KUMBA IRON ORE

About this review

This review serves as an introduction to our Annual Financial Statements and should be read with it. A seperate Sustainable Development Report is produced, which, together with this review and Annual Financial Statements, 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.

Cover: At Kumba's new Kolomela Mine, the pit is starting to emerge as waste is moved to expose the ore body. In 2009, 4.0Mt of waste material was moved as the mine prepares for first production in 2012 and full production of 9Mtpa in 2013. The mine is on schedule and on budget and will produce direct-shipping ore for export.

CONTENTS

SAFETY

- We put safety first in everything we do
- We make safety a way of life, inside and outside the workplace
- We show genuine concern and take responsibility for our own safety and that of others
- We truly believe that ALL injuries are preventable
- We continually reassess risks and comply with rules and procedures

Sishen Mine's custom-built new haul trucks come with a host of unique safety features. These include safety bumpers, something not normally seen on these giants. The new model was developed jointly over a five year period by the supplier and Kumba. The unique design incorporates a pantograph support structure that is fully integrated into the chassis, an automatic anti-rollback feature and an improved braking system comprising combined electric braking and wet disc brakes.

OVERVIEW

Safety is of paramount importance to Kumba and comes first in everything we do. We strive to achieve Zero Harm throughout the group and this year managed to deliver an exceptional improvement in our safety performance. Only 10 lost-time injuries were recorded. Thabazimbi Mine completed its second year without a single lost-time injury; in 2009 both Sishen Mine and Thabazimbi Mine were fatality free the whole year, in the case of Sishen Mine, for the first time in five years; and Kolomela Mine has achieved 4,3 million lost-time injury free man-hours to date.

Notwithstanding this improvement, tragically we suffered one fatality when Tebogo David Marope, a 23-year old contractor of Concor, was fatally injured during road construction at Kolomela Mine in January 2009.

LOST-TIME INJURY FREQUENCY RATE

Reduced by 42% to 0.07

SISHEN MINE

Fatality free during 2009 for the first time in five years

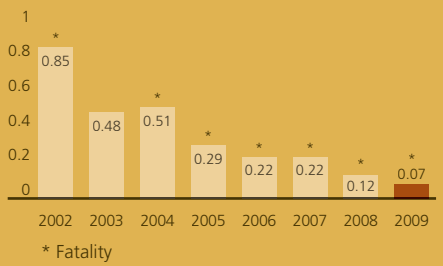
THABAZIMBI MINE

LTI free for the last two years

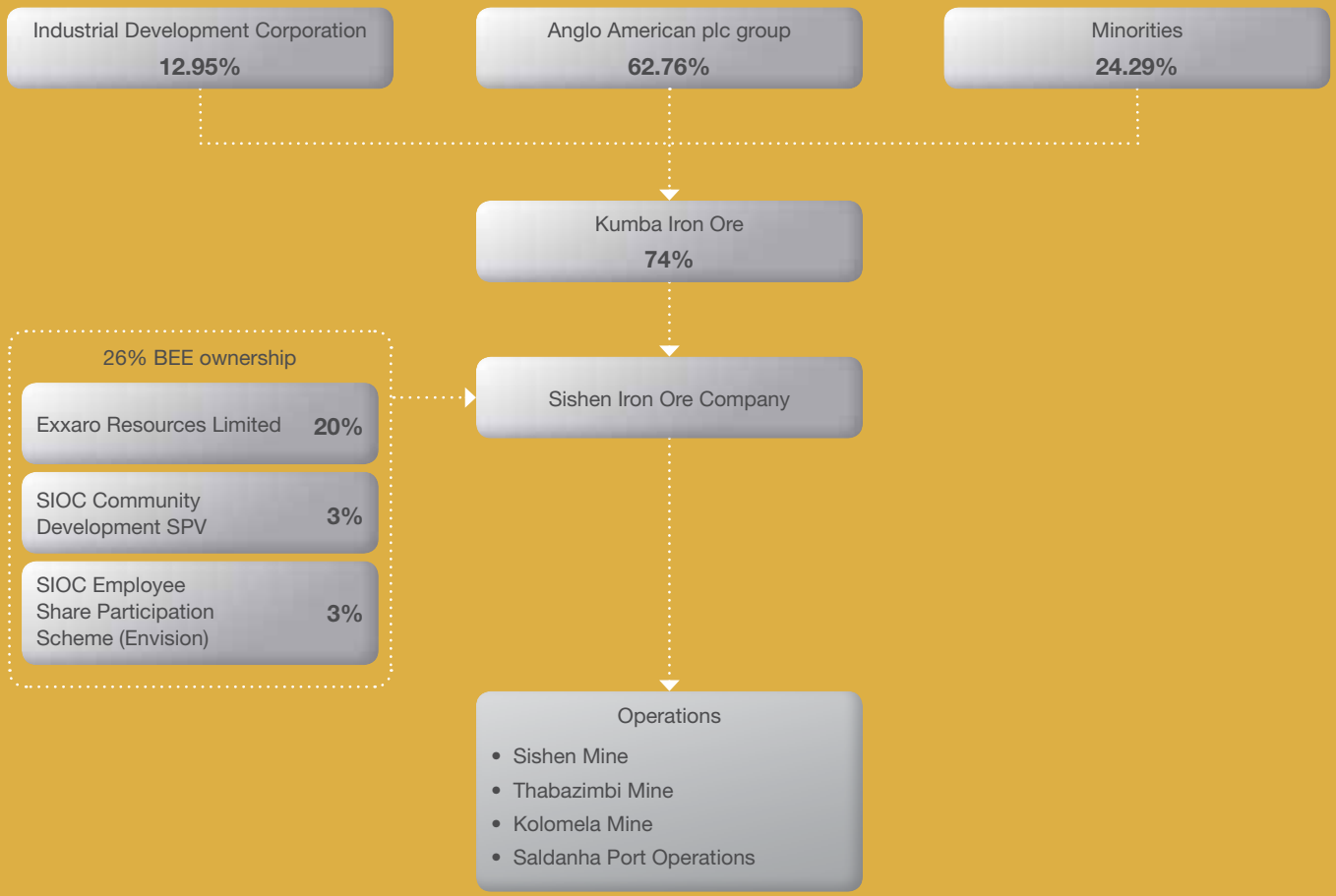
KOLOMELA MINE

14 months LTI free

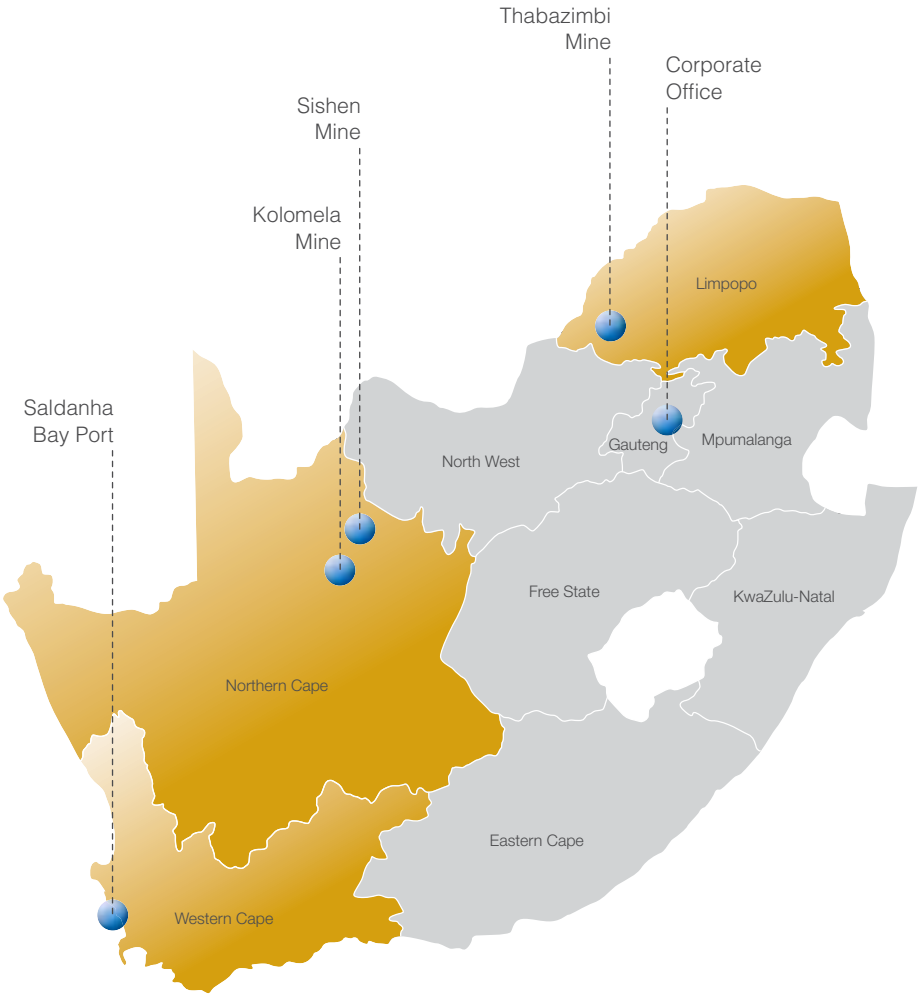
LTIFR



Group structure



Locality map



Sishen Mine

- Annual production: 39.4Mt (2009)
- Life of mine: 21 years
- Ore reserves: 911Mt

Thabazimbi Mine

- Annual production: 2.5Mt (2009)
- Life of mine: 7 years
- Ore reserves: 14.2Mt

Kolomela Mine

- Full production (2013): 9Mtpa
- Life of mine: 28 years
- Ore reserves: 214.1Mt

Iron Ore Marketing and Logistics offices

- Luxembourg
- China (Hong Kong)
- South Africa


KUMBA IRON ORE

Board of directors

1. Lazarus Zim
Chairman (49)
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 (45)
BEng (Mining) (Hons), Pr Eng

Chris was previously the executive head of joint ventures for Anglo Platinum Limited. Chris has over 19 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 (48)
BCom, CTA, CA(SA)

Vincent has 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 (55)
BCom, LLB, HDip Tax Law

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

5. Allen Morgan
Independent non-executive director (62)
BSc, BEng (Elect), Pr Eng

Allen is a 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.

6. Gert Gouws
Non-executive director (51)
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. Dolly Mokgatle
Independent non-executive director (53)
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.

8. Peter Matlare
Independent non-executive director (50)
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.

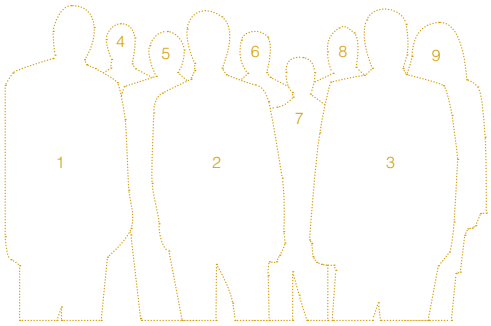
9. Zarina Bassa
Independent non-executive director (46)
BAcc, CA(SA)

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 a partner in 1986.

Nkosana Moyo*/** (absent)
Independent non-executive director (58)
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.

* Zimbabwean.
** Resigned with effect from 12 January 2010.



Executive committee

1 2 3 4 5 6

1. **Chris Griffith**
Chief executive officer (45)
BEng (Mining) (Hons), Pr Eng

(see page 7)

2. **Vincent Uren**
Chief financial officer (48)
BCom, CTA, CA(SA)

(see page 7)

3. **Andrew Loots**
General manager, Sishen Mine (42)
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**
Executive head, projects (50)
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 (40)
BSc Eng (Metallurgy)

Emmy was previously the group manager strategic affairs at Kumba and was manager logistics at Kumba Resources.

