KUMBA IRON ORE

Annual review 2008

www.kumba.co.za

A member of the Anglo American plc group

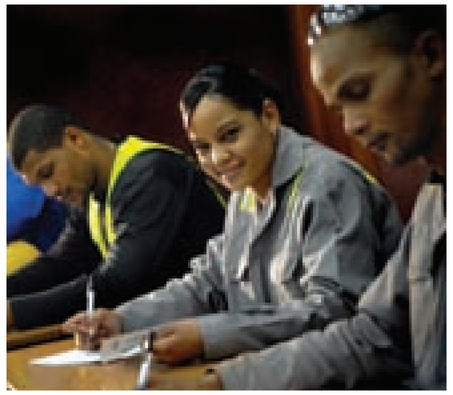
Contents

We see what *could* be

Kumba Iron Ore

About this review

This review is a summary of the salient points of our Annual Financial Statements and Sustainable Development Report, separate publications, which, together with this review, comprise our Annual Report. By reading all three of these documents, the reader will be provided with a comprehensive understanding of the results and state of affairs of the Kumba group.



Operating profit and headline earnings more than doubled

Numerous awards entrench Kumba as new-generation mining group

Total cash dividend of R21.00 per share

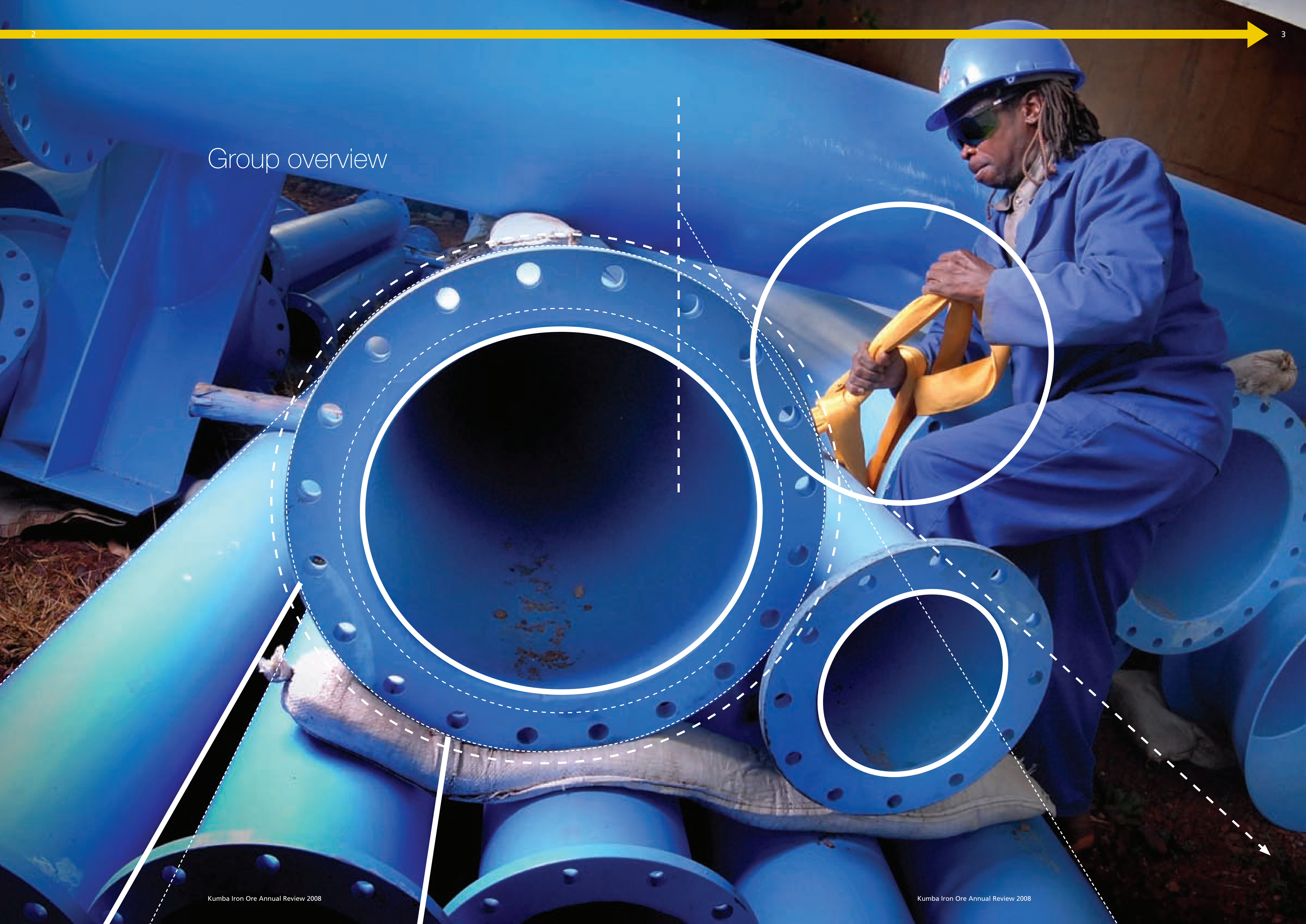
Sishen Mine production up 15% to 34Mt

9Mtpa Sishen South project approved, funding in place, construction under way

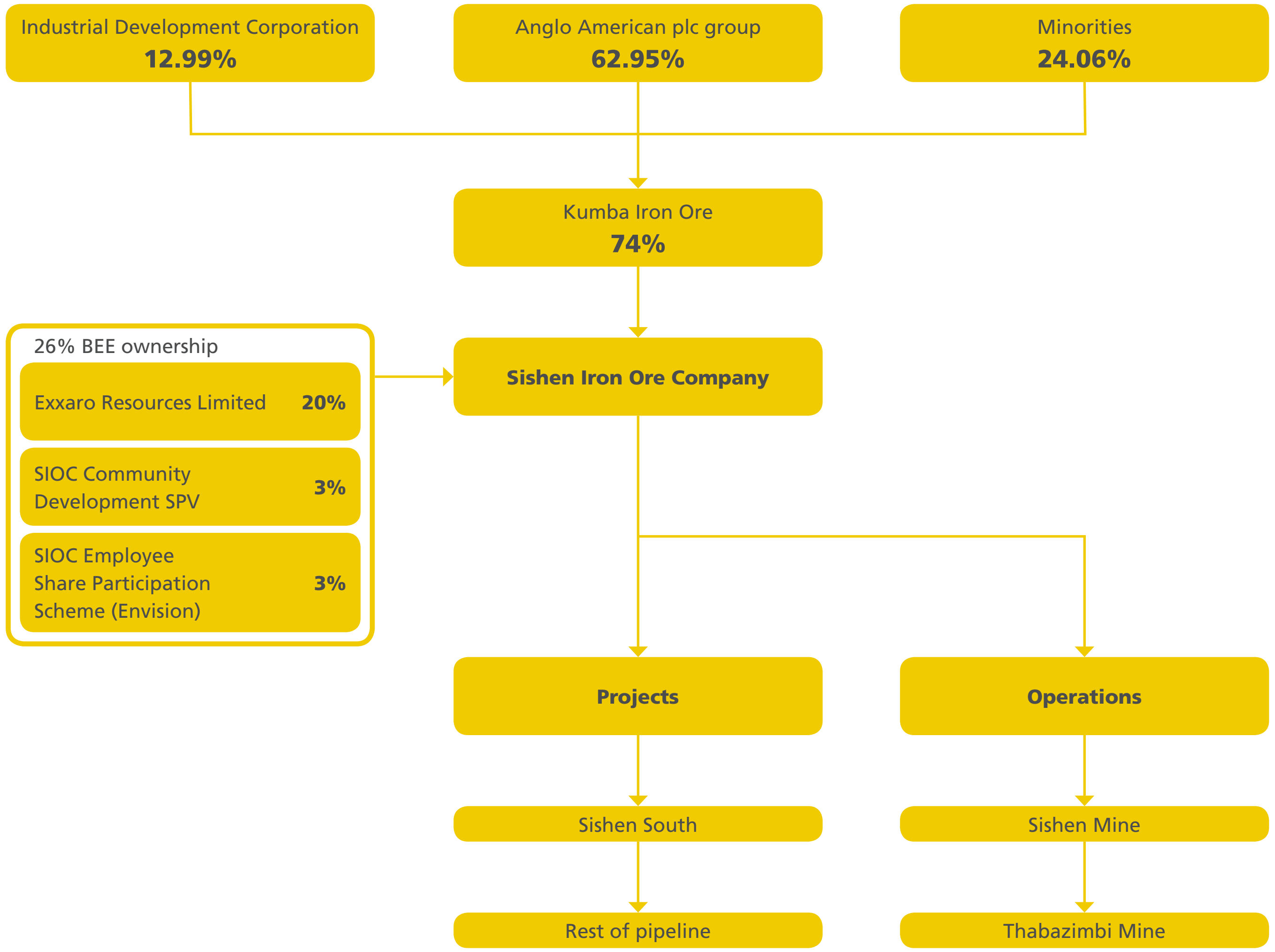
Agreement finalised with Transnet on expanding iron ore export channel

