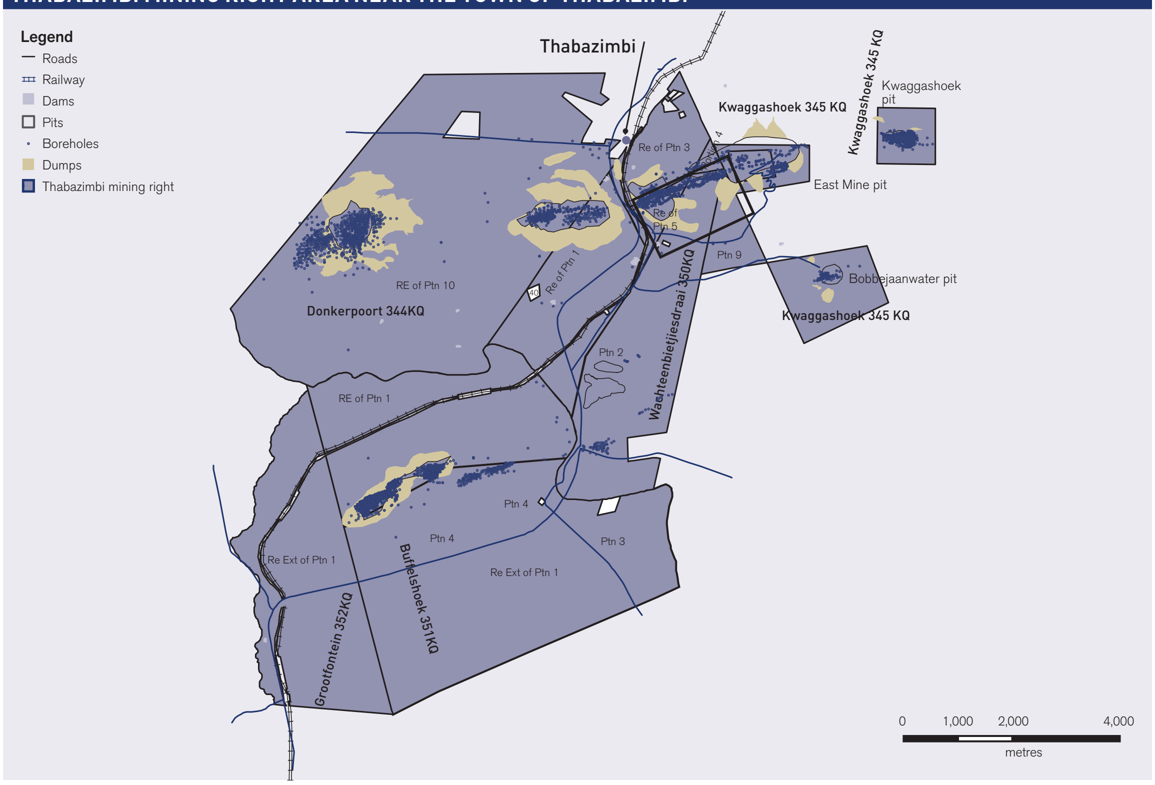
PHOENIX PROJECT

Kumba has not reported Mineral Resources for the Phoenix project in the 2012 Mineral Resource and Ore Reserve statement. This is because confirmations for declaring the Mineral Resource as being eventually economically extractable have not yet been completed.

The 11.3 Mt Inferred Mineral Resource reported in 2011 was retained from historical reporting by Thabazimbi mine. However, the assessment of the resource on which this statement was premised was not performed in accordance with current Anglo American resource reporting processes and standards.

Additionally, different beneficiation technology is applicable to the Phoenix project from that currently used at Thabazimbi mine. It is, therefore, not deemed prudent to

THABAZIMBI MINING RIGHT AREA NEAR THE TOWN OF THABAZIMBI



ORE RESERVES AND MINERAL RESOURCES CONTINUED

declare a Mineral Resource until pre-feasibility approval for the intended Phoenix project beneficiation process has been obtained.

Once assessments of the resource have been made in accordance with SAMREC and Anglo American's own project approval and assessment processes and guidelines, Mineral Resources for the Phoenix project will be reported. Phoenix is not subjected to the AMSA (cost plus) captive arrangement.

ZANDRIVIERSPOORT PROJECT

The Zandrivierspoort prospecting right (area) is located approximately 25km northeast of Polokwane on the farm Zandrivierspoort 851 LS, in South Africa's Limpopo Province (see map below).

Geology

Zandrivierspoort is a low-grade magnetite deposit in the palaeoproterozoic Rhenosterkoppies Greenstone Belt or Rhenosterkoppies Fragment, which occurs to the northwest of the main, northeast-trending Pietersburg Greenstone Belt.

The Zandrivierspoort project occurs within the southeast-trending fold hinge zone of the Rhenosterkoppies Fragment, a feature which some authors of geological texts have considered to be significant in the thickening or duplication of relatively thin BIF units. Both the Pietersburg and the Rhenosterkoppies Greenstone Belts are enclosed in granites which display the 'pinched-in' or 'keel-like' morphology that is typical of greenstone belts within granite-gneiss terrains of southern Africa (Basson, 2008).

The magnetite BIF occurs as a fine- to medium-grained rock in the Rhenosterkoppies Fragment. It is well banded with alternating layers of magnetite and quartz. The BIF outcrops as two potential orebodies on the flanks of a shallow syncline separated by a secondary anticline in the central part of the deposit. Locally, the eastern orebody forms Duiwekop and the western orebody, the Rhenosterkoppies. The BIF units are underlain by largely continuous garniferous schist which, in turn, are enclosed in a regional, partially retrogressed, amphibolite volume (see figure below).

The MBIF has been exposed to at least three deformational events producing recumbent isoclinal folding. These deformational events are the most important factors controlling the ore formation as they served to duplicate the relatively thin BIF units. These thin units are preserved in the surrounding topography and rarely exceed thicknesses in excess of 10m.

PROJECT DEVELOPMENT

The project has entered the pre-feasibility phase of investigation which is being funded by the Pietersburg Iron Ore Company, a 50:50 JV between SIOC and AMSA. It is assumed that a concentrate product from the Zandrivierspoort project could be accommodated as part of the feedstock of AMSA's domestic demand. Investigations have shown that Zandrivierspoort concentrate could comprise up to 5% of a sinter mix, which yields improved

GENERALISED WEST-EAST GEOLOGICAL SECTION THROUGH THABAZIMBI'S KUMBA MINING AREA

production rates in the iron ore sintering process. This, however, 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 Zandrivierspoort’s product.

EXPLORATION

Exploration expenditure

Exploration conducted in 2012 to refine current and support possible future Mineral Resource estimates mainly involved drilling (in addition to normal geological and geophysical surveys, etc) to obtain samples that intersect the ore as well as the relevant roof and floor material adjacent to ore zones. The preferred drilling method is core drilling. The all-inclusive cost associated with exploration conducted in 2012 is summarised in the table below.

Sample preparation and assaying

Excluding the Phoenix project samples (prepared by an on-site laboratory to facilitate metallurgical test work on geological samples), all primary samples taken from material retrieved via drilling in 2012 to be used for Mineral Resource estimation were prepared by the Chemistry Laboratory (Co. Reg. Nr: 1921/0067130/06) of the Anglo American Research Division of Anglo Operations Limited.

Assaying was conducted by the Anglo Research Chemistry Laboratory (74% of samples) as well as the UltraTrace Laboratory in Perth, Australia (26% of samples).

Kumba generated 50,136 exploration samples in 2012 (excluding production and grade-control drilling samples deemed not suitable for Mineral Resource estimation) to be used for future Mineral Resource estimations. These were prepared and 45,561 assays (not including the 5% field, coarse and pulp duplicates, 5% replicates as well as 5% matrix-matched certified reference material results also generated as a standard requirement), have been received in the same calendar year.