6. **Aart van den Brink**
General manager, Kolomela Mine (48)
MEng (Mining)

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 8 9 10 11

7. Christo van Loggerenberg
Executive head, technical services (52)
BEng (Hons) (Metallurgy), MBA

Christo was the former business development manager for Kumba Resource's Iron Ore business. Other senior posts include metallurgy, engineering and operational positions in the industry.

8. Nico Meiring
Acting Executive head, human resources (45)
MComm (Industrial Psychology), MBA

Nico has been employed with Iscor, Kumba Resources and Kumba Iron Ore for 21 years. He has been exposed to the full spectrum of human resources in coal, base metals and iron ore, both at operations and corporate office, and internationally at a joint venture in China.

9. Tebello Chabana
Executive head, public affairs (38)
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
Global head, iron ore marketing and logistics (41)
MSc (Applied Physics),
PhD (Materials Science and Engineering)

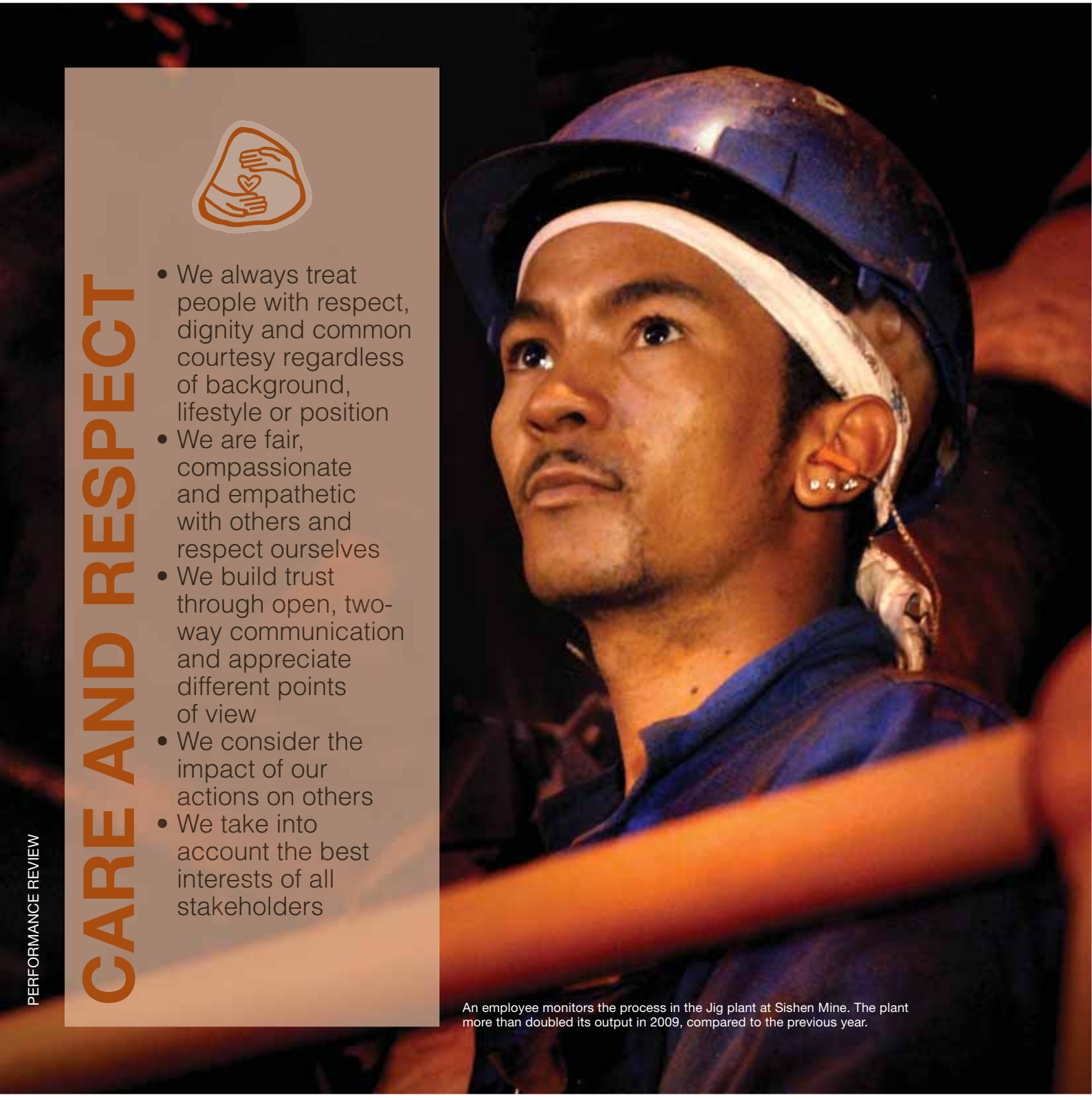
Timo was previously employed by TechnoServe as country director SA. His academic background and industry experience adds international depth to the Kumba team.

11. Vusani Malie
Company secretary (35)
BA (Law), LLB

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

CARE AND RESPECT

- We always treat people with respect, dignity and common courtesy regardless of background, lifestyle or position
- We are fair, compassionate and empathetic with others and respect ourselves
- We build trust through open, two-way communication and appreciate different points of view
- We consider the impact of our actions on others
- We take into account the best interests of all stakeholders



An employee monitors the process in the Jig plant at Sishen Mine. The plant more than doubled its output in 2009, compared to the previous year.

PERFORMANCE REVIEW

Kumba delivered a great operational and sales performance in 2009. The group had set itself a target to increase production by 10% at Sishen Mine, a level we significantly exceeded. Against the backdrop of the global economic recession, revenue increased by 10% owing largely to a 37% increase in export sales driven by strong demand from China, which more than compensated for lower volumes to Europe, Japan and Korea.

Excellent cost control and various efficiency measures were able to keep cost growth to below inflation on a per unit basis which helped protect the group's profitability against a 40% fall in benchmark iron ore prices, resulting in only a 5% drop in operating profit. As a result the group was able to continue paying a dividend.

EXPORT SALES VOLUMES

Up 37% to 34.2Mt

SISHEN MINE

Unit cash cost down 4% in real terms

SISHEN MINE TOTAL SALES

Up 25% to 38.2Mt

OPERATING PROFIT

Of R12.9bn

TOTAL DIVIDEND

Of R14.60 per share

Chairman's review

Surviving the recession

Last year was a remarkably challenging year for the mining industry, which started amidst the global economic crisis that had effected almost all regions of the world and business sectors. The success of the Kumba team in navigating 2009 is a testament to their agility to adapt to the changing environment, the fundamentals of the market for iron ore and the focus on the basics of the business. That Kumba has been able to deliver the second strongest set of financials in its history is an achievement to be proud of.

Kumba's daring decision to continue investing in our growth projects, as well as in developing our employees throughout the recessionary conditions of last year, has proven to be the right one. We strongly believe that the long-term fundamentals of the iron ore industry are sound and we are positioning ourselves to take maximum advantage of the inevitable upswing to come. The demand scenario for iron ore especially in China remains positive. In the short-term Kumba's leadership team managed to ride out the financial storm remarkably well – maintaining the capital expenditure programme, while improving the efficiency of operations.

Kumba is a unique business in the international resources industry. It is one of few pure-play iron ore companies. This focus has been well rewarded by the market – the Kumba share price almost doubled during 2009, beating the mining index by 41%.

The strong business performance and cash generation has enabled us to continue our policy of returning cash to shareholders. We are thus pleased to announce a total dividend of R4.7 billion for the 2009 financial year. This excludes the R1.6 million paid to our black economic empowerment investors by Sishen Iron Ore Company.

Business environment

In 2009, we beat expectations by increasing production at Sishen Mine by 16% and improving our exports by 37%. These are exceptional achievements given the global economic slowdown experienced over the period.

During the year, substantial progress was also made with the development at the Kolomela Mine (previously known as the Sishen South project), production was ramped up at the Sishen Jig plant, and various other expansionary project studies took strides forward.

This was despite the unprecedented environment, in which many of our customers scaled back production, particularly in our traditional markets of Europe, Japan and Korea. The rapid changes in market conditions certainly did present challenges for Kumba. The adjustment of the business to both falling domestic, and international demand in traditional markets, was remarkable. The key to the success was the quality of our ore and good relationships with customers in China, where demand remained strong. Kumba was able to redirect its sales to China, as well as an additional 16% in output from Sishen Mine, taking market share from competitors. This is testament to Kumba's strength as an iron ore supplier.

There are signs of demand recovering in our traditional markets, although it is difficult to determine how sustainable this is. Like our customers, we are cautiously optimistic that the global economy will return to a more stable upward trajectory over the next year, but also wary that a deeper final demand recovery could still be some time off. We are cautious about how the current phase of monetary and fiscal stimulus will be brought to a close and whether private sector demand will be ready to pick up the slack. This must be handled carefully to prevent a return of recessionary conditions.

In the medium term, constrained supply, the exhaustion of domestic iron ore resources in some of our important markets, and a decline in shipping costs as new ships come into commission, will all contribute to demand for seaborne iron ore. Our medium term predictions have not changed, and we anticipate that demand for seaborne iron ore supply will continue to grow in excess of 5%. We do anticipate that there will be a fairly significant recovery in iron ore prices in 2010 as spot prices remain well above the benchmark price.

At the end of the year, the new name was announced of the mine being developed by the Sishen South project – Kolomela Mine. Kolomela means to seek further or deeper, a fitting metaphor for the mine, which will reach full production capacity of 9Mtpa in 2013. Development of the project will be an important focus for 2010.

Regulatory environment

Kumba has now been granted new order mineral rights for all of its operations. These are expected to all be registered in early 2010. This confirms the business security of the company and has allowed us to focus on the efficient extraction of minerals in our operations.

Our industry continues to work with government in various other regulatory areas. During 2009 the Mine Health and Safety Amendment Act was signed into law and we are engaged with government on certain areas of the act that still need to come into force.

The Department of Mineral Resources (DMR) has also completed work on the Mining Charter in preparation for a review with which we as an industry will be engaging in the next few months. This is sure to be an area of significant focus for us as we work to take transformation of the mining industry to the next level. I am confident that the review will lead to an outcome that is beneficial to all stakeholders.

The final regulatory issue will be the introduction of the Royalty Bill during the course of 2010. Again, we are engaged with the South African National Treasury regarding the quantum of the royalty which is to be levied against the revenue of all mining companies. This will be effective at what is a difficult time for the mining industry with an array of pressures on the cost front. I have confidence that the South African Minister of Finance is sensitive to these pressures and will approach the matter accordingly.

A long outstanding legal matter was also resolved during the year with the conclusion of arbitration proceedings between ourselves and ArcelorMittal over whether ArcelorMittal is entitled to participate in the production from Sishen South. It was resolved that ArcelorMittal will not be able to do so, leaving Kumba free to market the output of the mine at commercial rates. This brings certainty for both parties regarding our supply agreement.

Kumba is also involved in two further areas of legal dispute i.e. Falémé and Lithos. Kumba signed an agreement in 2004 with state mining company Miferso to explore the Falémé area in Senegal.

Subsequently, in 2006, an agreement was signed between the state of Senegal and ArcelorMittal giving ArcelorMittal the right to develop the project. An arbitration process was then launched and the evidentiary process concluded in the fourth quarter of 2009. We are expecting a result in the second quarter of 2010. Lithos, a third party to the Falémé project has filed claims of $421 million against Kumba in the Johannesburg High Court. Kumba continues to defend the merits of the claim and is of the view, and has been advised, that the Lithos claim and the quantification thereof is fundamentally flawed. The matter is enrolled to commence in March 2010.

Corporate governance

Kumba is fully committed to best practice in corporate governance and the board has been focused on strengthening the governance systems to give effect to this commitment. Our focus has been on the King II report on corporate governance and the international governance codes that guide our major shareholder.