Granting of new order mining rights strengthens business security

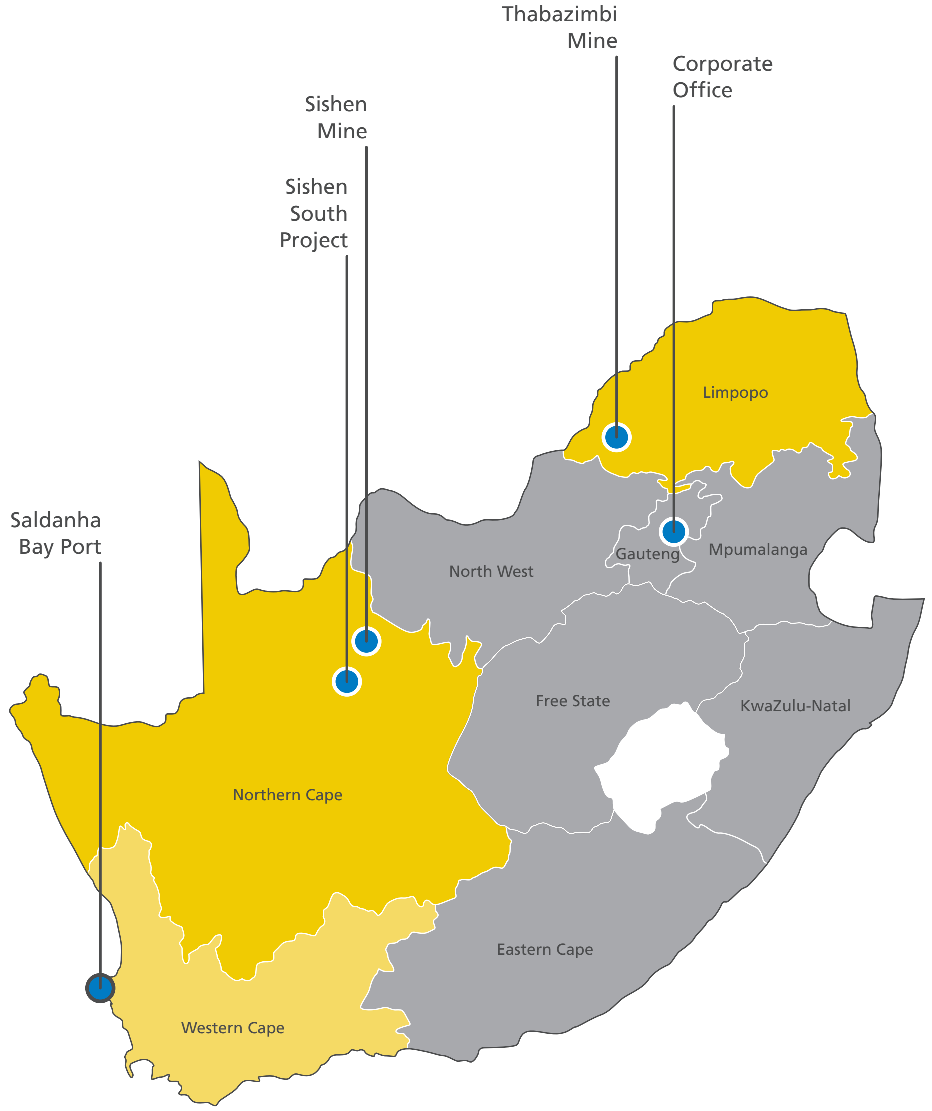
Group overview



Group structure



Locality map



Sishen Mine

- Total iron ore production 34 million tonnes
- 4,321 employees
- HIV/AIDS prevalence rate 5.8%
- Voluntary Counselling and Testing (VCT) uptake 72%
- Employment equity 37.06% HDSA
- Procurement spend R2.3 billion
- Social and community spend R65 million
- Life-of-mine 2034

Thabazimbi Mine

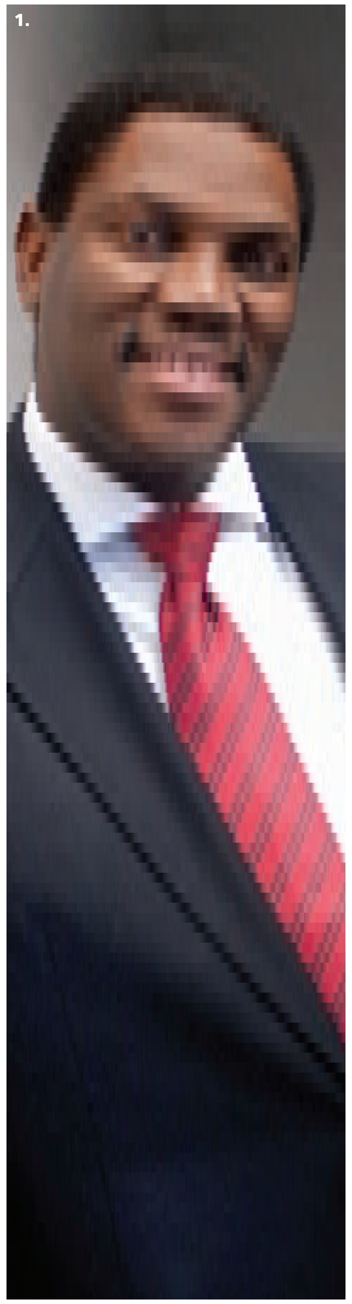
- Total iron ore production 2.7 million tonnes
- 816 employees
- HIV/AIDS prevalence rate 13.8%
- VCT uptake 90%
- Employment equity 45.76% HDSA
- Procurement spend R124 million
- Social and community spend R2 million
- Life-of-mine 2014

Sishen South project

- 9 million tonnes per year of direct shipping ore (DSO)
- First production in 2012, ramping up to full production in 2013
- Over R8.5 billion nominal capital expenditure
- 700 direct jobs, 4,000 indirect jobs
- Life-of-mine initially 20 years, extension probable

Governance structure

Board of directors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1. Lazarus Zim

Chairman (48)
MCom, DCom (hc)

Lazarus Zim is the chairman of Mvelaphanda Resources, Northern Platinum and Afripalm Resources. Previously, Lazarus was chief executive of Anglo American South Africa and managing director of MTN International.

2. Chris Griffith

Chief executive officer (44)
B Eng (Mining) (Hons), Pr Eng

Chris was previously the Executive Head of Joint Ventures for Anglo Platinum Limited. Chris has over 18 years of mine management experience. He was previously General Manager of Anglo Platinum's Amandebult Platinum Mine and Bafokeng Rasimone Platinum Mine.

3. Vincent Uren

Chief financial officer (47)
BCom, CTA, CA(SA)

Vincent has almost 20 years' experience in corporate finance, many of these gained with the Anglo American plc group where he was involved in a number of diverse and complex local and international transactions.

4. Philip Baum

Non-executive director (54)
BCom, LLB, HDip Tax Law

Philip is chief executive officer of Anglo American's Ferrous Metals and Industries division. He is a member of Anglo American plc's executive committee. Other directorships include, Exxaro Resources, Minas RIO, Tongaat-Hulett, Hulamin and Samancor Manganese.

5. Dolly Mokgatle

Independent non-executive director (52)
BProc, LLB, HDip Tax Law

Dolly is an executive director of the Peotona group. She is chairman of EDI Holdings and deputy chairman of the National Energy Regulator of South Africa (NERSA). She also holds several other corporate directorships. She was the chief executive officer of Spoornet and managing director of transmission at Eskom.