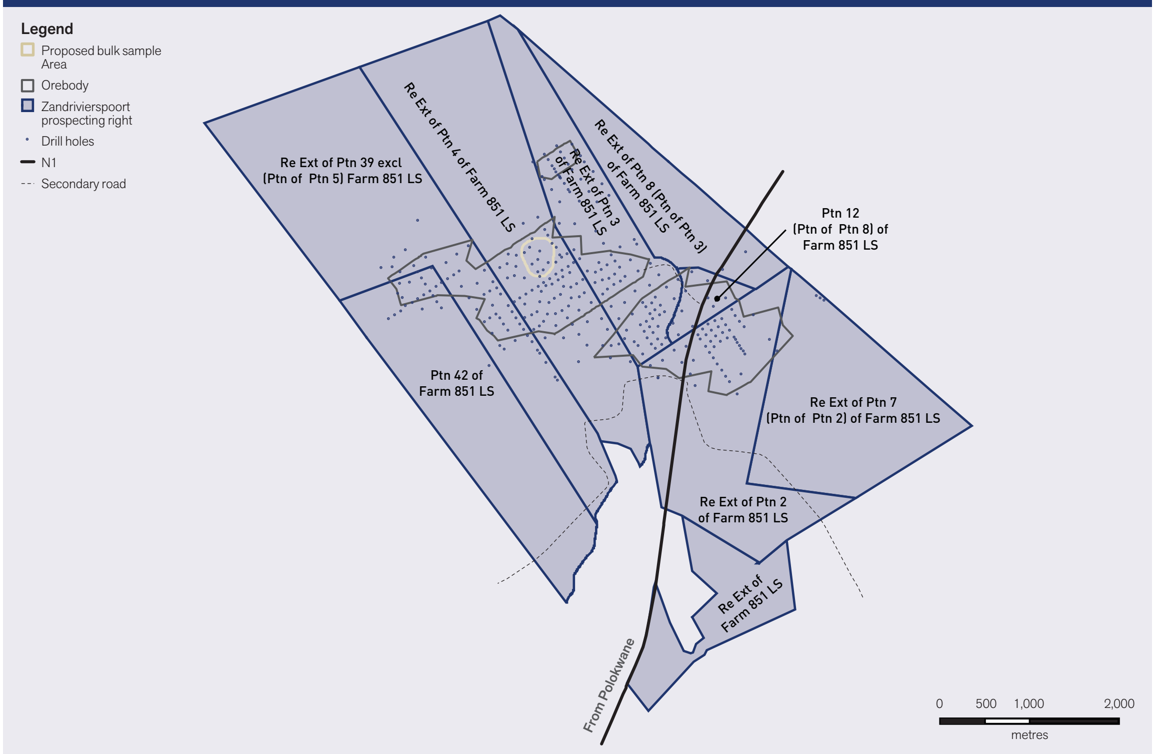
The AR Chemistry Laboratory is accredited in accordance with the recognised international standard ISO/IEC 17025:2005 by the South African National Accreditation System (SANAS) under the Facility Accreditation Number T0051 (valid from 22 July 2011 to 30 April 2016) for:

- the preparation of iron ore samples to a homogenous pulp;
- the analysis of ferrous iron by potentiometric titration for solid samples;
- Al_2O_3, BaO, CaO, Fe, K_2O, MgO, Mn, Na_2O, P, SiO_2 and TiO_2 by X-Ray fusion; and
- carbon and sulphur by combustion.

UltraTrace is ISO and National (Australian) Association of Testing Authorities (NATA)-accredited for iron ores and a member of the ISO MN-002-02 Chemical Analysis Committee.

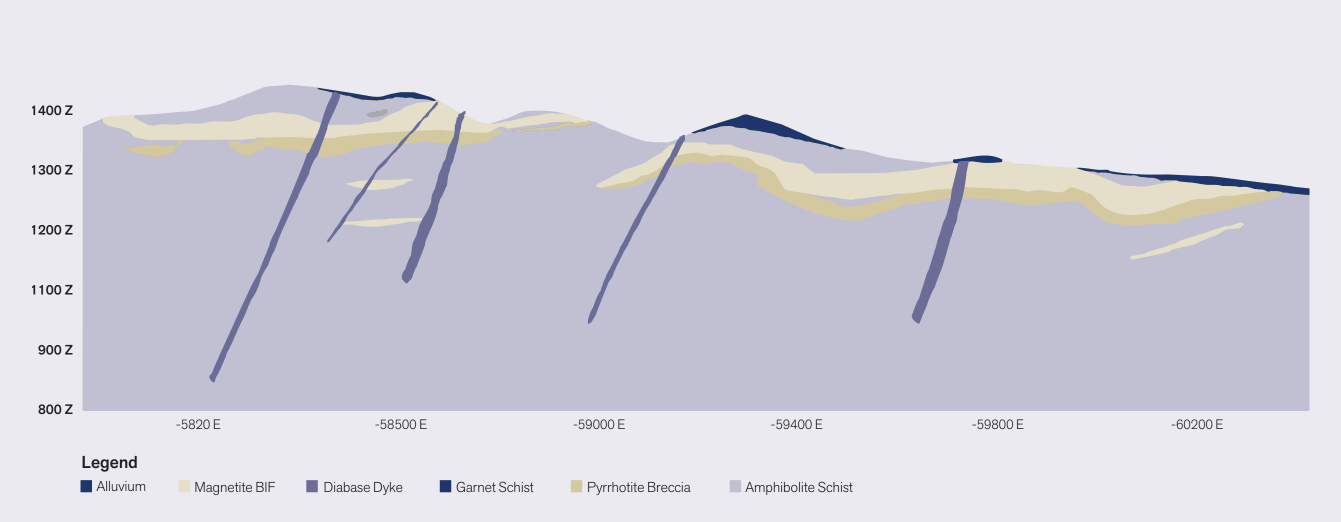
Kumba ensures sample representivity by applying a stringent QA/QC protocol that governs all stages of sampling, sub-sampling and assaying, including blind validation of the sample preparation and assaying laboratories.

ZANDRIVIERSPOORT PROSPECTING RIGHT AREA NORTH OF POLOKWANE



ORE RESERVES AND MINERAL RESOURCES CONTINUED

GENERALISED WEST-EAST SECTION THROUGH THE ZANDRIVIERSPOORT MAGNETITE DEPOSIT



Summary of exploration expenses

	Total exploration spend (10+2) x millions		Drilling spend (10+2) x millions		Number of holes drilled (10+2)		Meters drilled (10+2)		Average cost per metre	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Mining right areas	R179.7	R174.4	141.3	R93.0	282	288	42,366	53,740	R3,336*	R1,746
Prospecting right areas	R132.8	R33.44	R80.9	R14.3	288	91	53,671	17,882	R1,507	R800
Total	R312.5	R207.90	R222.2	R108.1	570	379	96,037	71,621	R4,843	R2,546

* The average cost per metre for drilling conducted in mining right areas is skewed by the cost of drilling at Thabazimbi mine where drilling progress and subsequent sampling is severely restricted by poor conditions.

ENDORSEMENT

The persons at Kumba who are designated to take corporate responsibility for Mineral Resources and Ore Reserves are Jean Britz and Theunis Otto. They have reviewed the Mineral Resource and Ore Reserve estimates reported for 2012 and consent to the inclusion of these estimates in the form and context in which they appear in this report.

Jean Britz is a professional natural scientist registered (400423/04) with the South African Council for Natural Scientific Professions. He has a BSc (Hons) in geology and an MEng in mining, and has 20 years of experience as a mining and exploration geologist in coal and iron ore, of which eight are specific to iron ore Mineral Resource estimation and evaluation.

Theunis Otto is a mining engineer registered (990072) with the Engineering Council of South Africa. He has an MSc in mining engineering and has 17 years of experience as a mining engineer in production management and technical roles in coal and iron ore mining, of which eight are specific to iron ore Mineral Reserve estimation and evaluation.

Jean Britz
Principal, Mineral Resources – Kumba Iron Ore Geosciences

Theunis Otto
Head, Kumba Iron Ore Mining Processes

Kumba's chief executive and board member, Norman Mbazima, endorses the Mineral Resource and Ore Reserve estimates presented in this document, and acknowledges that the Kumba Policy governing Mineral Resource and Ore Reserve reporting has been adhered to.