The board has also been closely monitoring developments on governance and company law. The King III report on Corporate Governance (King III) comes into effect in March 2010 and the new Companies Act will come into force in July 2010. We are currently working on the necessary adjustments to the board and committee structures in order to achieve full compliance with the new codes and regulations. The board has already been through training in preparation for King III.

As a board, we are confident that Kumba will remain a responsible custodian of its natural resources and a significant contributor to South Africa's growth. We will also continue remain a committed corporate citizen.

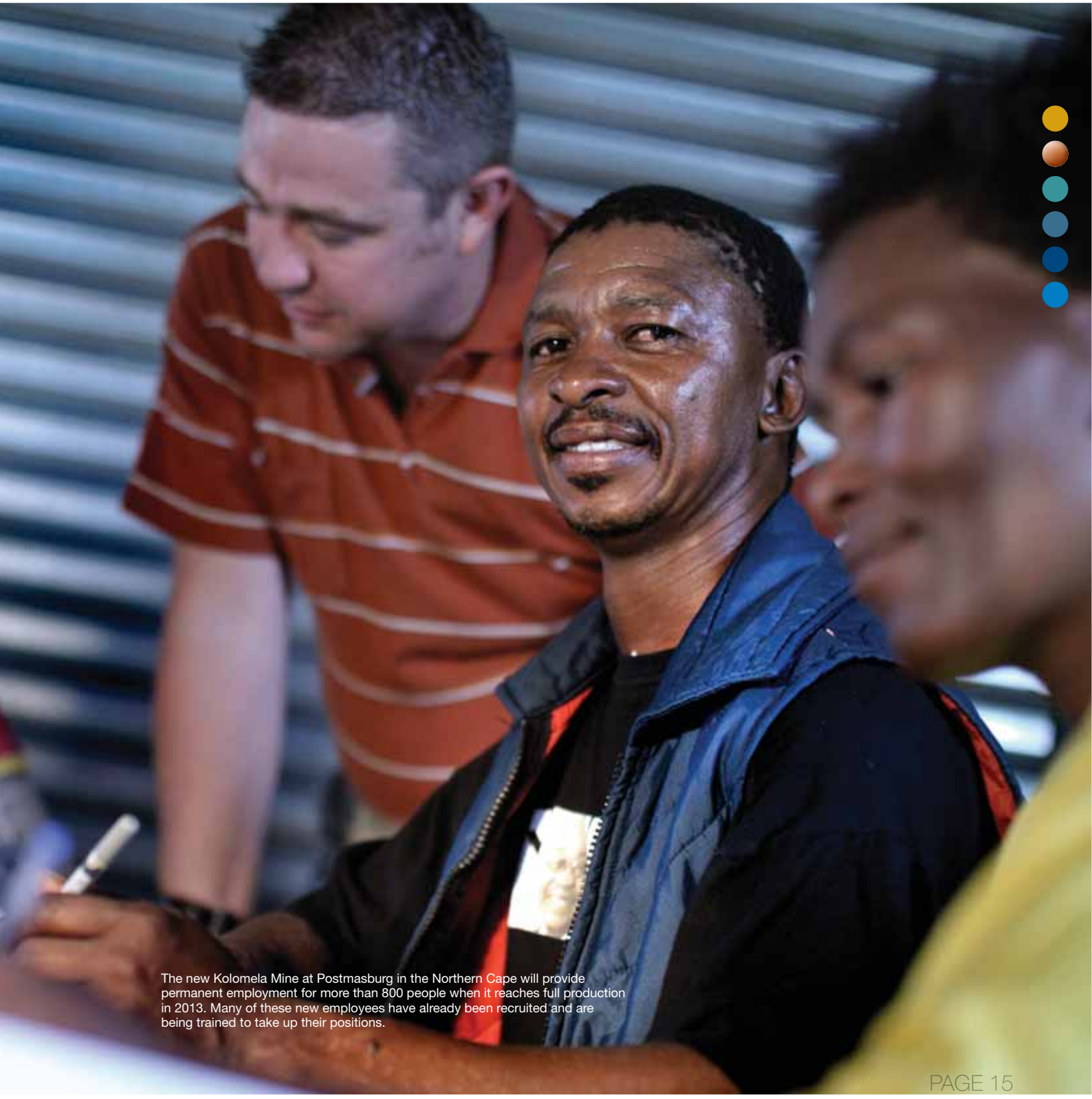
Conclusion

I wish to extend my thanks to the board of Kumba Iron Ore for their diligence and support throughout the year; especially Philip Baum and Dr Nkosana Moyo, who resigned with effect from 12 January 2010. Both have been members of the Kumba board since its inception in November 2006. I also want to thank the management team, under CEO Chris Griffith, which has done superbly in a very difficult environment during 2009.

Everyone at Kumba has worked very hard over the year to deliver the results detailed in this report. They have proven their willingness to meet challenging targets and respond dynamically to a constantly changing market environment. I acknowledge the effort that all employers have put in to deliver these truly remarkable results.

The year is likely to be another exciting one for Kumba in which the only certainty is that Kumba will again be agile in response to changing market conditions, while remaining committed to its investment plans and long-term vision for the iron ore industry.

Lazarus Zim
Chairman



The new Kolomela Mine at Postmasburg in the Northern Cape will provide permanent employment for more than 800 people when it reaches full production in 2013. Many of these new employees have already been recruited and are being trained to take up their positions.

Chief executive officer's review

I could not have asked for a more challenging and exciting time in my first full year as CEO of the group. Despite a year that opened in the midst of one of the toughest economic periods we have faced in our lifetimes, Kumba was able to deliver a truly exceptional performance.

At the beginning of 2009 we were in the midst of a global economic crisis, which had seen steel mills cut production all over the world and our own stock levels increased sharply. Nevertheless, we believed that the crisis would not impact the long-term scenario for iron ore sales. We stuck by our aim to increase production by 10% at Sishen Mine and continued full speed ahead with the Sishen South project to develop the Kolomela Mine. As it happened, we were able to beat our production growth targets and increase sales volumes thanks to outstanding achievements on the production and exporting fronts. Great work was also done on cost savings and efficiency improvements through our asset optimisation programmes. We also made significant progress in the Sishen South project to develop the Kolomela Mine. Through all this, safety remained paramount and we were able to set new records at all our operations.

Safety

Safety is the first priority for everyone at Kumba and last year we made good progress in our journey to Zero Harm.

The 2009 group safety performance – measured by lost-time injuries (LTIs) – managed a further significant improvement over 2008 with a 42% reduction in the frequency rate to 0.07 per 200,000 hours. Thabazimbi Mine completed its second successive year with zero LTIs and seventh year of no fatalities.

Sishen Mine managed another great reduction in the lost-time injury frequency rate, and achieved a run of 5.4 million hours without an LTI. This is the first year in the last five years that Sishen Mine has been fatality free.

The progress we made has been widely recognised. Thabazimbi Mine received the 6,000 fatality-free production shifts trophy from the DMR and it received an award for the most improved operation from the Anglo American Chief Executive Safety Awards.

Kolomela Mine was lost-time injury free the whole year, bringing its LTI-free period to 14 months. As a start-up operation with new people, new contractors and a high concentration of people working with new equipment, that is a very impressive performance.

Tragically there was a fatality at Kolomela Mine. Mr Tebogo David Marope, a 23 year-old contractor of Concor, was fatally injured during road construction in January 2009.

Production

The year saw a significant improvement in production levels across all operations. At Sishen Mine, overall production increased by 16% to 39.4Mt, a remarkable achievement which considerably beat our target of a 10% increase. The ramp up of the Jig plant at Sishen Mine saw it more than double output compared to 2008 and reached its nameplate capacity run rate toward the end of the year. It is now set to deliver a full year's production in 2010 near its nameplate capacity of 13Mtpa.

The dense media separation (DMS) plant slightly increased production to 29.0Mt, above the nameplate capacity of 28.4Mt. This was despite increasing geological complexity of the ore which affects the quality of the feed to the plant. Growth in export sales of 37% was supported by a 24% increase in the quantity of iron ore railed to Saldanha port to 34.6Mt, thanks to lower domestic off-take. In addition, there was a 28% increase in the waste volumes moved which is necessary to secure the future of the mine.

At Thabazimbi Mine, total tonnes mined increased by 60% largely owing to an 85% increase in the waste mined. The increase in waste mining was due to the opening of new pits as part of the life of mine plan and the low base effect of 2008, when waste mining was slowed in order to reduce energy consumption in line with our agreement with Eskom. Overall production declined by 3% to 2.6Mt in line with lower demand from ArcelorMittal.

Profitability

Notwithstanding challenging economic conditions that saw a 40% reduction in the average benchmark price of iron ore from April 2009 and a stronger Rand in the second half of 2009, Kumba has delivered its second best financial performance ever. Revenue increased 10% and operating profit declined 5% compared to 2008 figures thanks to an excellent production performance, cost control and increased Chinese exports. We were able to continue paying dividends with a total of R14.60 per share declared for the 12 months to end 2009. The Kumba share price outperformed the general mining index by 41% during the year.

Sales at Sishen Mine were up 36% to 38.2Mt, while sales at Thabazimbi Mine declined by 28% to 1.8Mt due to lower demand for ore from ArcelorMittal. Export sales increased 37% to 34.2Mt, which covered much of the decline in iron ore prices. Our shipping operations also recorded significant revenue growth on the back on increased volumes.

Our asset optimisation and procurement initiatives delivered R2 billion in operating profit benefits and R134 million in capital expenditure savings during the year. Continuous operating efficiency improvements added a further R143 million while further benefits of R603 million came from procurement savings (see Financial Review).

Economic climate and iron ore market

In the first half of 2009, global crude steel production stabilised at the levels seen in the second half of 2008. For China, this meant an increase of 14% year-on-year, but the rest of the world saw a massive 47% contraction. The drop in demand in Kumba's traditional markets of Europe, Japan and Korea continued into the first half of 2009.

Nevertheless, demand for seaborne iron ore from China continued to grow, not only because crude steel production was up on the first half of 2008, but also because domestic iron ore production was down markedly. When competitors decided to scale back on production. Kumba was very successful in redirecting sales of its iron ore from its traditional markets to China and developed more than 30 new customers there.

In the second half of 2009, China continued its growth, with crude steel production up 13% on the first half, while the rest of the world started to recover. For the year as a whole, global crude steel production was down 8% – a fall of 21% in the rest of the world, but growth of 14% in China.

Overall, Kumba's 37% growth in exports was achieved on the back of a 130% increase of sales into China, which absorbed 75% of Kumba's exports.

Kumba also signed new long-term agreements with Shiheng in China and Hyundai in Korea and continues its customer development in other regions.

Sustainable development

There are several accolades Kumba garnered during the year which I am particularly proud of. The company was placed second in the Sunday Times Top 100 Companies Awards, which recognises investment performance. The growth in Kumba's market capitalisation means it now ranks 15th out of the top 40 companies listed on the JSE Limited.

The company was ranked top among resource companies and eighth overall for skills development in the 2009 Financial Mail Top Empowerment Companies survey. Our sustainability report was judged "excellent" in the 2009 Ernst & Young Excellence in Sustainable Reporting Awards while the Sishen Mine Anglo Zimele small business hub was joint winner in the socio-economic category of the Nedbank Green Mining Awards.

In difficult economic conditions, the temptation is to cut long-term investment in our staff, but in the last year we continued to invest in the training and upskilling of our people. We spent 5.3% of our payroll on training.

We also maintained our community and social investment spending with R41 million spent during the year.

The community development trust and the employee share scheme continue to benefit from their participation in the ownership of Kumba, receiving a total of R189 million in dividends from Kumba during the year. This makes a strong impact on the empowerment of black employees and members of communities in which Kumba operates, allowing Kumba to be a wealth generator for all of its stakeholders. To date, they have received R1.2 billion in dividends, much of which has been put to reducing the debt raised to finance the schemes.