6. Gert Gouws

Non-executive director (50)
BCom (Law), BCom (Hons), CA(SA), FCMA

Gert is the chief financial officer and alternate director of the Industrial Development Corporation. He is also a director of Hernic Ferrochrome, Algorax and Umicore Autocat South Africa.

7. Nkosana Moyo*

Independent non-executive director (57)
PhD (Physics), MBA

Nkosana is the vice-president and chief operating officer of the African Development Bank. He was a partner at Actis Capital llp Africa. He also worked for the International Finance Corporation in Washington DC and served as Zimbabwe's Minister for Industry and Trade.

8. Peter Matlare

Independent non-executive director (49)
BSc (Hons) (Political Science), Masters (Southern African Studies)

Peter is chief executive officer of Tiger Brands. He was chief strategy and business development director in the Vodacom Group. His previous positions include commercial director of Vodacom South Africa, and chief executive officer of the SABC.

9. Allen Morgan

Independent non-executive director (61)
BSc, BEng (Elect), Pr Eng

Allen is non-executive director of Eskom Holdings and served as the Eskom chief executive between 1994 and 2000. He previously served as the chairman of Kumba Resources.

10. Zarina Bassa

Independent non-executive director (45)
BAcc, CA(SA)

Zarina is the chief executive officer of Zarina Bassa Investments and serves as a director on a number of private and public institutions. She was previously an executive director at Absa Bank and a member of the Absa Group Executive Committee, with accountability for Private Banking and Retail Banking Services. She has previously also served as the Vice Chairman of Absa Retail Bank. Prior to joining Absa, she spent 17 years with Ernst & Young and was appointed partner in 1986.

* Zimbabwean


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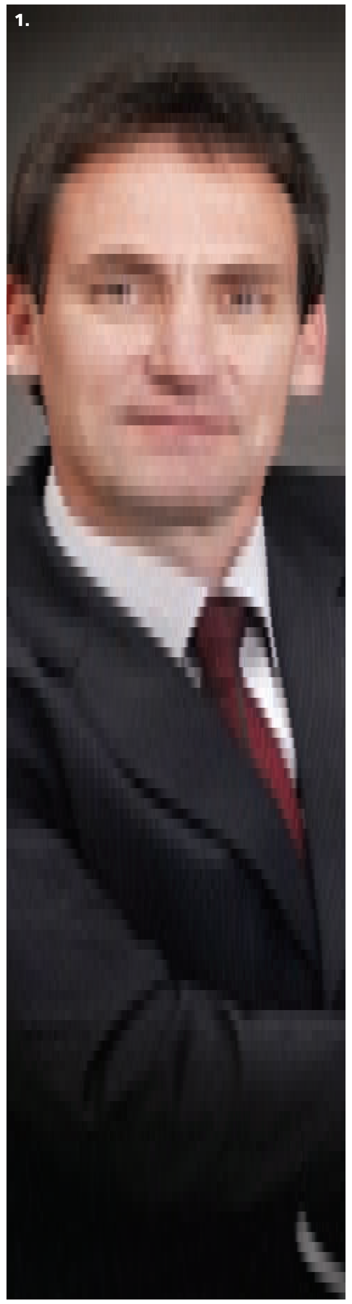
Executive committee



1. Chris Griffith

Chief executive officer (44)
BEng (Mining) (Hons), Pr Eng
(see page 8)

2. Vincent Uren

Chief financial officer (47)
BCom, CTA, CA(SA)
(see page 8)

3. Andrew Loots

General manager, Sishen Mine (41)
BEng (Mech), MBA

Until assuming his current position, Andrew headed Kumba's mega mine project focused on achieving a step change in safety and production performance at Sishen Mine. Prior to that, he held several general management positions with Anglo Coal.

4. Francois Louw

Head, Projects (49)
BEng (Mech), MBA

Francois was the project director for the former Kumba Resources' Northern Cape iron ore interests. He has experience in various operational and engineering roles in the mining industry, with particular expertise in strategic projects.

5. Emmy Leeka

General Manager, Thabazimbi Mine (39)
BSc Eng (Metallurgy)

Emmy was previously the Group Manager Strategic Affairs at Kumba and was previously Manager Logistics at Kumba Resources.

6. Aart van den Brink

General Manager, Sishen South Mine (47)
MEng (Mining)

Previously Aart was the Manager Mining at Grootegeluk Coal Mine at Kumba Resources and General Manager at Thabazimbi Mine. He has extensive experience in underground and open-cast mining.

7. Christo van Loggerenberg

Head, Technology and Business Development (51)
BEng (Hons) (Metallurgy), MBA

Christo was the former Business Development Manager for Kumba Resources' Iron Ore business. Other senior posts include metallurgy, various engineering and operational positions in the industry.

8. Clifford van der Venter

Head, Human Resources (45)
BCom Industrial Psychology, MBA (Human Resources)

Clifford joined Kumba from Unilever (SA) where he held the position of Vice-President of Business Transformation. Prior to this, he was the Group Human Resources Director of Unilever (SA) as well as Director and General Manager of Human Resources at Caltex Oil.

9. Tebello Chabana

Head, Public Affairs (37)
BA (Law), LLB

Tebello was previously employed by Anglo American SA as Head of Regulatory Affairs. In this role he built strong working relationships with key regulatory authorities.

10. Timo Smit

Head, Commercial (40)
MSc (Applied Physics), PhD (Materials Science and Engineering)

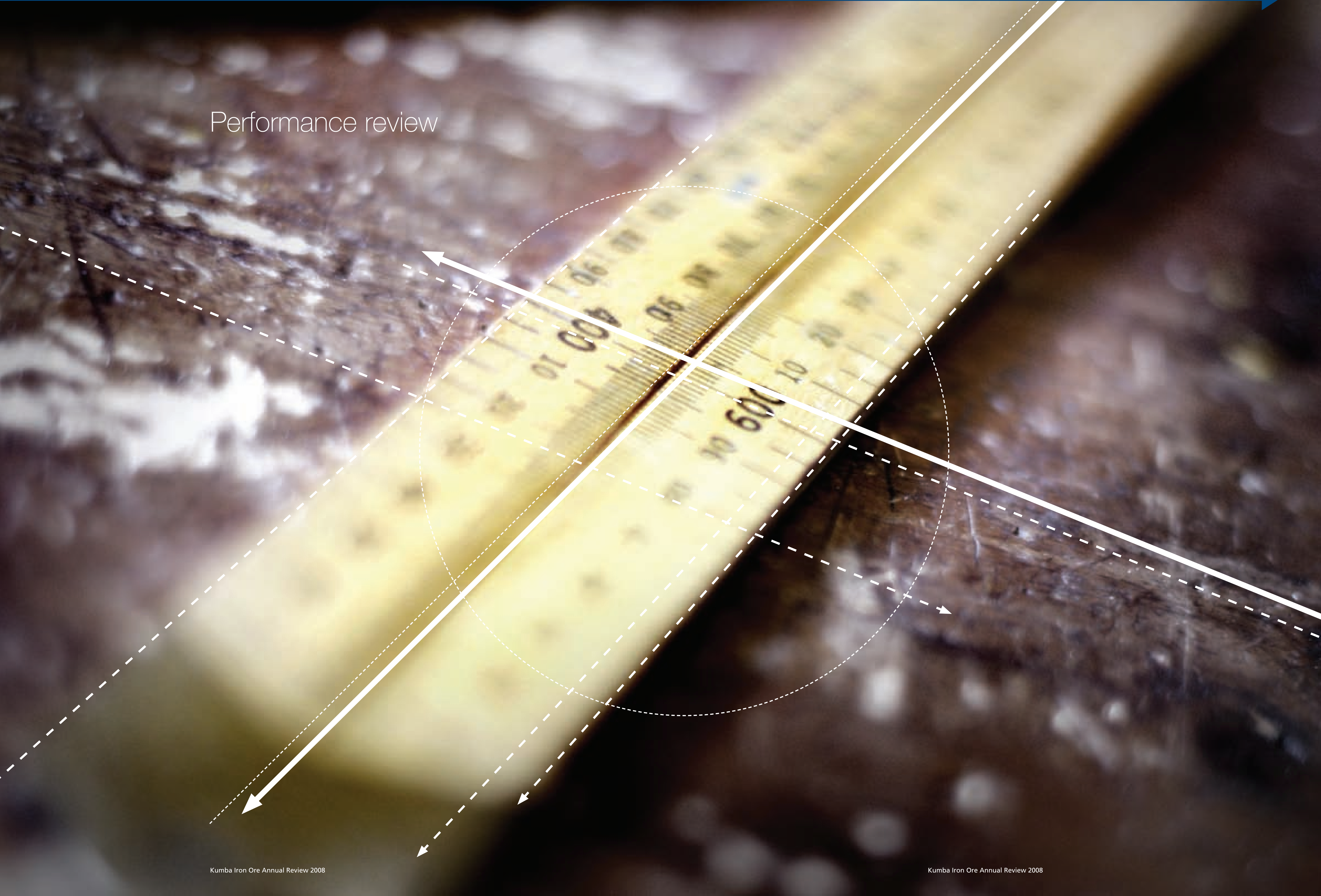
Timo was previously employed by TechnoServe as Country Director SA. His academic background and industry experience adds international depth to the Kumba team.