Norman Mbazima
Chief executive,
Kumba Iron Ore

01


01 Kumba generated 50,136 exploration samples in 2012 to be used for future mineral resource estimations.

FINANCIAL REPORT

The audited condensed consolidated financial results for the year ended 31 December 2012 were prepared under the supervision of the chief financial officer, Mr FT Kotzee, CA(SA). The full annual financial statements can be downloaded from our website or obtained from our investor relations department.

http://www.angloamericankumba.com/investor_main.php

CONDENSED GROUP BALANCE SHEET

as at 31 December

Rand million	Notes	2012	2011
Assets			
Property, plant and equipment	5	24,765	20,878
Biological assets		8	6
Investments in associate and joint ventures		47	33
Investments held by environmental trust		673	568
Long-term prepayments and other receivables		130	95
Deferred tax assets		842	658
Non-current assets		**26,465**	22,238
Inventories		4,136	3,864
Trade and other receivables		4,332	3,537
Current tax asset		76	32
Cash and cash equivalents		1,527	4,742
Current assets		**10,071**	12,175
Total assets		**36,536**	**34,413**
Equity and liabilities			
Shareholders' equity	6	14,964	15,833
Non-controlling interest		4,345	4,759
Total equity		19,309	20,592
Interest-bearing borrowings	7	3,200	–
Provisions		1,420	901
Deferred tax liabilities		6,697	4,942
Non-current liabilities		**11,317**	5,843
Short-term portion of interest-bearing borrowings	7	2,669	3,191
Short-term portion of provisions		26	11
Trade and other payables		3,012	4,556
Current tax liabilities		203	220
Current liabilities		**5,910**	7,978
Total liabilities		**17,227**	**13,821**
Total equity and liabilities		**36,536**	**34,413**

CONDENSED GROUP INCOME STATEMENT
for the year ended 31 December

Rand million	Notes	2012	2011
Revenue		45,446	48,553
Operating expenses	8	(22,293)	(16,587)
Operating profit	8	**23,153**	31,966
Finance income		102	241
Finance costs		(405)	(149)
Profit before taxation		**22,850**	32,058
Taxation		(6,750)	(9,760)
Profit for the year		**16,100**	**22,298**
Attributable to:			
Owners of Kumba		12,212	17,042
Non-controlling interest		3,888	5,256
		16,100	**22,298**
Earnings per share for profit attributable to the owners of Kumba (Rand per share)			
Basic		**38.02**	53.11
Diluted		**37.95**	52.97

CONDENSED GROUP STATEMENT OF OTHER COMPREHENSIVE INCOME
for the year ended 31 December

Rand million	2012	2011
Profit for the year	**16,100**	22,298
Other comprehensive income for the year, net of tax	**155**	404
Exchange differences on translation of foreign operations	193	363
Net effect of cash flow hedges	(38)	41
Total comprehensive income for the year	**16,255**	**22,702**
Attributable to:		
Owners of Kumba	12,342	17,340
Non-controlling interest	3,913	5,362
	16,255	**22,702**

FINANCIAL REPORT CONTINUED

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December

Rand million	Note	2012	2011
Total equity at the beginning of the year		**20,592**	18,376
Changes in share capital and premium	6		
Shares issued during the year		5	16
Treasury shares issued to employees under employee share incentive schemes		105	139
Purchase of treasury shares		(261)	(278)
Changes in reserves			
Equity-settled share-based payment		579	265
Vesting of shares under employee share incentive schemes		(123)	(139)
Vesting of Envision share scheme		–	(2,013)
Total comprehensive income for the year		12,342	17,340
Dividends paid		(13,516)	(13,835)
Changes in non-controlling interest			
Total comprehensive income for the year		3,913	5,362
Envision share scheme second phase increase		–	(4)
Dividends paid		(4,490)	(4,078)
Movement in non-controlling interest in reserves		163	(559)
Total equity at the end of the year		**19,309**	**20,592**
Comprising			
Share capital and premium (net of treasury shares)	6	(121)	30
Equity-settled share-based payment reserve		822	307
Foreign currency translation reserve		571	423
Cash flow hedge reserve		(24)	(6)
Retained earnings		13,716	15,079
Shareholders' equity		**14,964**	15,833
Attributable to the owners of Kumba		14,399	15,214
Attributable to the non-controlling interest		565	619
Non-controlling interest		4,345	4,759
Total equity		**19,309**	**20,592**
Dividend (Rand per share)			
Interim		**19.20**	21.70
Final*		**12.50**	22.50

* *The final dividend was declared after 31 December 2012 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 2013*

CONDENSED GROUP CASH FLOW STATEMENT

for the year ended 31 December

Rand million	Notes	2012	2011
Cash generated from operations*		24,170	32,814
Net finance costs paid		(227)	(96)
Taxation paid		(5,215)	(7,035)
Cash flows from operating activities		**18,728**	25,683
Additions to property, plant and equipment	5	(5,399)	(5,849)
Investments in associate and joint ventures		(14)	(4)
Investments held by environmental trust*		(45)	(183)
Proceeds from disposal of non-current assets		37	2
Proceeds from disposal of investments		3	–
Cash flows from investing activities		**(5,418)**	(6,034)
Shares issued	6	5	16
Purchase of treasury shares	6	(261)	(278)
Vesting of Envision share scheme		(968)	(1,694)
Dividends paid to owners of Kumba		(13,428)	(13,742)
Dividends paid to non-controlling shareholders		(4,578)	(4,170)
Net interest-bearing borrowings raised		2,678	–
Cash flows from financing activities		**(16,552)**	(19,868)
Net decrease in cash and cash equivalents		(3,242)	(219)
Cash and cash equivalents at beginning of year		4,742	4,855
Exchange differences on translation of cash and cash equivalents		27	106
Cash and cash equivalents at end of year		**1,527**	**4,742**

** The cash contributions to the environmental trust was previously disclosed as 'Cash paid to suppliers and employees' as a cash flow from operating activities. It has been included as a cash flow from investing activities for 2012 to reflect the underlying cash flows from the transactions. The comparatives were adjusted to reflect this change in classification*

HEADLINE EARNINGS

for the year ended 31 December

Rand million	2012	2011
Reconciliation of headline earnings		
Profit attributable to owners of Kumba	12,212	17,042
Net (profit)/loss on disposal and scrapping of property, plant and equipment	(21)	10
Net profit on disposal of investment	(3)	–
	12,188	**17,052**
Taxation effect of adjustments	6	(3)
Non-controlling interest in adjustments	4	(1)
Headline earnings	**12,198**	**17,048**
Headline earnings (Rand per share)		
Basic	37.97	53.13
Diluted	37.91	52.99
The calculation of basic and diluted earnings and headline earnings per share is based on the weighted average number of ordinary shares in issue as follows:		
Weighted average number of ordinary shares	321,223,241	320,895,696
Diluted weighted average number of ordinary shares	321,753,827	321,719,426

The adjustment of 530,586 (2011: 823,730) 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.

FINANCIAL REPORT CONTINUED

NOTES TO THE AUDITED CONDENSED CONSOLIDATED FINANCIAL REPORT
for the year ended 31 December

1. CORPORATE INFORMATION

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

The audited condensed consolidated financial report of Kumba and its subsidiaries for the year ended 31 December 2012 was authorised for issue in accordance with a resolution of the directors on 8 February 2013.

2. BASIS OF PREPARATION

The audited condensed consolidated financial report has been prepared in accordance with the framework concepts and the recognition and measurement principles of International Financial Reporting Standards (IFRS), including the information required by International Accounting Standard (IAS) 34, Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Listings Requirements of the JSE, and the requirements of the South African Companies Act No 71 of 2008 (as amended).

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

3. ACCOUNTING POLICIES

The accounting policies and methods of computation applied in the preparation of the audited condensed consolidated financial report are consistent with those applied for the year ended 31 December 2011.

There were no IFRSs, amendments to IASs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that had a material impact on the group.

The accounting standards, amendments to issued accounting standards and interpretations, which are relevant to the group but not yet effective at 31 December 2012, are being evaluated for the impact of these pronouncements.

4. CHANGE IN ESTIMATES

Management has revised the estimated rehabilitation and decommissioning provisions at Sishen, Kolomela and Thabazimbi mines as a result of an independent review and standardisation of all closure cost estimates across the group.

The life of mine plan on which accounting estimates are based, only includes proved and probable ore resources as disclosed in Kumba's annual ore reserves and mineral resources statement. The effect of these changes is detailed below:

Rand million	2012
Increase in environmental rehabilitation provision	371
Increase in decommissioning provision	70

The change in estimate in the environmental rehabilitation provision was applied prospectively and resulted in a decrease in profit before taxation and headline earnings per share for the year ended 31 December 2012 of R371 million and 89 cents, respectively. The change in estimate in the decommissioning provision has been capitalised to the related property, plant and equipment.

5. PROPERTY, PLANT AND EQUIPMENT

Rand million	2012	2011
Capital expenditure	**5,399**	**5,849**
Expansion	2,195	3,104
Stay in business (SIB)	3,204	2,745
Transfers from assets under construction to property, plant and equipment	**3,905**	**8,952**

Expansion capital expenditure comprised mainly of housing expenditure for Kolomela mine and the first phase of SWEP. SIB capital expenditure to maintain operations was principally for the acquisition of heavy mining equipment and workshop infrastructure for Sishen mine.

