

KUMBA IRON ORE LIMITED

BOARD OF DIRECTORS' ANNUAL REPORT 2010

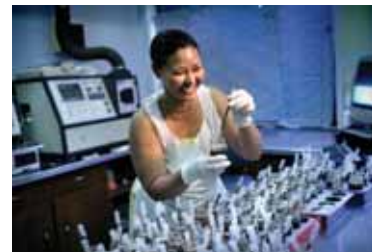
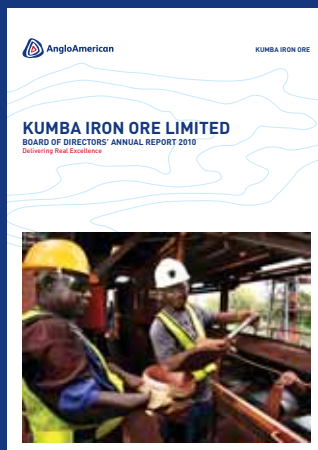
Delivering Real Excellence



Real Mining. Real People. Real Difference.

ABOUT THIS REPORT

This report, in line with the recommendations of the King Code of Governance Principles for South Africa 2009 (King III), is the first step on our journey towards developing a fully integrated report. It addresses and highlights Kumba Iron Ore Limited's (Kumba) performance in 2010 in terms of its well-developed business strategy and its performance against a comprehensive set of factors: financial as well as social, environmental, governance and other relevant business-impacting factors. Kumba has produced its Annual Financial Statements for 2010 and Responsibility Report for 2010 separately. By reading all three documents, the reader will gain a comprehensive understanding of Kumba's results across all aspects of the business.



ALLEN MORGAN



MESSAGE FROM THE INTERIM CHAIRMAN

2010 was a remarkable year for Kumba and I believe the integrated reporting model we have adopted for this report has allowed us to provide Kumba's stakeholders with a balanced and transparent view of our performance. It also illustrates that Kumba has successfully integrated the sustainability components into its business strategy.



To read more from the Interim Chairman turn to page 4



To read more from the Human Resources, Remuneration and Nomination Committee (Remco) turn to page 86



ZARINA BASSA



Our share price outperformed the JSE FTSE/Mining index by nearly 30% in 2010. The value we created facilitated the SIOC Community Development Trust's full redemption of its funding in 2010. The trust, one of Sishen Iron Ore Company (Pty) Limited's (SIOC) broad-based empowerment shareholders, now owns an unencumbered 3% of SIOC. From 2011, millions of rands in dividends paid to the trust will be available to fund community development.



To read more from the Audit Committee turn to page 84



To read more from the Risk Committee turn to page 82



DOLLY MOKGATLE



Kumba welcomes the revised Mining Charter and Mining Scorecard published in September 2010. We are well-positioned to meet the requirements of the revised Mining Charter as Kumba already either complies with, or exceeds, most aspects of the charter. Transformation is a key strategic imperative for Kumba and is an ongoing process, embedded in our corporate culture.



To read more from the S&SD Committee turn to page 83



KEY NOTES



Read more

D R Board of Directors' Annual Report 2010

F S Annual Financial Statements 2010



Visit website

R R Responsibility Report 2010

CHRIS GRIFFITH



I am indeed proud to introduce you to the Board of Directors' Annual Report for 2010. It covers the company's annual performance, highlights the directors' responsibilities in line with King III and illustrates that Kumba has achieved its vision of being a leading value adding iron ore supplier to the global steel industry and its mission of being 'people making a difference in a company making a difference'.

MISSION

People making a difference in a company making a difference.



To read more from the Chief Executive Officer turn to page 8

WE ARE LIVING KUMBA'S MISSION:

2010 ACCOLADES

- Top Performing Mining Company of the Year in the Deloitte Best Company to Work For survey and ranked sixth overall
- Runner up for the second year in the Sunday Times, Business Times Top 100 companies
- A Best Performer in the 2010 JSE Socially Responsible Investment Index
- Ranked fifth in the Ernst & Young Excellence in Sustainability Reporting Awards in 2010



VISION

Kumba is a leading value adding iron ore supplier to the global steel industry.