11. Vusani Malie

Company secretary (34)
BA (Law), LLB

Vusani, an admitted attorney, was previously the corporate services manager for AVI Limited and group company secretary for Santam Limited.

Performance review



Chairman's statement

First off I thank the Kumba CEO, Chris Griffith, and his team for delivering record profits during 2008 despite the power crisis which came into play in early 2008 and also the end of the commodity price boom in the last quarter of the year.

Over the last two years, Kumba benefited from the commodity price boom. The increase in demand for, and price of, iron ore, as well as increased production from Sishen Mine, contributed to record profitability at Kumba during 2008. However, the demand for iron ore has tailed off quite dramatically and is expected to result in softer contract iron ore prices in 2009 and potentially lower sales. The Kumba Board and management team will be required to navigate what will be a year requiring diligence and tough decision-making. I am, however, confident that we will weather the storm and emerge on the other side.

The present global economic meltdown is unprecedented in terms of scale and extent. While South Africa has fared relatively well, I believe that the further implications of this crisis will continue to unfold during the course of 2009. The rapid change in market conditions presents new challenges for Kumba. Our foremost priority is to reinforce the fundamentals of a well-run group by protecting jobs, improving efficiencies, spending wisely and working with our customers to best manage the situation.

At the time of writing, the long-term strategies of steel makers and raw material suppliers have been superseded by short-term value-preservation plans across the board. For Kumba specifically:

- Most major steel mills will take production cuts of up to 30%, ref ecting weakening demand and falling prices for steel. Major iron ore producers have followed suit.
- Lower utilisation of iron ore has led to large stockpiles at Chinese ports (eight weeks of inventory against six weeks historically) and substantial iron ore inventories at steel mills.
- In the South African steel market, demand is showing a similar drop off, with major producers announcing significant cutbacks and construction companies reporting postponed or cancelled orders.

In the medium term, however, we could see supply shortages return coupled with logistical constraints associated with rail and port capacity and shortages in shipping capacity which compound the impact on the supply side of the seaborne iron ore market. In the longer term, we predict that steel demand will move to growth rates of around 4% globally; requiring seaborne iron ore supply to grow by 5-6%.

I want to focus your attention on Kumba receiving a new order mining right to proceed with the 9-million tonnes per annum Sishen South project as well as the converting of old order mining rights for the Sishen and Thabazimbi mines. Receiving these rights means that we can focus on the extraction of the resources and significantly strengthens the business security of the company.

I am also aware of the dearth of skills in the mining sector and the resultant competition for these. We need to continue to attract, develop and retain our employees. Reviewing Kumba's human resources strategy gives me the confidence that there are positive developments that are very encouraging. However, we need to continually enhance our efforts to ensure that our workforce is competitive, skilled and satisfied with the working conditions the company provides.

Aside from Kumba receiving new mining rights, as I mentioned earlier, there are three other legal aspects which have implications for the company in the future.

Firstly, Kumba welcomes the deferment of the royalty bill to 2010 which will help overall profitability of the group and assist in reducing anticipated costs in these trying times.

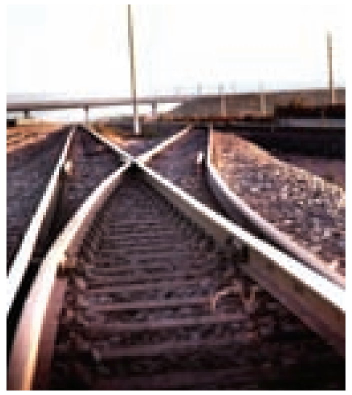
Secondly, the mine health and safety amendment bill contains certain onerous proposals that could affect the industry's ability to attract and retain skills. The Chamber of Mines is addressing these with the authorities to develop an appropriate solution.

The Mining Charter will be reviewed in 2009. Kumba is confident with its compliance to the Mining Charter and MPRDA requirements. As to possible amendments to the Mining Charter, we will work with all stakeholders to ensure a mutually beneficial charter review is achieved.

It would be foolish to oversimplify global economic conditions and predict when commodity prices and demand for iron ore will increase; it would be equally foolish to inform you that the future is bleak – what I can confidently state is that the company is well placed to weather the current storm and is run by a very competent management team.

Lazarus Zim
Chairman

Chief executive officer’s review



The year was, simultaneously, one of the most exciting and challenging years I have experienced. From Kumba’s perspective, three aspects stand out – our record profitability, our greatly improved safety performance and the global economic downturn.

Safety

The 2008 group safety performance – measured by lost-time injuries – ref ected more than a 50% improvement on 2007. In September 2008, Thabazimbi Mine set a new safety record of 366 days without a lost time injury and six years without a fatality. Sishen Mine achieved a lost-time injury frequency rate (LTIFR) of 0.13, compared to 0.23 in 2007. Regrettably, and despite this significant improvement in LTIFR, Mr Kagiso Peace Leboa died at Sishen Mine in April 2008. We once again express our deepest condolences to his family and friends.

In the second six months of the year, Kumba recorded zero fatalities. This was an important demonstration of what we can achieve with the correct attitude, procedures and discipline. Accordingly, we conducted eight surveys among employees in 2008, with almost 12 000 responses, painting a clear picture of Kumba’s strengths and weaknesses. Specific interventions are being developed to address areas for improvement and these will be incorporated into the organisation.

Record profitability

Notwithstanding some challenges viz. electricity supply, slower ramp-up of the jig plant and logistics issues in the second half of the year, we increased production during the year. Increased prices for iron ore, offset by inf ation, fuel and shipping costs resulted in record profitability, a 126% improvement on 2007. Revenue was up 86% to R21.4 billion – representing a compound annual growth rate of 35% over the past three years. We were able to maintain our dividend policy resulting in a total dividend for the year of R21 per share.

Economic climate

We are yet to feel the full force of the downturn but are prepared to counter the potential impacts it may have on our business.

The key issues that we will have to grapple with are:

- the extent to which demand for our product will decrease;
- the extent of expected price decreases; and
- the impact that this will have on our business, particularly in terms of our capital expenditure, projects and potential retrenchments.

We believe that demand for iron ore will continue to decrease until such time as the economy recovers. The company is well placed to weather current market volatility by keeping a watchful eye on costs and improving asset optimisation. In addition our products are produced at relatively low cost. In the present environment, Sishen Mine will look to secure export volumes in the short term by focusing on increasing the quality of products to its customers, even though this may marginally reduce volumes.

In terms of the impact the downturn will have on the company, Kumba critically reviewed its capital expenditure plans for 2009 and has taken decisive action, reducing expenditure by around 20% to R4.0 billion (US$425 million). The Sishen South project, however, remains on track with expenditure prioritised along the critical path. Management will continue to review capital expenditure and costs against developing market conditions.

Currently, retrenchments seem unlikely. However, we may be required to reduce our complement of contractors as a result of needing to streamline our capital expenditure and the resultant impact this will have. At this stage, it is difficult to predict the impact of the downturn and as such we are reviewing and assessing the situation on a monthly basis.

In the longer term, we will also concentrate on making a more meaningful impact on the rest of the value chain, such as ports and shipping, to optimise returns for shareholders.

Electricity

The constrained supply of electricity to our mines had a limited impact on our ability to operate during 2008. We were asked by Eskom to cut our electricity usage during the year by 10%, an amount over and above our own internal target of improving energy efficiency over a 10-year period. We were forced to act swiftly in order to comply with Eskom’s demands but we were able to adapt to the situation remarkably well.