6. SHARE CAPITAL

Number of shares	2012	2011
Reconciliation of share capital and share premium (net of treasury shares):		
Balance at beginning of year	30	153
Total shares issued for cash consideration	5	16
Shares issued – share premium	–	16
Net movement in shares held by Kumba Iron Ore Management Share Trust	5	–
Net movement in treasury shares under employee share incentive schemes	(156)	(139)
Purchase of treasury shares	(261)	(278)
Shares issued to employees	105	139
Share capital and share premium	**(121)**	**30**
Reconciliation of number of shares in issue:		
Balance at beginning of year	322,058,624	321,911,721
Ordinary shares issued	–	5,377,770
Ordinary shares repurchased and cancelled	–	(5,230,867)
Balance at end of year	**322,058,624**	**322,058,624**
Reconciliation of treasury shares held:		
Balance at beginning of year	1,075,970	818,272
Shares purchased	473,435	550,781
Shares issued to employees under the Long-Term Incentive Plan, Kumba Bonus Share Plan and Share Appreciation Rights Scheme	(400,542)	(252,985)
Net movement in shares held by Kumba Iron Ore Management Share Trust	(84,332)	(40,098)
Balance at end of year	**1,064,531**	**1,075,970**
Treasury shares held as conditional share awards under the Kumba Bonus Share Plan	**1,035,173**	**722,701**

FINANCIAL REPORT CONTINUED

7. INTEREST-BEARING BORROWINGS

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

Rand million	2012	2011
Interest-bearing borrowings	5,869	3,191
Cash and cash equivalents	(1,527)	(4,742)
Net debt/(cash)	**4,342**	**(1,551)**
Total equity	**19,309**	**20,592**
Interest cover (times)	**76**	**206**

Movements in interest-bearing borrowings are analysed as follows:

Rand million	Audited 31 Dec 2012	Audited 31 Dec 2011
Balance at beginning of year	3,191	3,185
Interest-bearing borrowings raised	5,869	–
Interest-bearing borrowings repaid	(3,195)	–
Deferred transaction costs recognised	4	6
Balance at end of year	**5,869**	**3,191**

At 31 December 2012, R3.2 billion of the total R8.6 billion long-term debt facilities and R2.7 billion of the total short-term uncommitted facilities of R6.3 billion has been drawn down. Kumba was not in breach of any of its covenants during the year. The group had undrawn long-term borrowing and uncommitted short-term facilities at 31 December 2012 of R9.0 billion (2011: R9.3 billion).

A committed debt facility of R6 billion was secured which replaces a maturing facility, effective from 1 January 2013. The interest on the facility is charged at Jibar plus a margin, determined by the period for which the funds are borrowed.

8. SIGNIFICANT ITEMS INCLUDED IN OPERATING PROFIT

Operating expenses is made up as follows:

Rand million	2012	2011
Production costs	13,832	8,910
Movement in inventories	59	(149)
Finished products	441	247
Work-in-progress	(382)	(396)
Cost of goods sold	**13,891**	8,761
Mineral royalty	1,127	1,762
Selling and distribution costs	4,065	3,698
Cost of services rendered – shipping	3,222	2,374
Sublease rent received	(12)	(8)
Operating expenses	**22,293**	**16,587**

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

Rand million	2012	2011
Employee expenses	3,466	2,408
Share-based payment expenses	756	369
Depreciation of property, plant and equipment	1,524	997
Net (profit)/loss on disposal and scrapping of property, plant and equipment	(21)	10
Finance gains	(148)	(587)
Operating expenses capitalised	(98)	(971)*

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

9. SEGMENTAL REPORTING

Rand million	Sishen mine	Kolomela mine	Thabazimbi mine	Logistics[1]	Shipping	Inter-segment elimination	Total
Year ended 31 Dec 2012							
Revenue	31,227	7,756	1,014	35,049	3,192	(32,792)	**45,446**
EBIT	21,250	5,288	(25)	(1,754)	(30)	9	**24,738**
Total segment assets	404	198	130	–	–	–	**732**
Year ended 31 Dec 2012 (prepared on the basis as 2011)							
Revenue	33,001	8,239	1,014	–	3,192	–	**45,446**
EBIT	19,866	4,927	(25)	–	(30)	–	**24,738**
Total segment assets	404	198	130	–	–	–	**732**
Year ended 31 Dec 2011							
Revenue	44,903	32	907	–	2,711	–	48,553
EBIT	32,661	(80)	112	–	337	–	33,030
Total segment assets	392	133	268	–	–	–	793

[1] *A new segment, Logistics, has been reported for 2012, following an internal restructuring. It represents the group's rail and port segments. Sishen and Kolomela mine sell their ore available for the export market to the logistics segment, which then sells the iron ore to external customers.*

Reconciliation of segment information:

Rand million	2012	2011
Revenue from external customers analysed by goods and services		
Sale of products*	42,254	45,842
Shipping services	3,192	2,711
Total revenue	**45,446**	**48,553**
Reconciliation of EBIT to total profit before taxation		
EBIT for reportable segments	**24,738**	33,030
Other segments	(1,585)	(1,064)
Operating profit	**23,153**	31,966
Net finance (costs)/income	(303)	92
Profit before taxation	**22,850**	**32,058**
Reconciliation of reportable segments' assets to total assets		
Segment assets for reportable segments	732	793
Other segments and WIP inventory	3,404	3,071
Inventory per balance sheet	**4,136**	3,864
Other current assets	5,935	8,311
Non-current assets	26,465	22,238
Total assets	**36,536**	**34,413**

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

The total reported segment revenue is measured in a manner consistent with that disclosed in the income statement.

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

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

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

Geographical analysis of revenue and non-current assets:

Rand million	2012	2011
Total revenue from external customers		
South Africa	2,832	3,388
Export	42,614	45,165
China	28,277	29,904
Rest of Asia	9,889	9,274
Europe	4,322	5,450
Middle East	126	227
Americas	–	310
	45,446	**48,553**

All non-current assets (excluding pre payments, investments in associate and joint ventures and deterred tax assets) are located in South Africa, with the exception of R1 million assets located in China (2011: R2 million).

FINANCIAL REPORT CONTINUED

10. RELATED PARTY TRANSACTIONS

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

Included in cash and cash equivalents at 31 December 2012 is a short-term deposit facility placed with Anglo American SA Finance Limited (AASAF) of R237 million (2011: R3,885 million). Interest earned on this facility during the year was market related and amounted to R83 million (2011: R197 million) at a weighted average interest rate of 5.45% (2011: 5.36%).

Interest-bearing borrowings drawn down at 31 December 2012 of R5,869 million (2011: R nil) was from facilities with AASAF. Interest paid on these borrowings during the year was market related and amounted to R118 million (2011: R nil) at a weighted average interest rate of 6.25%.

11. CONTINGENT ASSETS AND LIABILITIES

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

Following the arbitration award rendered in July 2010, a mutually agreed settlement was concluded between the parties. The parties agreed that the precise terms of the settlement agreement will remain confidential. The first settlement was paid by the Republic of Senegal in April 2011. A portion of the second instalment was received in December 2012. The remainder of the amount was received on 1 March 2013. In terms of the settlement agreement, the remaining settlement amount is expected to be recovered in equal instalments from the Republic of Senegal over the remaining three-year period.

12. LEGAL PROCEEDINGS

12.1 Sishen Supply Agreement arbitration

A dispute arose between SIOC and AMSA in February 2010, in relation to SIOC's contention that the contract mining agreement concluded between them in 2001 had become inoperative as a result of the fact that AMSA had failed to convert its old order mining rights. This dispute has been referred to arbitration.

On 9 December 2011, SIOC and AMSA agreed to delay the arbitration proceedings in relation to the Sishen Supply Agreement until the final resolution of the mining rights dispute. This arbitration is only expected to commence in the fourth quarter of 2013, with possible resolution only expected in the third quarter of 2014 at the earliest (see 12.2 below).

An Interim Pricing Agreement between SIOC and AMSA was in place until 31 July 2012, which was extended to 31 December 2012.

In December 2012 a further interim agreement was concluded after negotiations which were facilitated by the DTI. The further interim agreement will govern the sale of iron ore from the Sishen mine to AMSA for the period 1 January 2013 to 31 December 2013, or until the conclusion of the legal processes in relation to the 2001 Sishen Supply agreement (whichever is the sooner), at a weighted average price of US$65 per tonne. Of the total 4.8 Mt, about 1.5 Mt is anticipated to be railed to Saldanha Steel and the rest to AMSA's inland operations.