We have made significant progress in our HIV voluntary testing and counselling programme with over 90% of our staff having gone through the programme, 10% higher than last year. The testing programme indicates that Kumba's staff has an HIV prevalence rate of 7.6%, which is three to four percentage points below the averages in the provinces in which Kumba operates. We will continue with the programme to ensure that all of our staff benefit from it. We are also planning to roll out the HIV voluntary testing and counselling programme to contractors and family members of staff.

Kumba has also made good progress with its employee wellness programme which promotes generally healthy lifestyles and behaviour.

During the year we also finished work on our project to determine the impact of dewatering on farmers in the region surrounding the Sishen Mine. We have presented the outcome to the farmers and have clarity on where we will be providing assistance, so that matter is concluded.

I am pleased that our mining operations have all been granted their new order mineral rights. We are in the process of registering these rights, which should be finalised in early 2010. We were also granted two new prospecting rights adjacent to the Thabazimbi mining area. All of our rights are now granted, ensuring business stability.

Prospects

We are committed to another 5% increase in production from Sishen Mine in 2010. The ramp up of the Jig plant continues and we expect to produce 12.5 to 13.0Mt for the year. Waste stripping at Sishen Mine will increase in 2010 by about 20Mt as we focus on delivering a quality product and securing the future of the mine.

We have seen the beginnings of recovery in some of our traditional markets and we expect to see some return in demand from our domestic market. Consequently, we see export volumes increasing only marginally as domestic demand will offset the majority of the increases in production volumes. Domestic sales depend on the level of demand from ArcelorMittal, however we do expect some improvement in 2010 as the South African steel industry recovers.

Exports to China should stabilise at about 60% of our geographical sales mix.

The majority of industry followers are predicting an increase in iron ore prices in 2010 as spot prices remain significantly higher than benchmark prices due to structural tightness in the iron ore market. Pricing negotiations with our customers began at the start of 2010 and we look forward to a positive conclusion. We also expect some reduction in freight rates as a number of new ships enter the market this year, which will aid our continuous efforts to improve our supply chain efficiencies.

However, there will be a number of cost pressures. We will be incurring extra costs for waste stripping at Sishen Mine as we mine deeper and further from the operations and mine more waste for the additional production. We also anticipate higher energy costs with a higher average oil price and higher electricity prices. Labour costs are likely to grow at above inflation. In addition, the mining royalty will be introduced in March 2010.

As always, our profit remains highly sensitive to the Rand/Dollar exchange rate

We will focus on those elements of our business that we can control – safety, production and mining volumes, sales and containing costs. These are, and will continue to be, our priority areas.

Appreciation

This has been a difficult year with many challenges, but Kumba has been a great business to lead. Iron ore has been a good commodity to be in and shareholders' faith in this business has been rewarded.

The team at Kumba have done an excellent job in difficult conditions. They have delivered on all of their promises: beating production targets, cutting out costs and delivering on marketing and sales strategies and at the same time delivering on our social mandate. It has added up to excellent results for 2009 and I am grateful to them all.

The Kumba board has been extremely supportive during this tough year and the Kumba leadership team has benefited greatly from their collective wisdom and experience. My thanks go to them too.

Chris Griffith
Chief executive officer

INTEGRITY

- We are honest, fair, ethical and transparent
- We are willing to do the right thing even if it means running the risk of being unpopular
- We 'walk the talk' – our actions are consistent with our words
- We deal with people and issues directly and avoid hidden agendas
- We speak up when something is not right

An operator controls the process in the Jig plant at Sishen Mine. Every moment of every day Kumba employees are taking decisions, and doing so with integrity, in the knowledge that these decisions could have far-reaching consequences.

OPERATIONAL REVIEW

Sishen Mine achieved a remarkable 16% growth in production in 2009. The Jig plant continued to ramp up during the year and reached 10.4Mt for 2009, a 121% increase. The dense medium separation (DMS) plant increased production by 2% to 29Mt, above the nameplate capacity of 28.4Mt achieved in 2008. This was achieved despite the increasing geological complexity of the pit.

Thabazimbi Mine production declined in line with reduced demand from ArcelorMittal. A revised life of mine plan has increased the life of mine from 2014 to 2016.

The development of Kolomela Mine is on track and on budget. The first blast took place on 17 September 2009 and full production of 9Mtpa will be achieved in 2013. A variety of other projects are all focused on achieving the group's production potential of 70Mt by 2019.

SISHEN MINE PRODUCTION

Up 16% to 39.4Mt

SISHEN WASTE MINED

Up 28% to 82.1Mt

EXPORT SALES

Up 37% to 34.2Mt

THABAZIMBI MINE PRODUCTION

2.5Mt and sales of 1.8Mt

KOLOMELA MINE

4.0Mt waste material mined

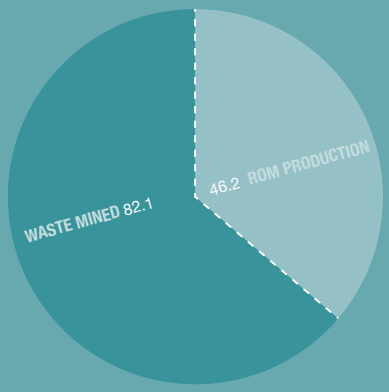
KOLOMELA MINE

Development on time and on budget

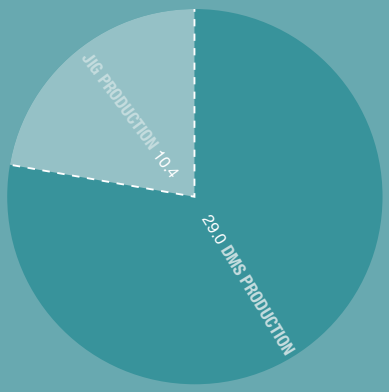
SISHEN MINE

it's in the figures

TOTAL TONNES MINED (Mt)



FINAL PRODUCT (Mt)



Mt	2009	2008	2007
Total tonnes mined	**128.3**	108.8	104.4
– ROM production	**46.2**	44.6	38.9
– Waste mined	**82.1**	64.2	65.5
Final product	**39.4**	34.0	29.7
– DMS	**29.0**	28.4	29.5
– Jig	**10.4**	4.7	0.2
– Additional initiatives	**–**	0.9	–
Stripping ratio (times)	**1.8**	1.4	1.7
Cost per tonne			
– Total cost (R/tonne)	**111.1**	110.8	79.9
– Cash cost (R/tonne)	**98.8**	101.9	74.3
Total sales	**38.2**	30.5	30.5
– Export	**34.2**	24.9	24.0
– Domestic	**4.0**	5.6	6.5
Safety			
– Lost-time injury frequency rate	**0.09**	0.12	0.23
– Fatalities	**–**	1	1

UNIT COST

cash cost R98.83/tonne

STRIPPING RATIO

stripping ratio 1.78

SAFETY

FATALITIES 0

lost-time injury frequency rate 0.09

MANAGEMENT TEAM

1. Andrew Loots
   General manager (43)
   BEng (Mech), MBA
2. Retief Louw
   Manager business improvement (45)
   BEng (Electrical), Diploma Datametrie, NEM
3. Kobus Meyer
   Manager human resources (47)
   MCom Industrial Psychology, SMP
4. Anel Marais
   Manager sustainable development (37)
   BPrim Ed, MPhil Community & Development
5. Nico Smit
   Manager plant (35)
   BEng (Met) and MBA (cum laude)
6. Hannecke da Silva
   Acting manager finance (32)
   CA(SA)
7. Hannes Cronje
   Manager mining (37)
   BEng (Mining), MBA, MMCC
8. Hugo Schreuder
   Strategic commodity manager material (45)
   NHDip Mechanical Engineering, GCC, MBA
9. Howard Nicholas
   Manager safety, health, environment and quality
   SHEQ (51)
   NDip Safety Management NADSAM
10. Gerrit Brits
    Sishen head of projects (52)
    BSc Eng (Civil)
11. Lambert Mostert
    Manager engineering (53)
    NDIP and GCC Electrical

Sishen Mine's production increased by 16% year-on-year to 39.4Mt, a fourth consecutive year of record-breaking output. This was achieved due to increased tonnage mined and increased final product from the Jig plant and dense medium separation (DMS) plant. Particularly pleasing was the growth in production from the Jig plant which more than doubled to 10.4Mt. By the end of the year the Jig plant was operating at design capacity.

Sishen Mine achieved a record safety performance with a lost-time injury frequency (LTIFR) rate of 0.09, a 31% improvement on last year's rate of 0.13. That translates into 5.2 million hours worked without an injury. Sishen Mine had zero fatalities during the year for the first time in five years. This is a substantial improvement in the mine's progress towards Zero Harm.

Total tonnes mined increased by 18% to 128.3Mt with run-of-mine production increasing by 4% to 46.2Mt. The waste mined increased by 28% to 82.1Mt, in line with planned volumes. The increased waste mined is due to the ore body becoming deeper and the pit wider.

Additional higher-cost production, using temporary crushing capacity, was discontinued during the year as the mine focused on quality.

Dense medium separation plant

The DMS plant performed well, with output marginally improved to 29.0Mt. Output was slightly affected by increasing geological complexity in the pit. The focus during the year was on maintaining the quality of product in current market conditions.

Another record year was achieved in run-of-mine material fed into the plant, although the yield achieved by the plant was 83%. This was as a result of improved beneficiation.

The aim is to maintain the production volumes from the DMS plant at around 28.4Mt, requiring a feed-rate of approximately 34.6Mt to the plant at a yield of 82%.

Jig plant

The ramp up of the plant was ahead of schedule, reaching 10.4Mt for the year, which accounted for 26% of Sishen Mine's production. This compared to 4.7Mt in 2008, is 121% increase. Average yield for the year was 57% compared to 43% in 2008. The plant had reached nameplate capacity by the end of the year and is on track to produce between 12.5 to 13.0Mt in 2010.

Sales

Total sales for the year of 38.2Mt against total production of 39.4Mt resulted in some stock accumulation at Sishen Mine. At Saldanha, stock levels were reduced with 34.2Mt sold to the export market against 33.6Mt railed to the port. Overall stock levels increased to 6.0Mt compared to 5.8Mt at the close of 2008. The export sales represented a significant 37% increase over 2008 figures. This was facilitated by a 24% increase in ore railed to the port with a satisfactory improvement in Transnet's rail performance.

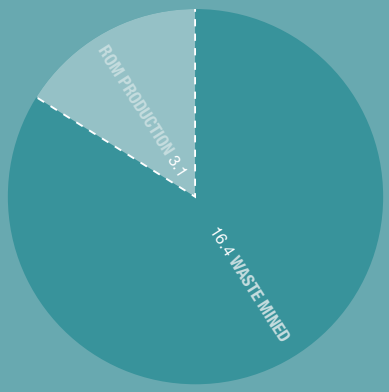
Weaker domestic demand led to a decline in sales of 29% to 4.0Mt.

Left: Kumba is the only haematite ore producer in the world to fully beneficiate its product. This is made possible through dense medium separation (DMS) and jig technology. At Sishen Mine the ore from the pit is trucked to the DMS plant where it is crushed, washed and separated into coarse, medium and fine material by wet screening.