Sustainable development

There are several accolades that we received of which I am particularly proud – the Financial Mail’s Top Empowerment Companies Award for Best Skills Development, the Department of Labour’s National Good Practice Award, the Best Mining Company To Work For in the Deloitte Best Company To Work For Survey, retained our listing on the JSE SRI Index and we were recognised as a *good reporter* in the Ernst & Young Excellence in Sustainability Reporting Survey.

I am very pleased that our old order mineral rights were converted to new order rights; this is a result of the significant effort that Kumba expended in ensuring that its Social and Labour Plans will make a lasting contribution towards socio-economic development in the Northern Cape and Limpopo provinces. Sishen and Sishen South also received their Integrated Water Use Licences, a major achievement for these operations.

In regards its role as contributor to socio-economic development, Kumba is committed to put into practice the commitments made in the Social and Labour Plans, and to bring on board our key stakeholders. Furthermore, Kumba is part owned by its employees and a trust representing several community groups. Both groups received dividends during the year over and above repaying the monies owed to Kumba for the shares purchased on their behalf.

Moving forward, we will retain focus on employee safety and health, the latter including occupational health matters and also HIV and AIDS. Kumba’s target for 2009 is to ensure that 85% of employees participate in the group’s voluntary counselling and testing programme.

Recruitment and retention of employees will continue to receive attention. The Deloitte accolade is evidence of the excellent work we are doing in this regard, by ensuring that our staff are cared for and afforded the opportunities they require for professional and personal development.

We will also focus on resolving the dewatering issues affecting farmers living close to Sishen Mine. This work, and other water use and efficiency initiatives, will run in parallel to our energy usage and efficiency programme.

Prospects

The scale of change globally in late 2008 has massive implications for business – some short term and others where the impact may take longer to manifest.

For the year ahead, we will focus on preserving cash, reducing costs and maintaining both the momentum and quality of our core activities with our current workforce. It is impossible to forecast how long this crisis will last, both in terms of demand for steel and thus iron ore, or for inventories to be worked through before normal demand for iron ore returns. Our long-term view of the iron ore market remains positive.

In South Africa, there are encouraging signs that inf ation has peaked and the first interest rate cuts since 2006 have been announced. This bodes well for alleviating rising cost pressures and comes at an opportune time for Kumba, given the f exibility (and concomitant cost) that will be required to manage the increasing geological complexity at Sishen Mine.

We believe our superior product range, strength of long-standing customer relationships, geographical market diversity and good operating margin will sustain the group until the next market upturn.

Kumba is a well-run business – with good systems, inf uential shareholders and management depth – and we believe its ability to weather short-term challenges en route to sustainable long-term growth will be demonstrated in the year ahead.

Appreciation

I thank all Kumba’s employees, shareholders and stakeholders whose efforts made my first six months at Kumba satisfying and stimulating and more importantly delivered sterling results in 2008.

Chris Griffith
Chief executive officer

Operational review: Sishen Mine

Kumba Iron Ore Annual Review 2008

Operational review: Sishen Mine

Sishen Mine's production increased 15% year-on-year to 34Mt, a third consecutive year of record-breaking output that ref ects increasing efficiencies at the mine in tandem with ramping-up of the jig plant.

Sishen Mine recorded its best safety performance in 2008, with its lost-time injury frequency rate (LTIFR) improving by 50% on the prior year. Regrettably Mr Kagiso Peace Leboa, a 42 year old truck operator, was fatally injured in April. We once again express our deepest condolences to his loved ones.

Dense medium separation plant

The dense medium separation (DMS) plant continued to perform well, achieving stable production of 28.4Mt for 2008, although output was somewhat affected by geological challenges in the main pit.

Although record run-of-mine material was fed to the plant, the yield reduced from 86% in 2007 to 82.5% in 2008, due to the lower feed grade from the pit.

We aim to maintain DMS production volumes at current levels, requiring feed rates of some 34.6Mt to the plant at a yield of ~82%.

Total tonnes mined increased 3% for the year to 108Mt, with run-of-mine production rising 15% to 44.6Mt. Although waste mining for the year was behind expected volumes – due to a decline in waste tonnes mined by contractors, abnormally high rainfall and the electricity crisis – the mine increased waste mined by 15% in the second half to 33.7Mt. In fact, average waste mining levels of ~5.6Mt per month in the second half exceeded levels achieved for both 2007 and 2006.

Mt	2008	2007
Total tonnes mined	**107.6**	104.4
– ROM production	**44.6**	38.9
– Waste mined	**63.0**	65.5
Final product	**34.0**	29.7
– DMS	**28.4**	29.5
– Jig	**4.7**	0.2
– Other	**0.9**	–
Stripping ratio (times)	**1.4**	1.7
Cost per tonne		
– Total cost (R/tonne)	**110.8**	79.9
– Cash cost (R/tonne)	**101.9**	74.3
Total sales	**30.5**	30.5
– Export	**24.9**	24.0
– Local	**5.6**	6.5
Safety		
– Lost-time injury frequency rate	**0.12**	0.23
– Fatalities	**1**	1

Sishen Mine data

Jig plant

The jig plant (previously referred to as the Sishen Expansion Project or SEP) was formally opened in November 2008, although first production from this plant was recorded in late 2007 (0.2Mt).

Production of 4.7Mt for 2008 was lower than expectation, due to a later project start and technical challenges during the ramp-up of production in the first half of the review period. Average yield for the year was 45.2%.

Given the impact of the global slowdown in the fourth quarter on the demand for iron ore, the mine was more selective of the grade sent to the plant and reduced the throughput rate to produce on specification product that was acceptable to the market. This had a small effect on volumes produced in the final quarter.

During the period, remaining technical design and engineering issues were resolved and the seventh and eighth jig modules commissioned in August, ahead of schedule.

The ramp-up of the jig plant continues, and we expect to reach nameplate capacity of 13Mtpa (annualised) in the fourth quarter of 2009.

Additional production

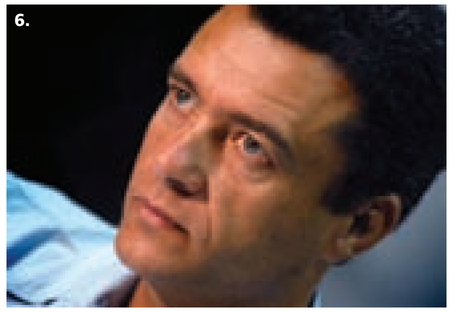
To mitigate the shortfall in production in the first half of the year while the jig plant was ramping up, the mine embarked on initiatives which included using additional temporary crushing capacity. These short-term production initiatives added 0.9Mt to production albeit at a higher cost per tonne.

Sales

Against the 15% production increase to 34Mt, a total of 30.5Mt was sold resulting in a stock build up of 3.5Mt at Sishen Mine and Saldanha port. Export volumes for the period rose only 4% to 24.9Mt, due to Transnet logistical issues in the third quarter as well as weaker demand for iron ore in the fourth quarter. Domestic sales were 14% lower at 5.6Mt, ref ecting this reduced demand.

In the final quarter, the strategic decision was taken to stockpile quality lump ore to meet still-strong medium to long-term demand, instead selling lower-price fine ore which was in demand at the time.

Sishen Mine management team



1. **Andrew Loots**
   General manager (41)
   BEng (Mech), MBA

2. **Nico Smit**
   Manager plant (41)
   B(Eng)(Ind), MBL

3. **Hannes Cronje**
   Manager mining (35)
   BEng (Mining), MBA, MMCC

4. **Philip Ngema**
   Head asset optimisation and business improvement (33)
   BTech Mining Engineering, PGD Business Management MMCC

5. **Paul Hibbert**
   Manager finance (43)
   CA(SA)

6. **Retief Louw**
   Manager transformation (44)
   BEng (Elec), Diploma Datametrics (Information Systems), MEM (Masters in Engineering Management)

7. **Kobus Meyer**
   Manager human resources (46)
   MCom Personnel Management, SBP (UP)

8. **Witness Kwaza**
   Manager safety, health and environment (49)
   Dip (Modern Safety Management), Management Dip

9. **Anel Marais**
   Manager sustainable development (35)
   BPrim Ed

Operational review: Thabazimbi Mine

Kumba Iron Ore Annual Review 2008

Operational review: Thabazimbi Mine

Mt	2008	2007
Total tonnes mined	**12.2**	22.2
– ROM production	**3.2**	3.3
– Waste mined	**8.9**	19.0
Final product	**2.7**	2.7
Stripping ratio (times)	**2.8**	5.8
Plant yield (%)	**81**	84
Sales to ArcelorMittal	**2.5**	2.4
Cost per tonne (R)		
– Total cost (R/tonne)	**269.7**	249.1
– Cash cost (R/tonne)	**236.3**	204.5
Safety		
– Lost-time injury frequency rate	**0.0**	0.12
– Fatalities	**0**	0

Thabazimbi Mine data

Thabazimbi Mine recorded stable production for the year, with sales (on a cost +3% basis) up 4% year-on-year to 2.5Mt, in line with the requirements of its customer, ArcelorMittal South Africa.