12.2 21.4% undivided share of the Sishen mine mineral rights

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

In December 2011 judgment was delivered in the High Court regarding the status of the mining rights at the Sishen mine. The High Court held that, upon the conversion of SIOC's old order mining right relating to the Sishen mine properties in 2008, SIOC became the exclusive holder of a converted mining right for iron ore and quartzite in respect of the Sishen mine properties. The High Court held further that as a consequence, any decision taken by the DMR after such conversion in 2008 to accept or grant any further rights to iron ore at the Sishen mine properties was void. Finally, the High Court reviewed and set aside the decision of the DMR to grant a prospecting right to ICT relating to a 21.4% share in respect of the Sishen mine properties.

On 3 February 2012 both the DMR and ICT submitted applications for leave to appeal against the High Court judgment. SIOC applied for leave to present a conditional cross-appeal, in order to protect its rights. The SCA hearing was held on 19 February 2013, and the SCA judgment is expected to be received in the second quarter of 2013.

The High Court order did not affect the interim supply agreement between AMSA and SIOC, which was in place until 31 July 2012 and was extended to 31 December 2012 as indicated in note 12.1 above.

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

12.3 Project Phoenix dispute

A dispute exists between AMSA and SIOC concerning AMSA's contention that it holds an entitlement to require SIOC to supply AMSA with iron ore produced from the Phoenix project in terms of the Thabazimbi Supply Agreement. The Phoenix project is a reserve located within the Thabazimbi mining licence area. SIOC is the holder of such mining right. In November 2001, a 'captive mine' supply agreement was concluded with AMSA in terms of which ore produced at Thabazimbi mine is supplied to AMSA on a cost-plus basis. There are a number of provisions in this agreement that regulate the development of future ore reserves.

AMSA took a strategic decision in November 2006 not to participate in this Phoenix project. Kumba accepted AMSA's election and decided to develop the Phoenix project independently and at its own cost.

In 2011, AMSA indicated that it now wished to pursue the Phoenix project, and formally declared a dispute with Kumba early in 2012 on the basis that the supply agreement entitles AMSA to obtain all ore from Thabazimbi mine. Kumba rejected this premise and, in line with the supply agreement dispute mechanisms, a mediation meeting of the respective chief executive was held on 6 June 2012, without resolution. The agreement requires that disputes are thereafter escalated to arbitration. The matter has not subsequently progressed.

12.4 Sishen Supply Agreement cost recovery

A dispute relating to historical cost recovery by SIOC, in terms of the Sishen-AMSA supply agreement (prior to 2010) has been declared by AMSA. A mediation meeting of the respective chief executives was held on 6 June 2012, as provided for in the supply agreement as a first step in dispute resolution, has not resulted in a resolution.

AMSA has indicated its intention to pursue the matter. Kumba will defend its position.

12.5 Lithos Corporation Proprietary Limited

Lithos Corporation Proprietary Limited is claiming US$421 million from Kumba for damages in relation to the Falémé project in Senegal. Kumba continues to defend the merits of the claim and is of the view, and has been so advised, that the basis of the claim and the quantification thereof is fundamentally flawed. The trial commenced in the first quarter of 2013.

13. EVENTS AFTER THE REPORTING PERIOD

The shareholders approved the Memorandum of Incorporation of Kumba at a general meeting held on 18 January 2013.

A final dividend of R12.50 per share was declared on 8 February 2012 from profits accrued during the financial year ended 31 December 2012. The total dividend for the year amounted to R31.70 per share. The estimated total cash flow of the final dividend of R12.50 per share, payable on 18 March 2013, is R5.2 billion. The company has utilised STC credits amounting to 0.90691 cents per share. The balance of the dividend will be subject to a dividend withholding tax of 15% for all shareholders who are not exempt from or do not qualify for a reduced rate of withholding tax. The net dividend payable to shareholders subject to withholding tax at a rate of 15%, amounts to R10.63 per share.

The Republic of Senegal paid the balance of the second instalment due to Kumba in terms of the Falémé settlement agreement on 1 March 2013.

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

14. INDEPENDENT AUDITORS' AUDIT REPORT

The auditors, Deloitte & Touche, have issued their opinion on the group's annual financial statements for the year ended 31 December 2012. The audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified audit opinion.

These audited condensed consolidated financial statements have been derived from the group financial statements and are consistent in all material respects with the group financial statements. A copy of their audit report is incorporated in the full annual financial statements.

http://www.angloamericankumba.com/investor_main.php

For further information, see page 27, in the Annual Financial Statements 2012.

PwC REPORT

The sustainability information as set out throughout the Integrated Report 2012 has been extracted from the 2012 Sustainable Development Report. PwC Inc has provided assurance over selected sustainability information contained in the 2012 Sustainable Development Report in which we express an unmodified conclusion on the identified sustainability information.

For a proper understanding of the group's sustainability performance, as well as the scope of our assurance process, the extracted sustainability information in this report should be read in conjunction with the full 2012 Sustainable Development Report containing our assurance report.

PricewaterhouseCoopers Inc

Johannesburg

SHAREHOLDERS' INFORMATION

KUMBA'S SHARE PRICE PERFORMANCE

Share price analysis for the year ended 31 December 2012

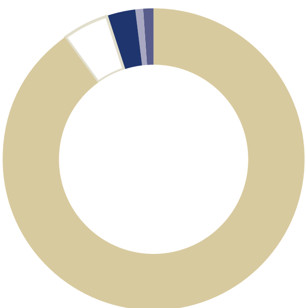
On 31 December 2012, Kumba's share price closed at R568.88, an increase of 13.8% from the closing price of R500.00 on 30 December 2011. Kumba's share price high for the period 1 January 2012 to 31 December 2012 was R588.55, recorded on 20 June 2012. Kumba's share price low for the same period was R462.66, recorded on 5 September 2012.

The average daily volume traded for the period was 501,762 shares per day.

Kumba's market capitalisation on 31 December 2012 was R183.2 billion.

GEOGRAPHIC SPLIT OF SHAREHOLDERS

as at 31 December 2012 (%)



South Africa	90.2
United Kingdom	5.0
North America	3.0
Europe (ex UK)	0.8
Rest of the world	1.0

SHAREHOLDER ANALYSIS

		31 Dec 2012	% of issued share capital	City
1	Anglo South Africa Capital	224,535,915	69.7%	Johannesburg
2	Industrial Development Corporation	41,498,615	12.9%	Johannesburg
3	Public Investment Corporation	13,276,715	4.1%	Pretoria
4	JPMorgan Asset Mgt	6,085,423	1.9%	London
5	BlackRock Investment Mgt	5,769,935	1.8%	London
6	Vanguard Group	2,212,636	0.7%	Philadelphia
7	GIC - Govt of Singapore Investment Corp	2,099,956	0.7%	Singapore
8	State Street Global Advisors	1,689,087	0.5%	Boston
9	BlackRock Investment Mgt (BGI)	1,659,536	0.5%	San Francisco
10	Mellon Capital Mgt	1,297,445	0.4%	San Francisco

SHAREHOLDER DIARY

10 May 2013 – Annual General Meeting

23 July 2013 – Interim results presentation

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the seventh annual general meeting (AGM) of members of Kumba will be held at the Kumba Corporate Office, Centurion Gate, Building 2B, 124 Akkerboom Road, Centurion at 10:00am (CAT) on Friday, 10 May 2013, to consider, and if deemed fit, to pass the following ordinary and special resolutions with or without modifications. The board of directors of the company has determined that the record date for the purposes of determining which shareholders of the company are entitled to receive a notice of the AGM is Thursday, 28 March 2013 and the record date for purposes of determining which shareholders are entitled to attend and vote at the AGM is Friday, 3 May 2013. Accordingly, the last day to trade in the company's shares in order to be recorded on the securities register of the company in order to be able to attend, participate and vote at the AGM is Thursday, 25 April 2013.

ORDINARY BUSINESS

Percentage of voting rights – ordinary resolutions

Ordinary resolutions numbers 1 to 7, contained in this notice of the AGM, require the approval of a minimum of 50% plus 1 vote of the votes exercised on the resolutions by the shareholders present or represented by proxy at the AGM in order for the resolutions to be adopted. Ordinary resolution number 6 is proposed for a non-binding advisory vote only and any failure to pass this resolution will not have any effect on the company's existing arrangements, but the outcome of the vote will be taken into consideration when considering the company's remuneration policy. Ordinary resolution number 8 requires a 75% majority of votes exercised on the resolution by shareholders present or represented by proxy at the AGM in order for the resolution to be adopted in terms of the Listings Requirements of the JSE Limited (JSE).