THABAZIMBI MINE

it's in the figures

TOTAL TONNES MINED (Mt)



Mt	2009	2008	2007
Total tonnes mined	**19.5**	12.2	22.2
– ROM production	**3.1**	3.2	3.3
– Waste mined	**16.4**	9.0	18.9
Final product	**2.5**	2.7	2.7
Stripping ratio (times)	**5.3**	2.8	5.8
Sales to ArcelorMittal	**1.8**	2.5	2.4
Cost per tonne			
– Total cost (R/tonne)	**302.9**	269.7	249.1
– Cash cost (R/tonne)	**262.8**	236.3	204.5
Safety			
– Lost-time injury frequency rate	**0.00**	0.00	0.12
– Fatalities	**–**	–	–

UNIT COST

cash cost R262.8/tonne

STRIPPING RATIO

stripping ratio 5.3

SAFETY

FATALITIES 0

lost-time injury frequency rate zero

MANAGEMENT TEAM

1. Emmy Leeka
   General manager (40)
   BSc Eng (Metallurgy)
2. Lesego Mataboge
   Manager human resources (37)
   BA, Postgraduate Diploma in Human Resources
3. Sabelo Gumede
   Manager safety and sustainable development (37)
   BSc (Hons), MSc
4. Dries Burger
   Manager finance (55)
   BCom, NDip Management
5. Cornelia Holtzhausen
   Manager asset optimisation and projects (36)
   BSc (Metallurgical Eng), MBA
6. Pieter Lategan
   Manager mining (43)
   BSc (Mechanical Eng), BSc (Mining Eng)
7. Pieter Pieterse
   Manager plant (acting) (41)
   NDip Analytical Chemistry
8. Gerhard Theron
   Manager engineering (41)
   BEng (Electrical), BEng (Mechanical)
9. Kenneth Kgomo
   Manager supply chain (37)
   BCom

Total tonnes mined increased by 60% to 19.5Mt, although this was largely due to increased waste mined. Run-of-mine production declined by 3% while sales declined by 28% in line with declining demand from ArcelorMittal and poor logistics performance. The increase in waste mined was due to the pre-stripping required as a new pit is opened.

A particular achievement for the year was on the safety front, with not a single lost-time injury during the year, bringing the mine's lost-time-injury free period to 27 months. Thabazimbi has been fatality-free for over seven years. The mine was one of four Anglo operations awarded the "The most improved operation" award in safety.

The low base set in 2008 meant that the amount of waste mined almost doubled to 16.5Mt. With a 9% fall in run-of-mine production, the stripping ratio increased significantly to 5.3Mt. This is mainly due to the revised mine plan that requires the opening of a new pit. The new pit, which has now been stripped, extends the life of mine beyond 2014, and a process is under way to convert resources into reserves at Thabazimbi Mine.

A further opportunity for growth exists in the Phoenix project which is now the subject of a feasibility study. The objective of the project is to extend Thabazimbi Mine's life of mine to over 20 years producing at 3.4Mt. The project depends on a feasible project plan being finalised and preliminary results looks attractive.

The Thabazimbi Mine asset optimisation and business improvement programme, Tswelopele, has had a significant impact on costs at the mine during 2009, with R170 million saved. We will be driving the programme forward in 2010.

Left: A shovel is awaiting the start of the production shift at Thabazimbi Mine in Limpopo, dwarfed by the towering walls of the pit carved from the mountainside.

KOLOMELA MINE

it's in the figures

PROJECT PROGRESS

- On time and on budget
- 4.0Mt waste material mined
- Project 45% complete
- First production scheduled for 1H 2012
- R3.0 billion capital spent to date
- R4.8 billion contractually committed

SAFETY

FATALITIES 1

lost-time injury frequency rate zero

LTI-free hours **3.8 million** for 2009

MANAGEMENT TEAM

1. Aart van den Brink
   General manager (48)
   MSc Mining Eng
2. Gerhard Brand
   Manager mining (43)
   BEng (Mech), MBL
3. Mike Carney
   Manager mineral resource management (46)
   BSc (Hons) Geology
4. Gert Ferris
   Manager operations supply chain (47)
   Diploma Telecoms; BProc; LLB; LLM; Advance Supply Chain
5. Analine Fielding
   Manager finance (34)
   BCom (Business Management)
6. Rita Gopalkista
   Manager safety, health, environmental and quality (SHEQ) (42)
   BCur
7. Theo Kleinhans
   Manager plant (58)
   BSc (Hons), MSc, MBL
8. Kobus Kruger
   Manager human resources (42)
   BCom Hons (HR), Dip Labour Relations
9. Anesan Naidoo
   Manager engineering (32)
   BSc Eng (Mech), MBA, Pr Eng, GCC
10. George Benjamin
    Manager sustainable development (31)
    NDip Hotel and Tourism Management


C121
LX03

During the year the new mine was renamed Kolomela Mine, which means to seek deeper or further, to persevere.

The Sishen South project, to develop the Kolomela Mine, made major strides forward during 2009. The project continues on time and on budget. The first blast took place on 17 September 2009 and a total of 4.0Mt of waste material was mined during the year. The project is scheduled for first production from the mine during the first half of 2012, ramping up to full capacity of 9.0Mtpa of direct-shipping ore for export in 2013.

The project has so far had an exceptional safety performance, having gone 14 months without a lost-time injury. This is pleasing for a new project with many new staff members working with large equipment and substantial civil works.

The project has a life of mine of 30 years with the possible extension to a beneficiated product thereafter. Total mineral resource is 373Mt at a 60% Fe cut-off and 408Mt at a 55% Fe cut-off. The mine will be a standard truck and shovel operation with all mining done in house. It will consist of three different pits and will be a full dry crush and screen operation with a lump to fine ratio of 60:40.

Total capex is expected to be R8.5 billion. Significant progress has been made with the construction of the primary, secondary and tertiary crushers as well as the 36km Transnet railway line linking the mine to the Saldanha line.

Major earthworks have been concluded and 50% of the civil work has been completed. Long lead time equipment has been manufactured and is in the process of being delivered.

A full operations team has been appointed under general manager Aart van den Brink and a hand-over process is now underway with the project team.

Construction of 718 houses is planned in two phases around Postmasburg, the nearest settlement to the mine. The first phase will consist of 421 houses and the second 297 houses, at an estimated total cost of R550 million. Construction of civil and electrical services was undertaken during 2009 and housing construction began in February 2010. Kumba has also invested in various projects in the local area, including storm water projects, upgrading of local transport facilities and various business development projects.

Left: Albertus Hanekom (left), Shift Foreman, and Marius Strydom, Senior Production Geologist, at the new Kolomela Mine discuss the waste removal programme in the newly created pit.

Project Phoenix aims to mine banded iron formations in the Thabazimbi Mountains. The material will be beneficiated through a jig plant to produce about about 3.4Mtpa of saleable product.

PROJECTS

Projects

At the end of 2007 the Kumba Projects Department was formalised to coordinate Kumba's project development work. The intention is to achieve the Kumba potential of producing about 70Mt of ore a year by 2019, with a medium-term production goal of 53Mt by 2013.

In support of this goal, a robust project pipeline is unfolding:

- Sishen Mine's Jig plant is ramping up to nameplate capacity and should reach full production of about 13Mtpa in 2010,
- Kolomela (Sishen South) is on schedule to start production in 2012 and ramp up to a 9Mtpa in 2013,
- Upwards of 28Mtpa of further projects being studied could potentially progress into actual production units by 2019.

DR/DRS

The aim of this project is to unlock economic value in the DR/DRS (direct reduction/ direct reduction sinter) market by increasing the capacity of the production plant and downstream product handling facilities in order to screen all (66% Fe) 25mm lump ore into DR (20mm) and DRS (27mm) niche products. It is envisaged to make an investment decision on this project in Q1 2010.

SEP1B

This project's aim is to beneficiate the -1+0.2mm fraction of the Jig plant ROM feed currently being discarded. This fraction was previously deemed to be waste due to technical risks associated with the beneficiation and de-watering of the material. These technical risks have been mitigated. The project aims to produce 0.75Mtpa additional fines product, and has the potential to increase the jig plant product yield by about 3%.

SEP2

The aim of the SEP2 project is to increase Sishen Mine's production by approximately 10Mtpa, utilising the additional material available in the definition of the larger optimised pit shell, supplemented by the material that became available with the refinement of the Sishen product range. The increased mining activity required to mine the larger pit will in part be utilised by beneficiating the low Fe grade portion of the material resulting in some of the waste being reclassified as ore.

Kolomela Beneficiation

The 9Mtpa mine under development consists of a direct shipping ore configuration without beneficiation. An opportunity of introducing beneficiation, utilising the lower grade ore in the mine, is currently being studied. This opportunity could add an additional 3Mtpa of product, and will be pursued after ramp up phase of the current project.

Thabazimbi Phoenix

Large volumes of banded iron formations (BIF) exist in the Thabazimbi mountain range. This ore body was previously mined by underground mining methods, to extract high grade haematite. In addition to the BIF, significant volumes of this high grade haematite, which could not be extracted by the underground mining methods previously, still remain in the mountain.

Phoenix aims to mine the BIF and haematite with open-pit mining methods and to beneficiate the material with a newly constructed plant. The BIF material will be liberated by crushing down to 5mm top size and beneficiating it through a jig plant.

It is envisaged that Phoenix will produce about 3.4Mtpa.

Zandrivierspoort

The new order prospecting rights were approved for Zandrivierspoort, some 30km north of Polokwane in the Limpopo Province in November 2006.

The Zandrivierspoort project aims to establish an open pit mining operation producing between 1 and 5Mtpa magnetite concentrate product (<70 microns) through a new processing plant and other related infrastructure facilities. The plant will incorporate a crushing and grinding section, a beneficiation plant, slimes and coarse tailings disposal sections and final product stockpiling and load-out facilities linked by rail to the railway line at Solomondale.

Sishen Concentrates

Sishen Mine currently produces approximately 3.5Mtpa (from dense medium separation and jig plants) of ultra fine material that is discarded to the tailings dam. Based on the initial test work results conducted during the project's opportunity phase this material has a relatively high percentage of iron (54% Fe) that could be upgraded to produce a high grade concentrate with a minimum Fe grade of 64.5%. The concentrate can be used as an iron-making feedstock or blended with fine iron ore product.

It is envisaged to complete the concept study by H1 2010 and, dependant on the viability, progress the study into a pre-feasibility stage. The main deliverable of the project would be to establish a standalone concentrate production facility designed to process the ultra fine material profitably.

The timing of this portfolio of projects will be carefully assessed against prevailing market fundamentals, the viability of individual projects and rail and port expansions.

ACCOUNTABILITY

- We take ownership of our decisions, actions and results rather than blame others
- We deliver on our promises and own our outcomes – both good and bad
- We have a can-do attitude, high performance expectations and a bias for action
- We openly acknowledge and learn from our mistakes
- We go beyond the responsibilities of our role to benefit the company (above and beyond the call of duty)
- We hold others accountable

Sustainability is at the heart of Kumba's operating philosophy. This recognises that the company is a custodian of the country's mineral wealth, in partnership with government, local communities, employees, and a host of other stakeholders. The rehabilitation of slopes is one example of how the company acts accountably in trying to preserve the environment as best possible.

RESOURCES AND RESERVES

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

Review of Kumba's mineral resources and ore reserves

Kumba is a dedicated iron ore supplier that has access to its South African iron ore resources and reserves through Sishen Iron Ore Company (SIOC). In support of the company's vision to be a leading value-adding iron ore supplier to the global steel industry, continuous effort goes into the sound management of its iron ore mineral assets. Technical specialists and competent persons within the company and from major external consulting firms in cases when sufficient experience or competence was not available internally, have:

- defined reasonably and eventually extractable mineral resources;
- converted mineral resources into practically and safely mineable and economically viable ore reserves, and
- processed the ore reserves into market-required saleable product.

Kumba, through its long-term planning processes, not only strives to maximise economic value through the mining of its high-grade haematite mineral resources (*in situ* Fe ≥ 60%), but also considers sustainable development through the mining and planned mining of lower-grade haematite material (40% ≤ *in situ* Fe < 60%) to maximise resource utilisation. The Zandrivierspoort mineral resources quoted in this document are mostly magnetite, with some surfacial haematite and the cut-off applied is 30% *in situ* Fe. This project is Kumba's first venture into potential low-grade iron ore resource exploitation.