Commendably, the mine's team again produced a record safety performance in 2008. The mine has now worked for over six years without a fatality, and the last lost-time injury was reported in September 2007.

Waste stripping was suspended in the first quarter of 2008 to reduce the mine's electricity demand. This led to the stripping ratio dropping from 5.8 in 2007 to 2.8 for the review period. In addition, 9Mt waste stripping planned for 2008 has been deferred to later years. The mine has been replanned for the period to 2014 and no significant impact on production is expected.

We reported last year that Thabazimbi's life-of-mine was extended to 2014 by including reserves now considered economical to mine given the change in iron ore prices over recent years. A process has started to convert resources into reserves in support of the 2014 life-of-mine plan.

In addition, the company has appointed a project team to conduct a feasibility study on exploiting the banded iron ore formation at Phoenix. This project can potentially produce 3.4Mtpa of lump ore and sinter feed material for over 20 years. Alternative markets are being evaluated as part of the prefeasibility study, which will continue into 2010.

Thabazimbi Mine management team

1. **Emmy Leeka**
   General manager (39)
   BSc Eng (Metallurgy)
2. **Lesego Mataboge**
   Manager human resources (36)
   BA, Dip Human Resources
3. **Sabelo Gumede**
   Manager safety, health and environment (37)
   BSc (Hons)
4. **Dries Burger**
   Manager finance (55)
   BCom, NDip Management
5. **Cornelia Holtzhausen**
   Manager plant (36)
   BSc (Metallurgical Engineering), MBA
6. **Albert du Plessis**
   Manager mining (acting) (50)
   Dip Mining
7. **Antoinette Scheepers**
   Manager material management (38)
   BCom (Hons) Industrial Sociology

Projects review

Projects review

Introduction

Current market conditions have required the revaluateion of our project pipeline and the potential timing of these projects.

Kumba's medium-term goal is to increase Northern Cape production to 50Mtpa by 2013 and our robust project pipeline is now unfolding: Sishen Mine's jig plant is ramping up to nameplate capacity and should reach full production of 13Mt in 2010; Sishen South is on schedule to start production in 2012 and ramp up to 9Mtpa in 2013.

The group has several other projects at feasibility or prefeasibility stages, particularly in South Africa of which SEP 2 (Sishen Mine), Phoenix (Thabazimbi Mine) and Zandrivierspoort are the most prominent. The timing on these projects will be carefully assessed against prevailing market fundamentals, the viability of individual projects and rail and port expansions.

Our exploration activities were terminated at the Kamambolo project in Guinea due to unsatisfactory exploration results.

Sishen South

Facts about the Sishen South Project

- 9 million tonnes per year of direct shipping ore
- 373 million tonnes resource
- R8.5 billion nominal capital expenditure
- 700 direct jobs, 4,000 indirect jobs
- Life-of-mine initially 20 years, extension probable

The Sishen South project was approved in July 2008. This R8.5 billion investment – R2.5 billion of which has been committed to date – involves developing a greenfields opencast operation some 80km south of Sishen Mine. A new-order mining right and the necessary integrated water-use licence were granted in the second half of the year.

To fund this expansion, Kumba has secured a five-year, R5.4 billion funding facility, which is more than adequate to meet the group's needs in 2009. Planned capital expenditure for Sishen South in 2009 has been optimised along the critical path and the project remains on track for first saleable production in 2012.

In August 2008, Kumba and Transnet announced the expansion of the Sishen-Saldanha iron ore export channel from 47Mtpa to 60Mtpa: 9Mtpa of which has been allocated to Kumba for the development of Sishen South. The iron ore export channel expansion represents a capital investment of over R4 billion in real terms by Transnet for additional rolling stock, upgrading electricity infrastructure, constructing bypass loops and a 36km rail link by 2012 to service the new mine.

Sishen South is now firmly on track, with site earthworks, terracing and civil engineering projects well advanced.

Sishen South management team

1. **Aart van den Brink**
   General manager (47)
   MEng (Mining)

2. **Gerhard Brand**
   Manager mining operations (43)
   BSc Eng (Mech)

3. **George Benjamin**
   Manager sustainable development (30)
   Nat Diploma Tourism

4. **Gert Ferris**
   Manager operations supply chain (47)
   LLB, LLM

5. **Rita Gopalkista**
   Manager safety, health, environmental and quality (SHEQ) (42)
   BCur

6. **Mike Carney**
   Manager mineral resource (45)
   BSc (Hons) Geology

7. **Analine Fielding**
   Manager finance (33)
   BCom

8. **Kobus Kruger**
   Manager human resources (42)
   BCom Hons

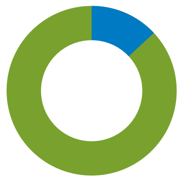
9. **Anesan Naidoo**
   Manager engineering (31)
   BSc Eng (Mech)

10. **Theo Kleinhans**
    Manager plant operations (57)
    MSc (Chem)

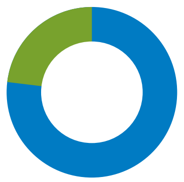
Sustainable development review

Kumba Iron Ore Annual Review 2008

Sustainable development review



Female and male employees %



HDSAs and white males %

HDSAs and white males in management %

Females and males in management %

In this section we review the salient features of our sustainable development performance.

Occupational health and safety

Safety

We report a dramatic improvement in our lost time injury frequency rate (LTIFR), of 0.12 in 2008 (from 0.23 in 2007), below our target of 0.17. While we celebrate this improvement, it nonetheless means that 14 people experienced lost time injuries (against 29 in 2007). Any injury remains unacceptable to us, and we have therefore set an even more stringent LTIFR target of 0.08 for 2009, on our route to Zero Harm.

Occupational health and wellness

Kumba's key focus for 2008 was to align its occupational health management systems with the same standards it applies to safety.

Three cases of suspected noise induced hearing loss (NIHL) were reported to the DME in 2008.

The HIV prevalence rate amongst our workforce is estimated at 6.7% for Kumba (5.8% and 13.8% for Sishen and Thabazimbi mines, respectively). We deal with HIV and AIDS via a range of channels and actively promote HIV and AIDS prevention and VCT through various awareness campaigns. Our target for VCT uptake for 2008 was 75%; by the end of 2008, we had achieved 77% uptake. For 2009, we aim to achieve 85% uptake of VCT. We are also expanding our targets to include a 65% uptake of employees with HIV and AIDS on our programmes.

Human resources

People – the attraction, development and retention thereof – are understandably a critical aspect of Kumba's sustainability and longevity. As a consequence, we are a committed trainer and developer of our own employees but also reach further into the communities where we operate as well as attracting learners from across the country.

Transformation is a vital part of Kumba's sustainability. Over and above the requirements of the Mining Charter, Kumba is committed to ensuring that its workforce represents South Africa's demographic profile and that its entire workforce is cared for and afforded every opportunity for growth and development.

Social and community development

The formula for our development programmes is a strong focus on engagement with people living in the areas where we mine. Through commitments made in the Social and Labour Plans, and other internal guides, we spend considerable time focusing on the infrastructural and developmental needs of local communities. The interventions we make, primarily in education, health care, agriculture, enterprise development and infrastructure, are designed to address relevant needs effectively. Although we make available funding, our conception of our role is not limited to the provision of finance. We are active in ensuring that the interventions we make yield results, are properly built or implemented, and we provide a range of guidance to beneficiaries of our interventions.

Energy consumption and greenhouse gas emissions

A key development over the past year was the implementation of Project REDUCE, whose goal is to create a reporting system and management tool for energy usage and greenhouse gas emissions for use by all Anglo operations.