1. ORDINARY RESOLUTION NUMBER 1

Presentation of audited annual financial statements

To present the audited annual financial statements of the company and, in accordance with good corporate governance practices, to receive and adopt the audited annual financial statements of the company and the group for the year ended 31 December 2012, including the directors' report, the Audit Committee report and the report of the independent auditors, and to confirm all matters and things undertaken and discharged by the directors on behalf of the company. The Annual Financial Statements 2012 are available on the company's website: www.angloamericankumba.com.

2. ORDINARY RESOLUTION NUMBER 2

Re-appointment of independent auditors

To re-appoint Deloitte & Touche as independent auditors of the company, and to appoint Mr Sebastian Carter as the individual designated auditor, to hold office until the conclusion of the next annual general meeting in terms of Section 90(1) of the Companies Act No 71 of 2008, as amended (the Companies Act) and on recommendation of the Audit Committee.

3. ORDINARY RESOLUTION NUMBER 3

Election of directors

To elect, by way of separate resolutions, non-executive directors who retire in terms of the provisions of article 22.10 of the memorandum of incorporation ("MOI") of the company and as required by section 68(2) of the Companies Act, by virtue of their appointments being made pursuant to the last AGM and accordingly are required to retire at this AGM. The following non-executive directors, each being eligible, offer themselves for election:

3.1 KT Kweyama
3.2 BP Sonjica
3.3 F Titi

The elections of the non-executive directors are to be voted on individually. Curricula vitae in respect of each director offering themselves for election as directors of the company are set out on pages 12 to 13 of the Integrated Report 2012.

4. ORDINARY RESOLUTION NUMBER 4

Rotation of directors

To re-elect, by way of separate resolutions, non-executive directors retiring by rotation in terms of the provisions of article 24.2 of the MOI of the company. The following non-executive directors, each being eligible, offer themselves for re-election:

4.1 ZBM Bassa
4.2 AJ Morgan
4.3 DD Mokgatle

The re-elections of the non-executive directors are to be voted on individually. Curricula vitae in respect of each director offering themselves for re-election as directors of the company are set out on pages 12 to 13 of the Integrated Report 2012.

5. ORDINARY RESOLUTION NUMBER 5

Election of Audit Committee members

To elect the, by way of separate resolutions, directors as members of the Audit Committee in terms of section 94 of the Companies Act. The board has determined that each of the members standing for appointment is independent, and that they possess the required qualifications and experience as determined by the board. The following independent non-executive directors, each being eligible, offer themselves for election:

5.1 ZBM Bassa*
5.2 AJ Morgan*
5.3 DD Mokgatle*
5.4 LM Nyhonyha

** Subject to their re-election as directors pursuant to ordinary resolution number 4*

The re-elections of the members of the Audit Committee are to be voted on individually. Curricula vitae in respect of each independent non-executive director offering themselves for election as members of the Audit Committee are set out on pages 12 to 13 of the Integrated Report 2012.

6. ORDINARY RESOLUTION NUMBER 6

Approval of remuneration policy

In accordance with Principle 2.27 of the King Code of Governance Principles for South Africa 2009 (King III), shareholder approval is sought for the company's remuneration policy by way of a non-binding advisory vote. The non-binding vote enables shareholders to express their views on the remuneration policy adopted by the company and on its implementation.

The detailed remuneration policy, for which approval is being sought, is contained in the remuneration report on pages 20 to 26 of the Annual Financial Statements 2012 which are available on the company's website: www.angloamericankumba.com.

7. ORDINARY RESOLUTION NUMBER 7

General authority for directors to control 5% of the authorised but unissued shares

Resolved that the unissued shares in the company, limited to 5% of the number of shares in issue at 31 December 2012, be and are hereby placed under the control of the directors until the next annual general meeting and that the directors be and are hereby authorised to issue any such shares as they may deem fit, subject to the Companies Act, the MOI of the company, and the provisions of the Listings Requirements of the JSE.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

In terms of the Companies Act, the shareholders have to approve the placing of unissued ordinary shares under the control of the directors. Unless renewed, the existing authority granted by shareholders at the annual general meeting on 4 May 2012 expires at the forthcoming AGM. The reason for ordinary resolution number 7 is that the board requires authority from shareholders in terms of its MOI to issue shares in the company.

This general authority, once granted, allows the board from time to time, when it is appropriate to do so, to issue ordinary shares as may be required. This general authority is subject to the restriction that it is limited to 5% of the number of shares in issue at 31 December 2012 on the terms more fully set out in ordinary resolution number 7 and subject to the further restrictions set out in ordinary resolution number 8 below in relation to the issue of shares for cash. It is noted that any issue of shares or grants of options to directors, future directors, prescribed officers or future prescribed officers and persons related or interrelated to the company must first be approved by way of a special resolution in terms of section 41 of the Companies Act and is not authorised in terms of this resolution.

8. ORDINARY RESOLUTION NUMBER 8

General authority to issue shares for cash

Resolved that in terms of the Listings Requirements of the JSE, the directors are hereby authorized by way of a general authority, to issue the authorised but unissued ordinary shares of one cent each in the capital of the company for cash, as and when suitable opportunities arise, subject to the memorandum of incorporation of the company, the Companies Act, and the following conditions, namely that:

- the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue will only be made to "public shareholders" as defined by the Listings Requirements of the JSE and not to related parties;
- this authority shall only be valid until the next annual general meeting of the company but shall not extend beyond 15 months from the date this authority is given;
- that a paid press announcement giving full details, including the impact on the net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% or more of the number of shares in issue prior to the issue concerned;
- that the issues in aggregate in any one financial year shall not exceed 5% of the number of shares of the company's issued ordinary share capital (for purposes of determining the securities comprising the 5% number in any one year, account must be taken of the dilution effect, in the year of issue of options/convertible securities, by including the number of any equity securities which may be issued in future arising out of the issue of such options/convertible securities), and of a particular class, will be aggregated with any securities that are compulsorily convertible into securities of that class, and, in the case of the issue of compulsorily convertible securities, aggregated with the securities of that class into which they are compulsorily convertible;
- as regards the number of securities which may be issued (the 5%), shall be based on the number of securities of that class in issue added to those that may be issued in future (arising from the conversion of options/convertible securities), at the date of such application;
- less any securities of the class issued, or to be issued in future arising from options/convertible securities issued, during the current financial year;
- plus any securities of that class to be issued pursuant to:
- a rights issue which has been announced, is irrevocable and is fully underwritten; or
- acquisition (which has had final terms announced) may be included as though they were securities in issue at the date of application;
- any issue of shares for cash will be subject to Exchange Control regulations and approval at that point in time; and
- that in determining the price at which an issue of shares for cash may be made in terms of this authority, the maximum discount permitted shall be 10% of the weighted average traded price of the ordinary shares on the JSE, (adjusted for any dividend declared but not yet paid or for any capitalisation award made to shareholders) over the 30 business days prior to the date that the price of the issue is agreed between the directors of the company and the party subscribing for the securities. The JSE should be consulted for a ruling if the company's securities have not traded in such 30 day business period.
- a 75% majority of votes cast in favour of the resolution by all equity securities present or represented by proxy at the AGM is required for the approval of the above resolution in terms of the Listing Requirements of the JSE.

SPECIAL BUSINESS

Percentage of voting rights – special resolutions

Special resolutions numbers 1-3, contained in this notice of the AGM, require approval of a minimum of 75% of the votes exercised on the resolutions by the shareholders present or represented by proxy at the AGM in order for the resolutions to be adopted.

9. SPECIAL RESOLUTION 1

Remuneration of non-executive directors

Resolved that, in terms of sections 66(8) and (9) of the Companies Act and on recommendation of the Human Resources, Remuneration and Nomination Committee, the company be and is hereby authorised to remunerate its non-executive directors for their services as directors and/or pay any fees related thereto provided that the aforementioned authority shall be valid until the ninth annual general meeting of the company in 2015. The directors' fees for the ensuing year are considered to be in line with the market and remain unchanged as follows:

Rand	Present	Proposed
Chairman	1,116,000	1,116,000
Director	188,000	188,000
Audit Committee chairman	251,000	251,000
Audit Committee member	124,800	124,800
Risk Committee chairman	167,000	167,000
Risk Committee member	83,500	83,500
Social and Ethics Committee chairman	251,000	251,000
Social and Ethics Committee member	124,800	124,800
Human Resources, Remuneration and Nomination Committee chairman	251,000	251,000
Human Resources, Remuneration and Nomination Committee member	124,800	124,800

Reason and effect

The reason for special resolution number 1 is for the company to obtain the approval of shareholders by way of special resolution for the payment of remuneration to its non-executive directors in accordance with the requirements of the Companies Act.