Mines and Projects

Sishen Mine

The bulk of Kumba's iron ore production comes from Sishen Mine, located in the Northern Cape Province near the mining town of Kathu (*Figure 1*).

Production at Sishen Mine is ramping up to the installed capacity of 41 million tonnes per annum in 2010 and the mine produced 39.4 million tonnes saleable product in 2009. Most of Sishen Mine's iron ore is exported; however, 6.25 million tonnes of its annual production is supplied to ArcelorMittal South Africa (ArcelorMittal) in terms of a supply agreement concluded in 2001.

All mining at Sishen Mine is done by open-cast methods. The current mining process entails topsoil removal and stockpiling, followed by drilling and then blasting of waste and ore. Overburden is backfilled in the pit or hauled to waste rock dumps on the edges of the pit. The iron ore is loaded according to blend (grade) requirements from blasted blocks within the pit and/or from run-of-mine stockpiles and transported to the beneficiation plants, where it is crushed, screened and beneficiated.

Each size fraction is separated and beneficiated using a ferrosilicon medium or jigging process before stockpiling on the various product beds. Plant slimes are then pumped to evaporation dams and the plant discard material stacked on a separate discard dump. Seven iron ore products (conforming to different chemical and physical specifications) are produced from Sishen Mine ore.

The ores are reclaimed from the product beds and loaded into trains for transport to local steel mills and Saldanha Bay for export to international markets.

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

The iron ore deposits mined at Sishen Mine are located on the western flank of the Maremane Anticline, which strikes north-south and dips shallowly (~11°) west. Local structures in the mine area are, however, very complicated and the interplay between the various tectonic events and associated geological structures were critical to the formation and preservation of the ore. In general, the high-grade laminated and massive ore is preserved in synclinal and pseudo-graben structures, which are the result of multiple deformation events. Medium- and lower-grade conglomeratic 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.

Thabazimbi Mine

Thabazimbi Mine, located in the Limpopo Province close to the town of Thabazimbi, was responsible for the remainder (7%) of the production of the company's iron ore for 2009 (*Figure 1*).

The mine is a captive operation that produces primarily high-grade (>62% Fe) haematite ore.

Annual beneficiated production for 2009 from the three active pits is 2.64 million tonnes, which equates to an average 220 000 tonnes per month. The iron ore product, transported mostly by rail and minor road haulage, is sold exclusively to ArcelorMittal for domestic use at its Vanderbijlpark and Newcastle steelworks on a cost plus 3% management fee basis.

Thabazimbi Mine has reached a very mature stage after mining for more than 70 years and the remaining life of mine is approximately six years, pending the market requirements of ArcelorMittal.

Iron ore from the Thabazimbi Mine is extracted via the conventional open-cast mining methods of drilling and blasting followed by loading and hauling using a truck and shovel fleet. The mining is conducted in multiple pits that are geographically separated from one another. Run-of-mine material is beneficiated through a dense medium separation plant and 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 reclaimed and transported to the relevant ArcelorMittal operation.

The operation extracts haematite iron ore mainly occurring as basal units within the Penge Formation, a banded iron formation of the lower Transvaal Supergroup. The Penge Formation crops out locally as a series of east/west-striking, south-dipping (45°) hills that represent the remnant strata triplicated by thrust faulting associated with the intrusion of the Bushveld Igneous Complex and Palaeo-Proterozoic tectonism.

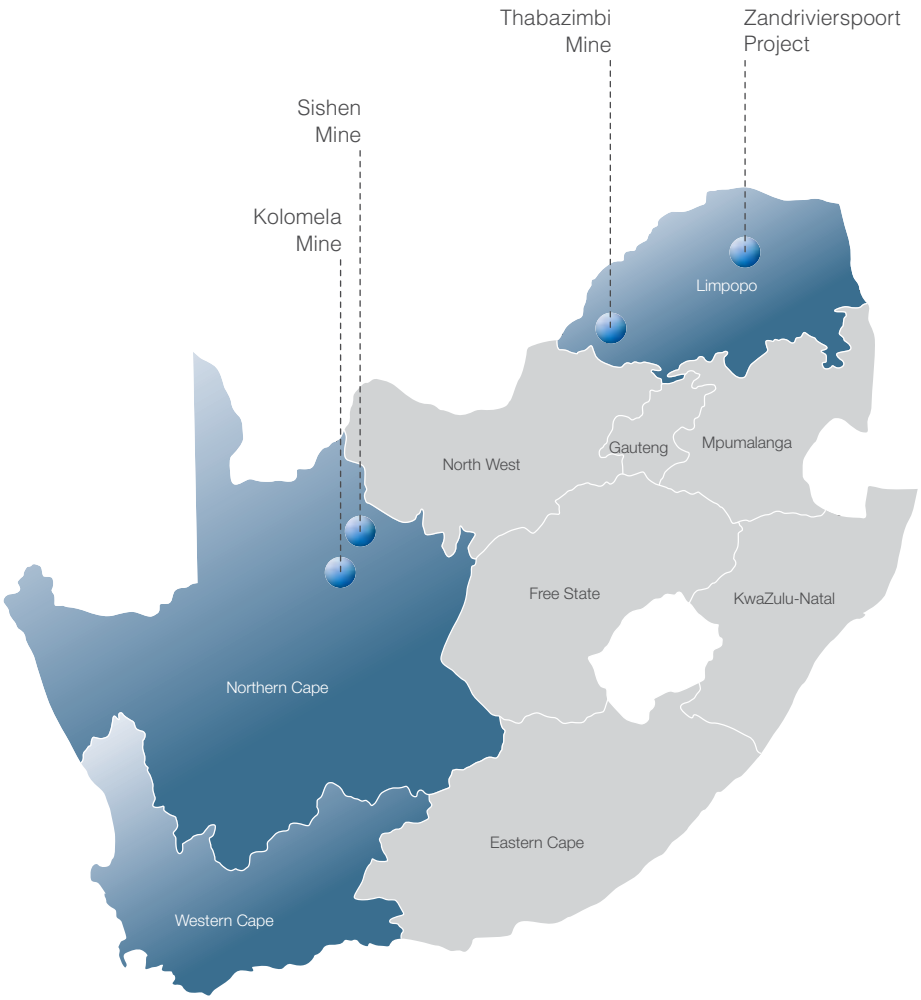


Figure 1: Locality map of Kumba Iron Ore's operations and projects

Mineralisation is the result of primary chemical sedimentation followed by secondary metamorphic and later supergene iron enrichment processes. Initially chert units within the primary banded iron formation was replaced by secondary haematite to produce mostly high-grade laminated iron ore by the later stages of ferruginisation. At depth, the haematite-rich rock grades into calcite-haematite and talc-haematite rock.

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 karstic collapse structures within the underlying dolomites produced brecciated zones, which were then filled by iron-rich fluids to preserve brecciated iron ore where higher degrees of ferruginsation are usually associated with the higher degrees of brecciation.

A regional network of diabase sills and dykes served as trapping mechanisms for mineralising fluids in the lower section of the banded iron formation, which resulted in an enriched lower section and a less-enriched upper section of the Penge Formation.

Kolomela Mine

The Sishen South advanced project, as it was known and reported on in 2008, has been added to the Kumba portfolio of mines in 2009 and will henceforth be known as Kolomela Mine.

The mine, which is currently under construction, is located in the Northern Cape Province near Postmasburg (*Figure 1*) and is situated on the southern tip of the narrow north-south trending belt of iron-bearing lithologies of the Griqualand West Supergroup that also hosts the Sishen deposit towards the north.

The Kolomela Mine has been designed as a direct shipping ore operation, where conventional open-pit drilling and blasting; shovel-and-truck loading and hauling mining processes will be used to mine the haematite ore from three different pits. A combination of run-of-mine buffer and product stockpile blending on site, as well as further blending with product from Sishen Mine, will be used to ensure that the product adheres to the required client specifications. Product size will be controlled via a crushing and screening plant for all buffer stockpile and pit run-of-mine material.

Pre-stripping of waste commenced in 2009. Hot-commissioning of the crushing and screening facility is scheduled for February 2011 and first production of saleable product is anticipated in 2012, to reach full capacity of 9 million tonnes per annum in 2013.

The iron ore will be transported to the Saldanha export harbour via the Orex iron ore export line and marketed to Kumba's current overseas client base as part of the Kumba Iron Ore marketing strategy.

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

Zandrivierspoort Project

The Zandrivierspoort Project, located approximately 25km northeast of Polokwane in the Limpopo Province (*Figure 1*), is a low-grade magnetite occurrence in the Palaeoproterozoic Rhenosterkoppies Greenstone Belt, or Rhenosterkoppies Fragment, which occurs northwest of the main, northeast-trending Pietersburg Greenstone Belt. The lower-grade (>30% Fe) iron ore comprises Archaean-aged metamorphosed banded iron formation that has been exposed to at least three deformational events, which resulted in recumbent isoclinal folding. These deformational events controlled the ore formation at Zandrivierspoort and deformed the foreseen ore zone into a thick magnetite-quartzite sequence that can be separated into several practicably mineable horizons.

The Zandrivierspoort Project is currently in the prefeasibility stage of investigation, where several options in terms of the product specification and product types are being reviewed. The project is a 50:50 joint venture between SIOC and ArcelorMittal and it is currently assumed that a high-grade concentrate product could partially support ArcelorMittal's domestic demand for raw material input to the steel works.

General statement on estimation and reporting

The following summary of the ore reserves and mineral resources attributed to Kumba Iron Ore's current mining operations and growth projects are reported as those remaining at 31 December 2009 (*Tables 1* and *2*). This summary is derived from a comprehensive ore reserve and mineral resource statement that Kumba Iron Ore prepares on an annual basis. The ore reserve and mineral resource estimates as reported are in essence a summary of detailed estimation processes conducted or supervised by competent persons for each of the Kumba Iron Ore mining operations and projects. All competent persons have been duly appointed and made aware of their responsibility towards unbiased ore reserve and/or mineral resource estimation on 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[1]. 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. A list of Kumba Iron Ore's competent persons is available from the company secretary upon request.

The various mining operation and project competent person reports have been compiled to comply with the 2007 SAMREC Code, as well as regulations set by the JSE.

1. SAMREC Code – the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves.

The figures reported reflect 100% of the ore reserves and mineral resources, irrespective of Kumba's attributable ownership, which is detailed in the relevant tables below.

Ore reserves estimates for the mining operations have been updated within two months of the date of this statement. Mineral resource estimates are reported in addition to ore reserves. They are reported according to the latest available geological models, which are typically updated three to six months prior to the end of the year of reporting. For projects, updated estimates are produced as required by business feasibility investigations or when primary business case assumptions have changed.

The Kolomela Mine ore reserves and mineral resources have remained unchanged since 2008. The primary reason being that consistency in mine planning schedules was required with the project being handed over from the project team to the mine management team before waste stripping commenced in 2009.

All ore reserve and *in situ* mineral resource tonnages are quoted in dry metric tonnes, where tonnes are the result of volumes multiplied by spatially-associated relative densities.

Ore reserve %Fe grades represent the weighted average grade of the plant feed or run-of-mine material and take into account all applicable modifying factors. The average %Fe grade and tonnage estimates of 'saleable product' are also reported to demonstrate that the total mining value chain has been considered. Mineral resource %Fe grades (weighted average above cut-off) are reported *in situ*.

Security of tenure

In South Africa, the Minerals and Petroleum Resources Development Act, 28 of 2002 (MPRDA) was implemented on 1 May 2004, and effectively transferred custodianship of the previously privately held mineral rights to the State. Mining companies were given up to two years to apply for prospecting permit conversions and five years to apply for mining licence conversions for existing operations. A prospecting right is a new order right that is valid for up to five years, with the possibility of a further extension of three years, which can be obtained either by the conversion of an existing old order prospecting permit or through a new application. A mining right is a new order right valid for up to 30 years and is obtained either by the conversion of an old order mining licence, as a new order right pursuant to the exercising of the exclusive right of the holder of a new order prospecting right or through a new mining right application.