In line with the Energy Efficiency Accord, Kumba's energy and CO_2 targets are a 1.5% and 1% reduction per annum respectively (on an adjusted baseline basis) over a 10-year period based on the 2004 energy consumption.

Kumba's sources of energy are electricity, diesel and petrol. The increase in overall consumption of all energy for 2008 (to 4,265,218 GJ, from 2007's 3,889,610 GJ) is as a result of increased production of iron ore and greater activity on the mines, including increased electricity consumption due to the ramp-up of the jig plant (SEP). Against a target of 6% reduction in energy consumption (off the 2004 baseline), Kumba achieved a 9.14% reduction in consumption against an adjusted baseline.

Against our 2008 target of 4% reduction, we increased our CO_2 emissions by 0.6% against the footprint adjusted baseline. The increase in CO_2 emissions (from 518,008 tonnes in 2007 to 573,833 tonnes in 2008) is directly related to the increased energy consumption. Increased ore production however helped us to maintain our CO_2 emission intensity (tonnes CO_2 per tonne of product), at 0.016.

Water consumption

Water consumption for primary activities reduced slightly during 2008 – 8,019,968 m^3 from 8,324,387 m^3 during 2007. A 10.8% reduction off the adjusted baseline was recorded. This is attributed to our ongoing efforts in identifying and implementing water saving initiatives.

We are pleased to note that both Sishen Mine and the Sishen South project were awarded their Integrated Water Use Licences.

Land management, including waste and pollution

Our chief focus areas here are:

- Biodiversity
- Rehabilitation
- Waste
- Pollution, both air and hydrocarbon.

Biodiversity

A group guideline for the preparation of Biodiversity Action Plans (BAPs) was developed in alignment with the International Council on Mining and Metals (ICMM) Good Practice Guideline for Mining and Biodiversity. In 2008, we conducted BAPs peer reviews at our mines, and are implementing the actions stemming from these.

Waste rock dump rehabilitation

A key performance area for 2008 was updating and costing of the closure plans for each mine. The historical and current Sishen Mine rock dumps have been placed at the natural angle of repose of 37°.

A closure commitment was made in the EMPR to reshape the dumps to 18° pending the outcome of a five-year investigation with respect to the sustainability of vegetation growth on steeper slopes. Rehabilitation trials indicate that steeper slopes can be effectively vegetated at angles of between 24° and 30°, the former has been approved by the Department of Minerals and Energy.

Our mines' closure plans were reviewed to assess their level of compliance with Anglo's Mine Closure Toolbox. The mines completed the physical component of the mine closure planning process i.e. quantifying the costs required to remove infrastructure and rehabilitate the waste rock dumps.

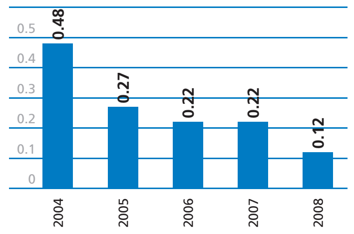
Waste and pollution

We investigated various options to reduce the quantity of waste disposed at landfill sites. Recycling initiatives and disposal are at current the most common methods in practice at the mines. During 2008, we identified various options for reuse and recycling including waste reduction at source, waste treatment and reuse and the establishment of community recycling and reuse centres. These options will be examined further in 2009 to determine their viability.

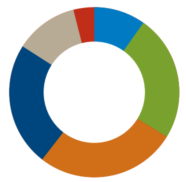
The prevention of oil pollution is a key priority at our operations. Ground and surface water are rigorously monitored to minimise the potential risks arising from historical spillages or contamination and specific rehabilitation measures are undertaken. An assessment of four historically oil polluted sites at Sishen Mine was completed in 2008. The rehabilitation of these four sites will commence in 2009.

Kumba's other major contribution to air pollution is the emission of dust particles mainly generated from haul roads, unrehabilitated waste rock dumps, transfer points and slime dams. Dust fallout and particulate matter smaller than 10 micrometers are measured monthly and compliance to applicable standards assessed at residential areas surrounding the mines. Kumba is especially concerned about the complaints it receives from the residents of Dingleton about dust pollution.

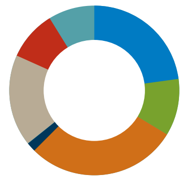
To ensure that the mines comply with relevant South African standards, an Air Quality Management Plan (AQMP) was developed in 2008 in accordance with Anglo Air Quality Performance Management Standard. AQMPs for Thabazimbi Mine and the Sishen South project are scheduled for completion during 2009 and 2010 respectively. This plan includes emission sources and various actions that will be progressively implemented to ensure that dust emissions remain as low as possible. Key initiatives to be implemented by the mines include increasing the efficiency of dust suppression on untreated haul roads, ongoing rehabilitation of rock waste dumps through vegetation, the application of additional dust suppression mechanisms at critical transfer points in the processing plant and upgrading of the dust monitoring network.



LTIFR



Value distribution



Kumba social and community development spend

Abridged financial review

Financial review

Despite the volatility in the global economy towards the end of 2008 Kumba has delivered strong financial results for the year ended 31 December 2008.

The purpose of this review is to provide a concise overview of the group's financial results for the year.

Highlights

up 86% to R21.4bn

Revenue

More than doubled to R13.5bn

Operating profit

headline earnings R7.3bn

per share R23.02

Headline earnings

R21.00 per share

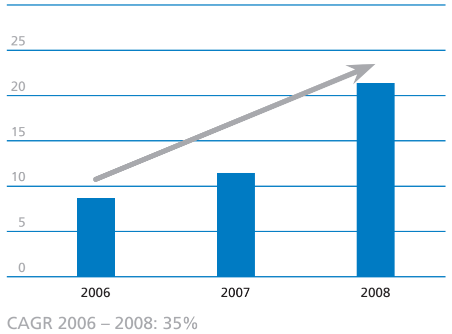
Total dividend

up 150% R14.5bn

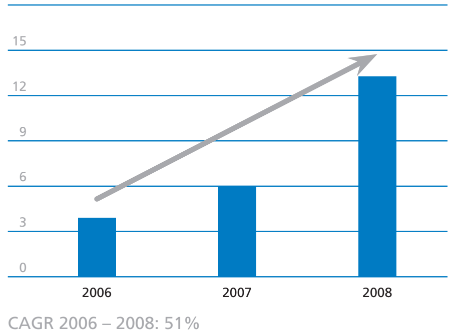
Cash from operations

Operating results

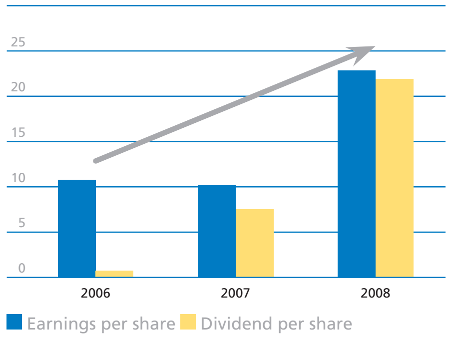
The key indicators of our operating results during the past year are:



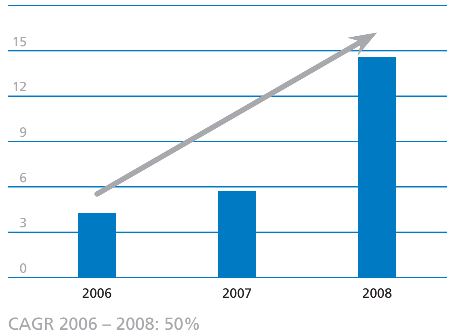
Revenue (R billion)



Operating profit (R billion)



Attributable earnings and dividend per share (Rand)



Cash from operations (R billion)

Rand million	**2008**	2007	% change	2006
Revenue	**21,360**	11,497	86	8,654
Operating expenditure	**(7,847)**	(5,519)	42	(4,719)
Operating profit	**13,513**	5,978	126	3,935
Operating margin (%) (EBIT)	**63**	52	21	45
Headline earnings	**7,276**	3,143	131	2,126
Cash from operations	**14,519**	5,805	150	4,277
Capital expenditure	**2,563**	2,119	21	1,718

Note: The financial results for 2007 and 2006 have been restated for the effects of the change in accounting policy on adoption of the revised IAS 23 Borrowing Costs.