The effect of special resolution number 1 is that the company will be able to pay its non-executive directors for the services they render to the company as directors without requiring further shareholder approval until the ninth annual general meeting of the company in 2015.

10. SPECIAL RESOLUTION NUMBER 2

Approval to the granting of financial assistance in terms of Sections 44 and 45 of the Companies Act:

Resolved that, to the extent required by the Companies Act, the board of directors of the company may, subject to compliance with the requirements of the company's memorandum of incorporation, the Companies Act, and the Listings Requirements of the JSE, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to:

- any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related to the company, for any purpose or in connection with any matter, including, but not limited to, the subscription of any option, or any securities issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company; and/or
- any of the present or future directors or prescribed officers of the company and/or another company related or inter-related to the company (or any person related to any of them or to any company or corporation related or inter-related to any of them), or to any other person who is a participant in any of the share or other employee incentive schemes operating in the Kumba group, for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company, where such financial assistance is provided in terms of any such scheme that does not constitute an employee share scheme that satisfies the requirements of section 97 of the Companies Act, such authority to endure until the forthcoming annual general meeting of the company.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Reason and effect

The reason for and effect of special resolution number 2 is to grant the directors of the company the authority until the next annual general meeting to provide financial assistance to any company or corporation which is related or inter-related to the company, and/or to any present or future directors or prescribed officers of the company and/or another company related or inter-related to the company in terms of the provisions of Sections 44 and 45 of the Companies Act. This means that the company is authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

11. SPECIAL RESOLUTION NUMBER 3

General authority to repurchase shares

Resolved that as a special resolution that the company and any of its subsidiaries be and is hereby authorised, as a general approval, to repurchase any of the shares issued by the company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act, the MOI of the company, the Listings Requirements of the JSE and the requirements of any other stock exchange on which the shares of the company may be quoted or listed, including, *inter alia*, that:

- the general repurchase of the shares may only be implemented on the open market of the JSE and done without any prior understanding or arrangement between the company and the counterparty;
- this general authority shall only be valid until the next annual general meeting of the company, provided that it shall not extend beyond fifteen months from the date of this resolution;
- an announcement must be published as soon as the company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue at the date of the AGM, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- the general authority to repurchase is limited to a maximum of 20% in the aggregate in any one financial year of the company's issued share capital at the beginning of the financial year, provided that the number of shares purchased and held by a subsidiary/ies of the company shall not exceed 10% in the aggregate of the number of issued shares in the company at the relevant times;
- a resolution has been passed by the board of directors approving the purchase, that the group has satisfied the solvency and liquidity test as defined in the Companies Act, and that since the solvency and liquidity test was applied there have been no material changes to the financial position of the group;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for five business days immediately preceding the date that the transaction is affected. The JSE should be consulted for a ruling if the applicants securities have not traded in such five business day period;
- the company may at any point in time only appoint one agent to effect any repurchase(s) on the company's behalf;
- any such general repurchases are subject to Exchange Control regulations and approval at that point in time;
- the company may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements of the JSE unless there is a repurchase programme in place as contemplated in terms of 5.72(g) of the Listings Requirements of the JSE; and
- the company must ensure that its sponsor provides the JSE with the required working capital letters before it commences the repurchase of any shares.

Reason and effect

The reason for and effect of special resolution number 3 is to authorise, by way of a general authority, the company and any of its subsidiary companies to acquire its own issued shares on such terms, conditions and in such amounts as determined from time to time by the directors of the company subject to the limitations set out above.

At the present time the directors have no specific intention with regard to the utilisation of this authority, which will only be used if the circumstances are appropriate. The company wishes to confirm that any repurchase of shares, if implemented, will only be dealt with via the formal JSE trading system.

DISCLOSURES REQUIRED IN TERMS OF THE JSE LISTINGS REQUIREMENTS

In terms of the Listings Requirements of the JSE, the following disclosures are required when requiring shareholders' approval to authorise the company, or any of its subsidiaries, to repurchase any of its shares as set out in special resolution number 3 above.

WORKING CAPITAL STATEMENT

The directors of the company agree that they will not undertake any repurchase, as contemplated in special resolution number 3 above, unless:

- the company and the group are in a position to repay their debts in the ordinary course of business for a period of 12 months after the date of the general repurchase;
- the assets of the company and the group, being fairly valued in accordance with International Financial Reporting Standards, are in excess of the liabilities of the company and the group for a period of 12 months after the date of the general repurchase;
- the share capital and reserves of the company and the group are adequate for ordinary business purposes for the next 12 months following the date of the general repurchase;
- the available working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the general repurchase; and
- before entering the market to proceed with the general repurchase, the company's sponsor has confirmed the adequacy of the company's and the group's working capital in writing to the JSE.

LITIGATION STATEMENT

Other than disclosed or accounted for in the Integrated Report 2012 which is available on the company's website: www.angloamericankumba.com, the directors of the company, whose names are given on pages 12 to 13 of the Integrated Report 2012, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened against the group, which may have or have had a material effect in the recent past, being at least the previous 12 months, a material effect on the group's financial position.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on pages 12 to 13 of the Integrated Report 2012, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolutions 2 and 3 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that these resolutions contain all information required by law and the Listings Requirements of the JSE.

MATERIAL CHANGES

Other than the facts and developments reported on in the Annual Financial Statements 2012, there have been no material changes in the financial or trading position of the company and its subsidiaries since the signature date of the Annual Financial Statements 2012.

The following further disclosures required in terms of the Listings Requirements of the JSE are set out in accordance with the reference pages in the Annual Financial Statements 2012:

- Directors – pages 16 and 17
- Major shareholders of the company – page 85
- Directors' interests in the company's shares – page 26
- Share capital of the company – page 56

ELECTRONIC PARTICIPATION

Should any Kumba shareholder wish to participate in the AGM by way of electronic participation, that Kumba shareholder should make application in writing (including details as to how the shareholder or its representative can be contacted) to so participate to the transfer secretaries at the address below, to be received by the transfer secretaries at least five business days prior to the AGM in order for the transfer secretaries to arrange for the shareholder (and its

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

representative) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act, and for the transfer secretaries to provide the Kumba shareholder (or its representative) with details as to how to access any electronic participation to be provided. The company reserves the right to elect not to provide for electronic participation at the AGM in the event that it determines that it is not practical to do so. The costs of accessing any means of electronic participation provided by the company will be borne by the Kumba shareholder so accessing the electronic participation.

VOTING AND PROXIES

Members who have not dematerialised their shares or who have dematerialised their shares with "own name" registration are entitled to attend and vote at the meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead.

The person so appointed need not be a member. Proxy forms should be completed and forwarded to reach the company's transfer secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001, South Africa, by Wednesday, 8 May 2013. Any forms of proxy not received by this date must be handed to the chairman of the AGM immediately prior to the meeting. Proxy forms must only be completed by members who have not dematerialised their shares or who have dematerialised their shares with "own name" registration.

All meeting participants will be required to provide satisfactory identification in the form of valid identity documents, passports or drivers licences before being entitled to attend or participate in the AGM.

On a show of hands, every member of the company present in person or represented by proxy shall have one vote only. On a poll, every member of the company shall have one vote for every share held in the company by such member.

Members who have dematerialised their shares, other than those members who have dematerialised their shares with "own name" registration, should contact their Central Securities Depository Participant (CSDP) or broker in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions; and
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

Equity securities held by a share trust or scheme will not have their votes taken into account for the purposes of resolutions proposed in terms of the Listings Requirements of the JSE.

By order of the board

VF Malie
Company secretary

28 March 2013
Centurion

FORM OF PROXY

Kumba Iron Ore Limited

A member of the Anglo American plc group
(Incorporated in the Republic of South Africa)

To be completed by certificated shareholders and dematerialised shareholders with "own name" registration only.

For completion by registered members of Kumba who are unable to attend the annual general meeting of the company to be held at 10:00am (CAT) on Friday, 10 May 2013 at Kumba Corporate Office, Centurion Gate, Building 2B, 124 Akkerboom Road, Centurion or at any adjournment thereof.