Kumba Iron Ore's prospecting right portfolio associated with ore reserves and mineral resources comprises eight new order prospecting rights. With the exception of two recently-granted prospecting rights adjacent to the Thabazimbi mining right area, where rights have been granted for three years, all SIOC prospecting rights granted since 2006 have been granted for five-year periods. The first of the new order prospecting rights expires in 2011.

Mining rights have been granted and executed for Sishen Mine, Thabazimbi Mine and Kolomela Mine, however, only Kolomela's right and one of the two mining rights associated with Thabazimbi Mine have been registered. The finalisation of the registration of outstanding rights is anticipated for early 2010.

The 2009 ore reserves quoted by Kumba Iron Ore are all contained within granted and executed new order mining right tenements (*Table 3*), where Kumba has ensured that life of mine schedules support the production from which the subsequent saleable product estimates have been derived. Similarly, all mineral resources stated for 2009 are contained within granted and executed new order mining right or prospecting right areas (*Table 3*).

Mineral resource estimates

Based on the SAMREC definition of mineral resources, Kumba Iron Ore's mineral resources are established on the premise that they are iron ore occurrences under consideration that are of economic interest and have reasonable and realistic prospects for eventual economic extraction. This definition of a mineral resource implies that a preliminary judgement has to be made, by the competent person, regarding the technical and economic factors likely to influence the prospect in terms of eventual economic extraction, including the approximate mining and beneficiation parameters.

For 2009, the following assumptions have been verified for the reported mineral resources:

i) there is sufficient mineralisation present for mining to take place;
ii) appropriate mining and beneficiation methods exist to extract the 'future economic portions' of the mineralisation;
iii) there is a market for the envisaged product; and
iv) there is security of tenure.

The 'reasonable and realistic' part of the definition considers whether the mineralisation under consideration could be mined in future given defendable economic factors. Thus, Kumba Iron Ore's 2009 mineral resources are not an inventory of all mineral occurrences drilled or sampled regardless of cut-off grade, likely dimensions, location 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.

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

Mineral resources are classified according to the degree of confidence placed on the estimates (tonnes and grades), where this confidence is established as a function of several aspects. Kumba Iron Ore's mining operations and projects primarily use site-specific geostatistical parameters, which describe how well the existing sample spacing caters for the established variability and continuity, to derive an initial confidence classification for the continuity and variability of geological characteristics such as grade, lithology and specific gravity. Confidence in the estimates is further evaluated by considering the structural and dimensional complexity of the orebody in relation to the host rock; where quantitative complexity parameters may lead to a lowering in confidence and in such cases, initial classifications may be downgraded to derive the final mineral resource classification.

Ore reserve estimates

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

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

Initially mineral resource grades and tonnages are discounted by the application of mining modifying factors such as dilution, mining losses and mining recoveries, to develop a so-called mining model, which forms the basis for the life of mine scheduling and resulting ore reserve estimates. Protocols ensure that Kumba Iron Ore's operations consider expected long-term revenues versus operating and production costs associated with mining and beneficiation as well as legislative, environmental and social costs, in determining whether or not a mineral resource could be economically extracted and converted to an ore reserve. This is performed by conducting an open-pit optimisation process on the mining model to derive an optimal pit shell for the given technical and economic inputs.

This optimal pit shell is then iteratively converted to a practical pit layout by applying detailed geotechnical slope stability parameters and haul road and ramp designs, legal restrictions, etc., with safety being one of the most considered parameters. Once a practical pit layout has been established the material within the pit is scheduled over time to achieve client specifications and thus a life of mine schedule is produced. The plant feed, or run-of-mine, derived from such a schedule represents the ore reserves. The product derived via the application of metallurgical factors in the mining model and subsequent scheduling represents what is referred to as saleable product.

The SAMREC Code approach is adopted for ore reserve classification, whereby measured mineral resources occurring within the practical pit are converted to proved ore reserves and indicated mineral resources are converted to probable ore reserves. Thereafter the competent person may downgrade the classification should certain mining-related, legal, environmental, governmental and social aspects warrant it.

Inferred mineral resources occurring within the life of mine plan are reported as, 'mineral resources considered for life of mine and have not been adjusted to consider modifying factors.

Audit and review process

Kumba applies a rigorous three-year rolling internal and external audit process to its mineral resource and ore reserve estimates. As part of the external independent review process conducted at Kumba's operations and projects since 2005, Golder Associates Africa (Pty) Ltd audited the Kolomela Mine mineral resource and ore reserve estimation and reporting processes in 2009. Financial provision has been made for a similar detailed independent external review of the Zandrivierspoort Project estimation and reporting processes in 2010. Thabazimbi was audited in 2007 and Sishen in 2008.

The estimates reported here have been reviewed and are endorsed by Dr V. Lickfold, the person within Kumba Iron Ore designated to take corporate responsibility for ore reserves and mineral resources. The Chief executive officer of Kumba Iron Ore, Chris Griffith, also endorses the estimates presented in this report.

Vanessa Lickfold (Pr Sci Nat 400099/94)

Head of Geosciences

17 February 2010

Chris Griffith

CEO, Kumba Iron Ore

17 February 2010

Comment

Kumba's ore reserves decreased by 36.1Mt, or 3%, from 2008. Mining production of 49.3Mt at Sishen and Thabazimbi mines was off-set by a 12.1Mt increase due to the conversion of mineral resources to ore reserves at Thabazimbi Mine, which was the result of a total re-engineering of the pit designs and life of mine plan of Thabazimbi Mine in 2009.

Minor additional increases in the ore reserves at Sishen Mine (1.0Mt) are attributed to 2008–2009 production reconciliation and improved ore reserve utilisation based on a refinement of the scheduling process. At Thabazimbi Mine, a net minor decrease (-0.1Mt) in the ore reserve estimate is the result of model refinements off set by stockpile movement (0.5Mt).

Mineral resources in addition to ore reserves decreased by 12%, or 275.4Mt, when comparing Kumba's 2008 estimates to those of 2009. This comprises a loss of 52.8Mt measured and 311.6Mt inferred mineral resources and gain of 88.9Mt indicated mineral resources.

Model refinement and the addition of new information resulted in a 199.4Mt loss of Sishen Mine's mineral resources; however, this was marginally negated by a 9.4Mt increased due to pit volume reconciliation between 2008 and 2009.

The net decrease in mineral resources for Thabazimbi (-11.0Mt) is a combination of conversion to ore reserves (-15.5Mt), partly off-set by increased mineral resources as the result of model refinement based on new information and minor changes in the size of the optimistic pit, which is used to delineate the mineral resource boundary. The Zandrivierspoort Project lost 74.5Mt of its mineral resources as the result of geological model revisions and new information (61.1Mt) as well as slightly modified economic parameters used to delineate the optimistic pit (13.4Mt).

Despite the losses in mineral resources, the current ore reserves remain robust at Kumba's three mining operations. Kumba fully supports the significant effort being put into continually improving the information and models used as a basis for mineral resource and ore reserve estimation.

Mining rights

	Area of interest	Right		
	Farm/land	Granted	Executed	Expiry date
Mines	Sishen Mine	5 May 2008	11 November 2009	10 November 2039
	Thabazimbi Mine	30 June 2008	4 October 2009	3 October 2039
	Sishen South Mine (Kolomela Mine)[1]	18 June 2008	18 September 2008	17 September 2038
Prospects	Zandrivierspoort	9 October 2006	17 November 2006	16 November 2011
	Thabazimbi			
	Mooivallei	15 June 2009	2 September 2009	1 September 2014
	Kwaggashoek	15 June 2009	2 September 2009	1 September 2014
	Sishen			
	Farm Sishen Prospect	25 June 2007	29 November 2007	28 November 2012
	Farm Sishen (Dingleton Prospect)	26 September 2005	22 February 2006	21 February 2011
	Parson	20 April 2006	12 July 2006	11 July 2011
	Gamagara	20 April 2006	12 July 2006	11 July 2011

1. The Sishen South mining right has been executed under the name Sishen South, but Kumba now refers to the Sishen South Mine as the Kolomela Mine.

Complete

Ore reserves

Operation/project	Mining method	Ore type	% attributable to Kumba	Reserve category	2009 Ore reserves Tonnage (Mt)	Grade (% Fe) Average	Grade (% Fe) Cut-off	Reserve life Years
Sishen Mine[1]	Open pit	Haematite	58.2	Proved Probable	707.6 203.9	59.2 59.2	40.0 40.0	
				Subtotal	**911.5**	**59.2**	**40.0**	**21**
Thabazimbi Mine[2]	Open pit	Haematite	74.0	Proved Probable	9.5 4.7	61.7 61.3	59.2[3] 59.2[3]	
				Subtotal	**14.2**	**61.5**	**59.2**	**6**
Kolomela Mine[4]	Open pit	Haematite	74.0	Proved Probable	123.1 91.0	64.2 63.9	51.0 51.0	
				Subtotal	**214.1**	**64.1**	**51.0**	**28**
Kumba Iron Ore – Total	Open pit	Haematite		Proved Probable	840.2 299.6	60.0 60.7		
				Total	**1,139.8**	**60.2**		

- The ore reserve and saleable product 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 Iron Ore.
- Black font denotes change >10%;
  Orange font denotes change ≤10%

1. The overall 45.4Mt decrease in the Sishen Mine ore reserves from 2008 is mainly the result of the 2009 run-of-mine production estimated at 46.4Mt, negated by a 0.5Mt correction made for over-estimation of ore reserve depletion in 2008 as well as a 0.5Mt increase based on a revised scheduling process that allowed for a slight improvement in resource utilisation.
2. The primary reason for the 9.4Mt net increase in the Thabazimbi Mine ore reserves is a complete revision of the conversion of mineral resources into ore reserves in 2009, resulting in a 12.1Mt gain. The conversion gain was offset by mining depletion of 2.9Mt; a 0.2Mt correction made for the under-estimation of production in 2008 and the downgrading of 0.1Mt probable ore reserves to inferred mineral resources considered for the life of mine plan due to an associated geotechnical risk.

2008					2009		2008		
Ore reserves					Saleable product		Saleable product		
Tonnage (Mt)	Grade (% Fe) Average	Grade (% Fe) Cut-off	Reserve life Years	Change (%)	Tonnage (Mt)	Grade (% Fe) Average	Tonnage (Mt)	Grade (% Fe) Average	Change (%)
709.2 247.7	59.7 59.3	40.0 40.0		0 (18)	530.9 153.8	65.4 64.9	535.7 187.1	65.0 65.1	(1) (18)
956.9	**59.6**	**40.0**	**19**	**(5)**	**684.7**	**65.3**	**722.8**	**65.0**	**(5)**
4.1 0.8	64.5 64.9	55.0 55.0		100 100	8.1 4.2	63.4 62.7	3.9 0.8	64.9 65.1	100 100
4.9	**64.6**	**55.0**	**3**	**100**	**12.3**	**63.1**	**4.7**	**65.0**	**100**
123.1 91.0	64.2 63.9	51.0 51.0		0 0	122.9 90.8	64.1 63.9	122.9 90.8	64.1 63.9	0 0
214.1	**64.1**	**51.0**	**28**	**0**	**213.6**	**64.0**	**213.6**	**64.0**	**0**
836.5 339.5	60.3 60.6			0 (12)	661.9 248.8	65.1 64.5	662.5 278.6	64.9 64.7	0 (11)
1,175.9	**60.4**			**(3)**	**910.6**	**64.9**	**941.1**	**64.8**	**(3)**

Geological block model updates in 2009 resulted in a further addition of 0.3Mt ore reserves.