Financial overview

Kumba Iron Ore Limited Group Balance sheet

as at 31 December

Rand million	Audited 2008	Restated 2007
Assets		
Property, plant and equipment	**7,911**	5,889
Biological assets	**8**	6
Investments in associates and joint ventures	**6**	2
Investments held by environmental trust	**237**	165
Long-term prepayments	**32**	14
Deferred tax assets	**11**	9
Non-current assets	**8,205**	**6,085**
Inventories	**1,879**	1,310
Trade and other receivables	**2,262**	1,531
Current tax asset	**547**	–
Cash and cash equivalents	**3,810**	952
Current assets	**8,498**	**3,793**
Total assets	**16,703**	**9,878**
Equity and liabilities		
Shareholders' equity	**6,859**	2,736
Minority interest	**1,647**	661
Total equity	**8,506**	**3,397**
Liabilities		
Interest-bearing borrowings	**977**	1,040
Provisions	**384**	339
Deferred tax liabilities	**1,990**	1,490
Non-current liabilities	**3,351**	**2,869**
Short-term interest-bearing borrowings	**2,881**	2,490
Short-term provisions	**310**	–
Trade and other payables	**1,655**	1,058
Current tax liabilities	**–**	64
Current liabilities	**4,846**	**3,612**
Total equity and liabilities	**16,703**	**9,878**

Kumba Iron Ore Limited Group Income statement

for the year ended 31 December

Rand million	Audited 2008	Restated 2007
Revenue	**21,360**	11,497
Operating expenses	**(7,847)**	(5,519)
Operating profit	**13,513**	5,978
Finance income	**154**	102
Finance costs	**(405)**	(270)
Profit before taxation	**13,262**	5,810
Taxation	**(4,179)**	(1,807)
Profit for the year	**9,083**	**4,003**
Attributable to:		
Equity holders of Kumba	**7,208**	3,181
Minority interests	**1,875**	822
	9,083	**4,003**
Per share information (cents)		
Attributable earnings per share	**2,280**	1,011
Diluted attributable earnings per share	**2,254**	995
Dividend per share (cents)		
Interim	**800**	350
Final*	**1,300**	400

* The final dividend was declared subsequent to the year-end and is presented for information purposes only.

Kumba Iron Ore Limited Group Statement of changes in equity

for the year ended 31 December

Rand million	Share capital and share premium	Equity-settled share-based payment reserve	Foreign currency translation reserve	Cash flow hedge accounting reserve	Retained earnings	**Share-holders' equity**	Minority interest	**Total equity**
Balance at beginning of year – as previously disclosed	3	182	53	(2)	603	839	216	1,055
Change in accounting policy – borrowing costs	–	–	–	–	1	1	–	1
Balance at beginning of year – restated	3	182	53	(2)	604	840	216	1,056
Shares issued during the year	53	–	–	–	–	53	–	53
Equity-settled share-based payments	–	73	–	–	–	73	17	90
Profit for the year	–	–	–	–	3,181	3,181	822	4,003
(Losses)/gains recognised directly in equity	–	–	(51)	2	–	(49)	(11)	(60)
Foreign currency translation differences	–	–	(10)	–	–	(10)	(2)	(12)
Net cash f ow hedge losses transferred from equity	–	–	–	2	–	2	1	3
Taxation effects	–	–	(41)	–	–	(41)	(10)	(51)
Dividends paid	–	–	–	–	(1,362)	(1,362)	(383)	(1,745)
Balance at 31 December 2007 – restated	**56**	**255**	**2**	**–**	**2,423**	**2,736**	**661**	**3,397**
Shares issued during the year	**80**	**–**	**–**	**–**	**–**	**80**	**–**	**80**
Equity-settled share-based payments	**–**	**88**	**–**	**–**	**–**	**88**	**21**	**109**
Profit for the year	**–**	**–**	**–**	**–**	**7,208**	**7,208**	**1,875**	**9,083**
Gains recognised directly in equity	**–**	**–**	**562**	**4**	**–**	**566**	**141**	**707**
Foreign currency translation differences	**–**	**–**	**572**	**–**	**–**	**572**	**141**	**713**
Net cash f ow hedge losses transferred from equity	**–**	**–**	**–**	**4**	**–**	**4**	**1**	**5**
Taxation effects	**–**	**–**	**(10)**	**–**	**–**	**(10)**	**(1)**	**(11)**
Dividends paid	**–**	**–**	**–**	**–**	**(3,819)**	**(3,819)**	**(1,051)**	**(4,870)**
Balance at 31 December 2008	**136**	**343**	**564**	**4**	**5,812**	**6,859**	**1,647**	**8,506**

Equity-settled share-based payment reserve

The equity-settled share-based payment reserve comprises the fair value of goods received or services rendered that has been settled through the issuing of shares or share options.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial results of foreign operations to the functional currency of its parent.

Cash flow hedge accounting reserve

The cash f ow hedge accounting reserve comprises the effective portion of the cumulative net change in the fair value of derivative financial instruments designated as cash f ow hedges where the forecasted transaction has not yet occurred.

Kumba Iron Ore Limited Group Cash f ow statement

for the year ended 31 December

Rand million	Audited 2008	Restated 2007
Cash flows from operating activities		
Cash receipts from customers	**21,098**	10,963
Cash paid to suppliers and employees	**(6,579)**	(5,158)
Cash generated from operations	**14,519**	5,805
Net finance costs paid	**(401)**	(301)
Taxation paid	**(4,311)**	(1,401)
Dividends paid	**(3,794)**	(1,353)
	6,013	**2,750**
Cash flows from investing activities		
Additions to property, plant and equipment	**(2,563)**	(2,119)
Investment in associates and joint ventures	**(3)**	(2)
Proceeds from disposal of non-current assets	**–**	26
Translation effects of cash f ows of foreign operations	**79**	31
	(2,487)	**(2,064)**
Cash flows from financing activities		
Shares issued	**80**	53
Dividends paid to minority shareholders	**(1,076)**	(392)
Interest-bearing borrowings raised	**3,847**	1,311
Interest-bearing borrowings repaid	**(3,519)**	(1,800)
	(668)	**(828)**
Net increase/(decrease) in cash and cash equivalents	**2,858**	(142)
Cash and cash equivalents at beginning of year	**952**	1,094
Cash and cash equivalents at end of year	**3,810**	**952**

Kumba Iron Ore Limited Group Headline earnings

for the year ended 31 December

Rand million	Audited 2008	Restated 2007
Reconciliation of headline earnings		
Profit attributable to equity holders of Kumba	**7,208**	3,181
Net loss/(profit) on disposal and scrapping of property, plant and equipment	**12**	(14)
Impairment of property, plant and equipment	**50**	–
Realisation of foreign currency translation reserve	**19**	(34)
	7,289	3,133
Taxation effect of adjustments	**(9)**	1
Minority interest in adjustments	**(4)**	9
Headline earnings	**7,276**	**3,143**
Headline earnings per share (cents)		
Basic	**2,302**	1,000
Diluted	**2,275**	983
The calculation of basic and diluted earnings and headline earnings per share is based on the weighted average number of ordinary shares in issue as follows:		
Weighted average number of ordinary shares	**316,140,923**	314,618,406
Diluted weighted average number of ordinary shares	**319,778,849**	319,660,289
The adjustment of 3,637,926 shares to the weighted average number of ordinary shares is as a result of the expected vesting of share options already granted under the various share-based payment arrangements.		

Kumba Iron Ore Limited administration

Company secretary and registered office

VF Malie

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Corner John Vorster Drive
and Akkerboom Street

Zwartkop Extension 22

Centurion, Pretoria, 0046

Republic of South Africa

Tel: +27 12 683 7000

Fax: +27 12 683 7009

Company registration number:
2005/015852/06

JSE share code:
KIO

ISIN code:
ZAE000085346

Auditors

Deloitte & Touche

Chartered Accountants (SA)

Registered Auditors

Deloitte Place, The Woodlands

20 Woodlands Drive, Woodmead, 2146

South Africa

Private Bag X46, Gallo Manor, 2052

Sponsor

Rand Merchant Bank
(A division of FirstRand Bank Limited)

Registration number: 1929/001225/06

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Sandton, 2146

South Africa

PO Box 786273, Sandton, 2146

Corporate law advisors

Deneys Reitz Inc

82 Maude Street

Sandton, 2196

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PO Box 784903, Sandton, 2146

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New York, NY 10286

United States of America

Transfer secretaries

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South Africa

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HKLM