I/We ____ (please print names in full)

Of (address) ____

Being the holder/s or custodians of ______________________ ordinary shares in the company, do hereby appoint:

1. ____

2. ____

3. the chairman of the annual general meeting, as my/our proxy to act for me/us at the annual general meeting which be held for the purpose of considering and if deemed fit, passing, with or without modification, the ordinary resolutions to be proposed thereat and at each adjournment thereof and to vote on such resolutions in respect of the ordinary share in the issued capital of the company registered in my/our name/s with the following instructions:

		Number of votes (one vote per share)		
		In favour of	Against	Abstain
1.	**Ordinary resolution number 1** To receive and adopt the annual financial statements for the year ended 31 December 2012			
2.	**Ordinary resolution number 2** To re-appoint Deloitte & Touche as independent auditors and S Carter as the individual designated auditor in terms of Section 90(1) of the Companies Act No. 71 of 2008, as amended			
3.	**Ordinary resolution number 3** To elect, by way of separate resolutions, the following directors who retire in terms of article 22.10 of the Memorandum of Incorporation and as required by section 68(2) of the Companies Act No. 71 of 2008, as amended			
	3.1 KT Kweyama			
	3.2 BP Sonjica			
	3.3 F Titi			
4.	**Ordinary resolution number 4** To re-elect, by way of separate resolutions, the following directors who retire by rotation in terms of article 24.2 of the Memorandum of Incorporation			
	4.1 ZBM Bassa			
	4.2 AJ Morgan			
	4.3 DD Mokgatle			
5.	**Ordinary resolution number 5** To elect, by way of separate resolutions, the following directors as members of the Audit Committee in terms of Section 94 of the Companies Act No. 71 of 2008, as amended			
	5.1 ZBM Bassa			
	5.2 AJ Morgan			
	5.3 DD Mokgatle			
	5.4 LM Nyhonyha			
6.	**Ordinary resolution number 6** Approval of remuneration policy			
7.	**Ordinary resolution number 7** Authority to control 5% of unissued shares			
8.	**Ordinary resolution number 8** General authority to issue shares for cash			
9.	**Special resolution number 1** Remuneration of directors			
10.	**Special resolution number 2** Approval to the granting of financial assistance in terms of Sections 44 and 45 of the Companies Act No. 71 of 2008, as amended			
11.	**Special resolution number 3** General authority to repurchase shares			

Insert an "X" in the relevant space above according to how you wish your votes to be cast, however, if you wish to cast your votes in respect of less than all of the shares that you own in the company, insert the number of ordinary shares held in respect of which you desire to vote.

Signed at ______________________________ on ______________________

Signature ____

Assisted by me (where applicable) ______________________________

Each member is entitled to appoint one or more proxies (none of whom need be a member of the company) to attend, speak and, on a poll, vote in place of that member at the general meeting. **Please read the notes on the reverse side hereof.**

Governance, compliance and administration

NOTES TO PROXY

1. A form of proxy is only to be completed by those ordinary shareholders who are:
   1.1 holding ordinary shares in certificated form; or
   1.2 recorded on sub register electronic form in "own name".
2. If you have already dematerialised your ordinary shares through a Central Securities Depository Participant (CSDP) or broker and wish to attend the annual general meeting, you must request your CSDP or broker to provide you with a Letter of Representation or you must instruct your CSDP or broker to vote by proxy on your behalf in terms of the agreement entered into between you and your CSDP or broker.
3. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space. The person whose name stands first on the form of proxy and who is present at the annual general meeting of shareholders will be entitled to act to the exclusion of those whose names follow.
4. On a show of hands a member of the company present in person or by proxy shall have one (1) vote irrespective of the number of shares he/she holds or represents, provided that a proxy shall, irrespective of the number of members he/she represents, have only one (1) vote. On a poll a member who is present in person or represented by proxy shall be entitled to that proportion of the total votes in the company, which the aggregate amount of the nominal value of the shares held by him/her bears to the aggregate amount of the nominal value of all the shares issued by the company.
5. A member's instructions to the proxy must be indicated by the insertion of the relevant numbers of votes exercisable by the member in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the member's votes exercisable thereat. A member or the proxy is not obliged to use all the votes exercisable by the member or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the member or by the proxy.
6. Forms of proxy must be lodged at, or posted to Computershare Investor Services Proprietary Limited, to be received by Wednesday, 8 May 2013. Any forms of proxy not received by this date must be handed to the chairman of the AGM immediately prior to the meeting.

   For shareholders on the South African register:
   Computershare Investor Services Proprietary Limited
   Ground Floor, 70 Marshall Street
   Johannesburg, 2001
   PO Box 61051
   Marshalltown
   2107
   www.computershare.com
   Tel: +27 11 370 5000

   Over-the-counter American Depository Receipt (ADR) holders: Kumba has an ADR facility with BNY Mellon under a deposit agreement. ADR holders may instruct BNY Mellon as to how the shares represented by their ADRs should be voted.

   American Depository Receipt Facility
   BNY Mellon
   101 Barclay Street, New York, NY 10286
   www.adrbny.com
   (00-1) 888 815 5133
7. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity or other legal capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries or waived by the chairman of the AGM.
9. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
10. Notwithstanding the aforegoing, the chairman of the AGM may waive any formalities that would otherwise be a prerequisite for a valid proxy.
11. If any shares are jointly held, all joint members must sign this form of proxy. If more than one of those members is present at the AGM either in person or by proxy, the person whose name appears first in the register shall be entitled to vote.

ADMINISTRATION

COMPANY REGISTRATION NUMBER:
2005/015852/06

JSE share code: KIO

ISIN code: ZAE000085346

SECRETARY AND REGISTERED OFFICE
Vusani Malie
Centurion Gate – Building 2B
124 Akkerboom Road
Centurion, Pretoria, 0157
Republic of South Africa
Tel: +27 (0) 12 683 7000
Fax: +27 (0) 12 683 7009

AUDITORS
Deloitte & Touche
Chartered Accountants (SA)
Registered Auditors
Deloitte Place, The Woodlands Office Park
20 Woodlands Drive, Woodmead, 2146
South Africa
Private Bag X46, Gallo Manor, 2052

ASSURANCE PROVIDERS
PricewaterhouseCoopers SA
Registered Auditors
2 Eglin Road, Sunninghill, 2157
South Africa
Private Bag X36, Sunninghill, 2157
Tel: +27 (0) 11 797 4000
Fax: +27 (0) 11 797 5800

SPONSOR
RAND MERCHANT BANK
(A division of FirstRand Bank Limited)
Registration number: 1929/001225/06
1 Merchant Place
Corner Rivonia Road and Fredman Drive
Sandton, 2146
South Africa
PO Box 786273, Sandton, 2146

CORPORATE LAW ADVISORS
Norton Rose
15 Alice Lane
Sandton, 2196
South Africa

UNITED STATES ADR DEPOSITORY
BNY Mellon
Depositary Receipts Division
101 Barclay Street, 22nd Floor
New York, New York, 10286
Tel: +1 (0) 212 815 2293
Fax: +1 (0) 212 571 3050/1/2
www.adrbny.com

TRANSFER SECRETARIES
Computershare Investor Services
Proprietary Limited
70 Marshall Street
Johannesburg, 2001
South Africa
PO Box 61051, Marshalltown, 2107

INVESTOR RELATIONS
Esha Mansingh
Email: esha.mansingh@angloamerican.com
Tel: +27 (0) 12 683 7257

FORWARD-LOOKING STATEMENTS
Certain statements made in this report constitute forward-looking statements. Forward-looking statements are typically identified by the use of forward-looking terminology such as 'believes', 'expects', 'may', 'will', 'could', 'should', 'intends', 'estimates', 'plans', 'assumes' or 'anticipates' or the negative thereof or other variations thereon or comparable terminology, or by discussions of, example future plans, present or future events, or strategy that involves risks and uncertainties.

Such forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the company's control and all of which are based on the company's current beliefs and expectations about future events. Such statements are based on current expectations and, by their nature, are subject to a number of risks and uncertainties that could cause actual results and performance to differ materially from any expected future results or performance, expressed or implied, by the forward-looking statement.

No assurance can be given that future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the company and its subsidiaries. The forward-looking statements contained in this report speak only as of the date of this report and the company undertakes no duty to, and will not necessarily update any of them in light of new information or future events, except to the extent required by applicable law or regulation.

NOTES

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Centurion Gate 2B
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0157

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www.angloamericankumba.com

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