3. The cut-off grade used for the Thabazimbi Mine life of mine scheduling is a saleable product Fe cut-off grade and all material that could be beneficiated to at least this cut-off value was included in the schedule as run-of-mine material.

4. Kumba has named the latest addition to its portfolio of mines the Kolomela Mine; it was referred to as the Sishen South advanced project in 2008.

Mineral resources

						2009		
	Operation/project	**Mining method**	**Ore type**	**% attributable to Kumba**	**Resource category**	Tonnage (Mt)	Grade (% Fe) Average	Grade (% Fe) Cut-off
Mining operations	Sishen Mine[1]	Open pit	Haematite	58.2	Measured Indicated Inferred (outside LoM) Inferred (considered for LoM)	589.1 697.0 148.7 3.7	56.0 57.6 59.4 58.2	40 40 40 40
					Total	**1 438.5**	**57.1**	**40**
	Thabazimbi Mine[2]	Open pit	Haematite	74.0	Measured Indicated Inferred (outside LoM) Inferred (considered for LoM)	9.5 2.4 2.3 1.3	62.7 63.7 63.4 61.9	55 55 55 55
					Total	**15.5**	**62.9**	**55**
	Kolomela Mine[3]	Open pit	Haematite	74.0	Measured Indicated Inferred (outside LoM) Inferred (considered for LoM)	49.5 20.8 47.4 35.4	65.0 64.9 62.5 65.5	50 50 50 50
					Total	**153.2**	**64.3**	**50**
Projects	Zandrivierspoort[4]		Magnetite	37.0	Measured Indicated Inferred (outside LoM) Inferred (considered for LoM)	126.1 152.4 68.9 0.0	34.5 34.2 34.3 0.0	30 30 30
					Total	**347.4**	**34.4**	**30**
Company	Kumba Iron Ore				Measured Indicated Inferred (outside LoM) Inferred (considered for LoM)	774.1 872.6 267.3 40.5	53.1 53.7 53.5 64.8	
					Grand total	**1 954.6**	**53.7**	

2008			
Tonnage (Mt)	Grade (% Fe) Average	Grade (% Fe) Cut-off	Change (%)
758.7	54.9	40	(22)
715.5	57.4	40	(3)
150.2	59.2	40	(1)
4.1	61.8	40	(11)
1 628.5	**56.4**	**40**	**(12)**
18.7	62.3	55	(49)
4.9	63.4	55	(50)
2.6	63.4	55	(13)
0.3	61.8	55	100
26.5	**62.6**	**55**	**(41)**
49.5	65.0	50	0
20.8	64.9	50	0
47.4	62.5	50	0
35.4	65.5	50	0
153.2	**64.3**	**50**	**0**
0.0	0.0	30	100
42.5	34.8	30	100
379.3	35.1	30	(82)
0.0	0.0		0
421.9	**35.1**	**30**	**(18)**
826.9	55.7		(6)
783.7	56.4		11
579.5	43.7		(54)
39.8	65.1		2
2,230.0	**53.0**		**(12)**

- The *in situ* tonnages are quoted in dry metric tonnes and million tonnes is abbreviated as Mt.
- Rounding of figures may cause computational discrepancies.
- Mineral resource figures reported at 100% irrespective of percentage attributable to Kumba Iron Ore.
- Life of mine is abbreviated to LoM in the table.
- Black font denotes change >10%;
  Orange font denotes change ≤10%
- The term inferred (outside life of mine) refers to that portion of the inferred mineral resources not utilised in the life of mine plan of the specific mining operation.
- The term inferred (considered for life of mine) refers to that portion of the inferred mineral resources utilised in the life of mine plan of the specific mining operation; reported without the application of any modifying factors.

1. The decrease in the Sishen Mine mineral resources is primarily the result of a downward adjustment of the *in situ* %Fe grade estimate of low-grade material based on new information. This decrease in Fe grade resulted in previously-defined ore material being reclassified as waste. The loss is not in the current life of mine plan.
2. Thabazimbi mineral resources decreased primarily due to the conversion to ore reserves in 2009.
3. Kumba has named the latest addition to its portfolio of mines the Kolomela Mine; it was referred to as the Sishen South advanced project in 2008.
4. The geological model refinement required to eliminate an extrapolated portion of the lower magnetite zone, which had incorrectly been incorporated into the 2008 estimate, is the reason for 70.8Mt of the total 74.5Mt decrease. The remaining decrease in the mineral resources is due to updated geology based on new information and a slightly smaller optimistic pit that was used to delineate the mineral resource boundary.

COLLABORATION

- We make decisions based on what is good for the company, not our own self-interest
- We work together to get things done across the whole organisation
- We communicate expectations and provide people with the information they need to do their jobs effectively
- We appreciate the efforts and contributions of others
- We are one company, act inclusively across groups and are united against the competition ('us' versus 'them')

Polishing a tyre at BLJ Carwash, Kagung, a small enterprise supported by Kumba.

SUSTAINABLE DEVELOPMENT REVIEW

Safety and occupational health

Safety and occupational health, human resources, employment equity, community development, and limiting the company's environmental impact are at the heart of Kumba's approach to enabling sustainable development.

Fatalities and LTIFR

Kumba's safety record is improving rapidly. Sishen Mine did not record a fatality for the entire year, the first time this has been achieved in five years. Not to be outdone, Thabazimbi Mine remains fatality-free for seven years, and free of lost time injuries for two years.

Sadly, Tebogo David Marope was killed in an accident at Kolomela Mine.

The 42% improvement in LTIFR points to a marked improvement in Kumba's safety management, evidenced by the data shown below. Kumba is confident that its approach to safety will result in a fatality-free year, especially with the intensive focus on Zero Harm days and monitoring high performance incidents.

Occupational health

Kumba did not meet its target of zero new cases of occupational health diseases. During 2009 ten new cases of noise-induced hearing loss (NIHL) were recorded. Of these, seven were accepted and three are being evaluated. NIHL is the most pressing occupational disease that Kumba and its employees face.

The management of HIV/Aids continues to form part of the company's focus. Key statistics which bear out Kumba's approach are shown to the right.

For 2010, Kumba aims to reduce the HIV infection rate to zero, improve enrolment on its wellness programme by 10% and ensure that 90% of employees participate in its voluntary counselling and testing (VCT) programme.

FATALITIES
ONE

LTIFR
0.07

NIHL CASES
TEN

HIV PREVALENCE
7.6 percent

HIV+ EMPLOYEES ON WELLNESS PROGRAMME
442

VCT UPTAKE 2009
91 percent

Human resources and employment equity

Kumba's strategy with regard to employees is two-pronged: the first requirement is to make sure that the company has the requisite employee complement; the second is that the employee demographic is representative of South Africa.

Attract, recruit and retain

Fortunately for Kumba it did not have to retrench employees during 2009. The company focused on ensuring that its required skills base remained intact. Kumba's approach to maintaining its skills base centred on attracting the right employees, recruiting them, and then keeping them. Kumba is proud of the reputation it has amongst its own and potential employees, undoubtedly founded on the benefits enjoyed, training provided and the team spirit fostered throughout the company.

In 2009, Kumba recruited 233 people (2008: 724) and 483 employees left the company (2008: 258). Total staff complement, including contractors, was 12,228 (2008: 10,260).

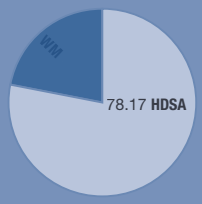
Training spend per employee was R16,061 (excluding contractors); R7,852 when contractors are included. The spend on training as a percentage of the total payroll was 5.3% (national average: 3%).

Equity

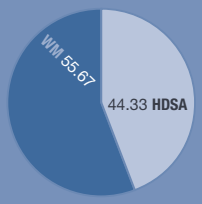
A workforce composition in line with South Africa's demographic profile remains a key focus of our recruitment practice. Kumba is guided in its approach by the targets (exceeded) contained in its social and labour plans.

Key data (%) in this regard are shown below:

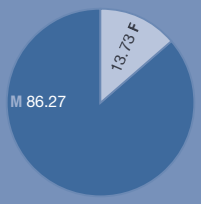
HDSA AND WHITE MALES



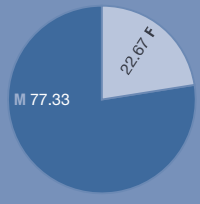
HDSA AND WHITE MALES IN MANAGEMENT



FEMALE AND MALE EMPLOYEES



FEMALES AND MALES IN MANAGEMENT



Community development

Central to enhancing Kumba's impact in society are its development and procurement initiatives.

Development

Kumba's role in development includes interventions designed to alleviate poverty, build infrastructure and support community development.

Development programmes are guided by Kumba's social and labour plans, company policies and strategies, and interaction with all levels of government and community representatives.

Sishen Mine's small business start-up hub in Kathu received a Nedbank Capital Green Mining award in the socio-economic category for the assistance it provides to small and medium-sized entrepreneurs.

DEVELOPMENT SPEND

R41 million

Environmental management

The award recognised the commitment and dedication of the hub's team in guaranteeing the entrepreneurs' success.

HDSA procurement

For 2009 Kumba committed to spending 36% of its discretionary spend with black-owned and black-empowered vendors. This target was met – the company spend was 36.85% with these businesses.

This translates into payments amounting to R3,160 billion (2008: R2,154 billion) out of a total of R8,577 billion discretionary spend. Total procurement by the company for 2009 was R12,535 billion.

Environmental management at Kumba encompasses six aspects: water, energy, land, air quality, waste and legal compliance.

Energy and greenhouse gas emissions

Energy consumption decreased slightly against the adjusted baseline figure (5,509,194 GJ). The target consumption of 5,096,005 GJ, 1.5% less than the previous year, was not achieved with total consumption of 5,063,745 GJ.

Product intensity expressed as gigajoule of energy per tonne of ore produced increased to 0.120 (2008: 0.118).

Greenhouse gas emissions increased slightly against the adjusted baseline figure (719,870 tonnes CO_2 equivalent). The emissions target of 683,876 tonnes was not met, with 701,250 tonnes emitted.

Water consumption

Against the baseline consumption set in 2004, Kumba recorded a 14% decrease in water consumption in 2009 (7.5 x 106 m^3 in 2009 vs 8.7 x 106 m^3 in 2004).

Kumba's performance is based on the total volume of water used by Sishen and Thabazimbi mines to produce iron ore. Production intensities for both mines in 2009 were 210 litres/tonne ore (2008: 214) and 560 litres/tonne ore (2008: 556) respectively.

Land management

Key elements in Kumba's land management strategy include the rehabilitation of waste rock dumps and the clean-up of polluted sites. Sishen Mine's rehabilitation strategy was approved by the authority. Kumba completed a strategy to maximise the use and value of the land it owns, especially in regards the farms owned by the company.

EXPENDITURE WITH BLACK-OWNED AND BLACK EMPOWERED COMPANIES AS A % OF DISCRETIONARY SPEND

36.85

target 36

ENERGY SAVING AS A % OF THE ADJUSTED BASELINE FIGURE

91.91

target 92.50

GREENHOUSE EMISSIONS AS A % OF THE ADJUSTED BASELINE FIGURE

97.41

target 97.00

INNOVATION

- We challenge ‘the way it has always been done’ (status quo)
- We are visibly open to learning new approaches and to encouraging new ways of thinking
- We find new ways to dramatically improve business and to use resources more efficiently and effectively
- We seek and apply learning from our own experience and that of others
- We actively develop future-orientated solutions

Thabazimbi Mine was the first in the world to operationally deploy a new XT-series Slope Stability Radar (SSR) unit. The SSR unit was acquired as part of the mine’s drive towards Zero Harm and to improve operational efficiency. Since its deployment, a number of threatening slope failures have been detected early, enabling the mine to evacuate staff and equipment before the actual failure occurred.

Kumba Iron Ore Limited administration

Secretary and registered office

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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
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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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Transfer secretaries

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