HIGHLIGHTS

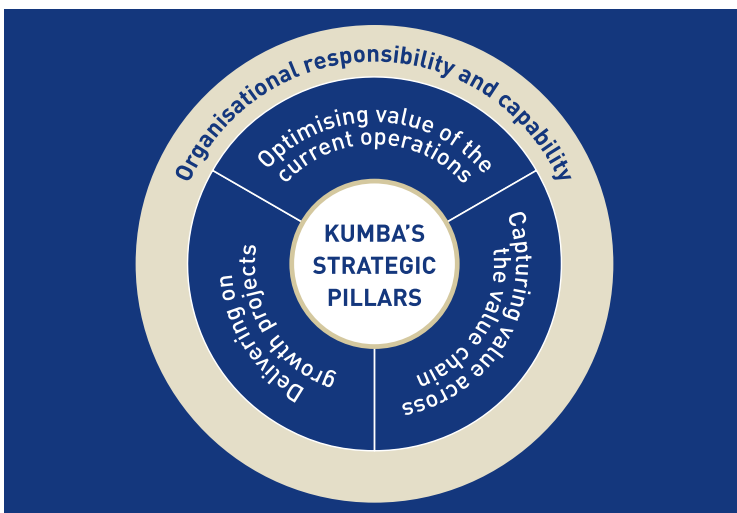
- Headline earnings of R14.3 billion, up 106%; R44.67 per share
- Total cash dividend of R11.1 billion declared, R34.50 per share
- Production growth of 5% at Sishen Mine to 41.3 million tonnes (Mt)
- Export sales volumes of 36.1Mt, 6% increase year on year
- 92% increase in export prices
- Kolomela Mine development remains on track and within budget
- SIOC Community Development Trust fully redeemed its funding and now owns an unencumbered 3% of SIOC
- All operations received water use licences

KUMBA VALUE ADD

- Kumba has extensive expertise in mining and beneficiates its iron ore resources into saleable iron ore products for domestic and international steel producers
- Beneficiation processes include comminution, washing, concentration and screening processes
- Kumba is known globally for its expertise in the mineral beneficiation of iron ore and the value its niche products add during the production of steel
- Kumba's research and development programmes focus on reducing energy requirements, maximising mineral resource utilisation, beneficiation technologies for use with lower grade iron ore and the development of new niche products

STRATEGY

Kumba's strategy, based on four pillars each with clearly defined objectives, are aimed at creating long-term value for all our stakeholders, which include our shareholders, customers, employees and the communities in which the group operates.



BOARD OF DIRECTORS' ANNUAL REPORT 2010 CONTENTS

ANNUAL REVIEW

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OVERVIEW OF KUMBA'S ACTIVITIES

A GLOBAL LEADER IN SEABORNE IRON ORE

Kumba, a member of the Anglo American plc Group, is a leading supplier of seaborne iron ore. In 2010 Kumba exported over 36.1Mt of superior iron ore to customers in a range of geographical locations around the globe including China, Japan, Korea and a number of countries in Europe and the Middle East.



IRON ORE



WHERE WE OPERATE

CORPORATE OFFICE
Pretoria (South Africa)

MINES

- Sishen Mine
- Kolomela Mine
- Thabazimbi Mine

PORT OPERATIONS
Saldanha (South Africa)
Qingdao (China)

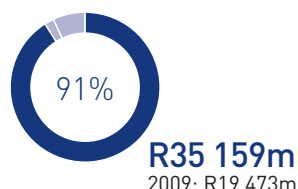
Key factors



SISHEN MINE

- Annual production: 41.3Mt (2010)
- Life-of-mine: 20 years
- Ore reserves: 576.3Mt (proved)

Revenue contribution



Responsibility factors

- 4 215 employees and 4 217 contractors
- HIV/AIDS prevalence rate 5.8%
- Employment equity:
 - HDSAs in management: 42.4%
 - Women in core disciplines: 10%
- Social and community spend: R77.4 million



KOLOMELA MINE

- Waste material mined in 2010: 18.6Mt
- Full production in 2013: 9Mt per annum
- Life-of-mine: 28 years
- Ore reserves: 118.5Mt (proved)

Initial production: towards the end of the first half of 2012

- 830 employees (at full production)
- Employment equity:
 - HDSAs in management: 51.3%
 - Women in core disciplines: 19.5%
- Social and community spend: R36.4 million

NORTHERN CAPE PROVINCE PROFILE

The bulk of Kumba's iron ore production comes from Sishen Mine, which is located at the mining town of Kathu, in the Northern Cape province of South Africa. The Northern Cape is rich in minerals, with the country's major diamond pipes found in the Kimberley district. The Sishen Mine is the biggest source of iron ore in South Africa, while the copper mine at Okiep is one of the oldest mines in the country. Copper is also mined at Springbok and Aggenys. Other minerals found in the province are asbestos, manganese, fluorspar, semi-precious stones and marble.

The province has fertile agricultural land and is experiencing growth in value-added activities such as game-farming. Food production and processing for the local and export market is also growing significantly with a focus on the beneficiation and export of sea products.

Key statistics

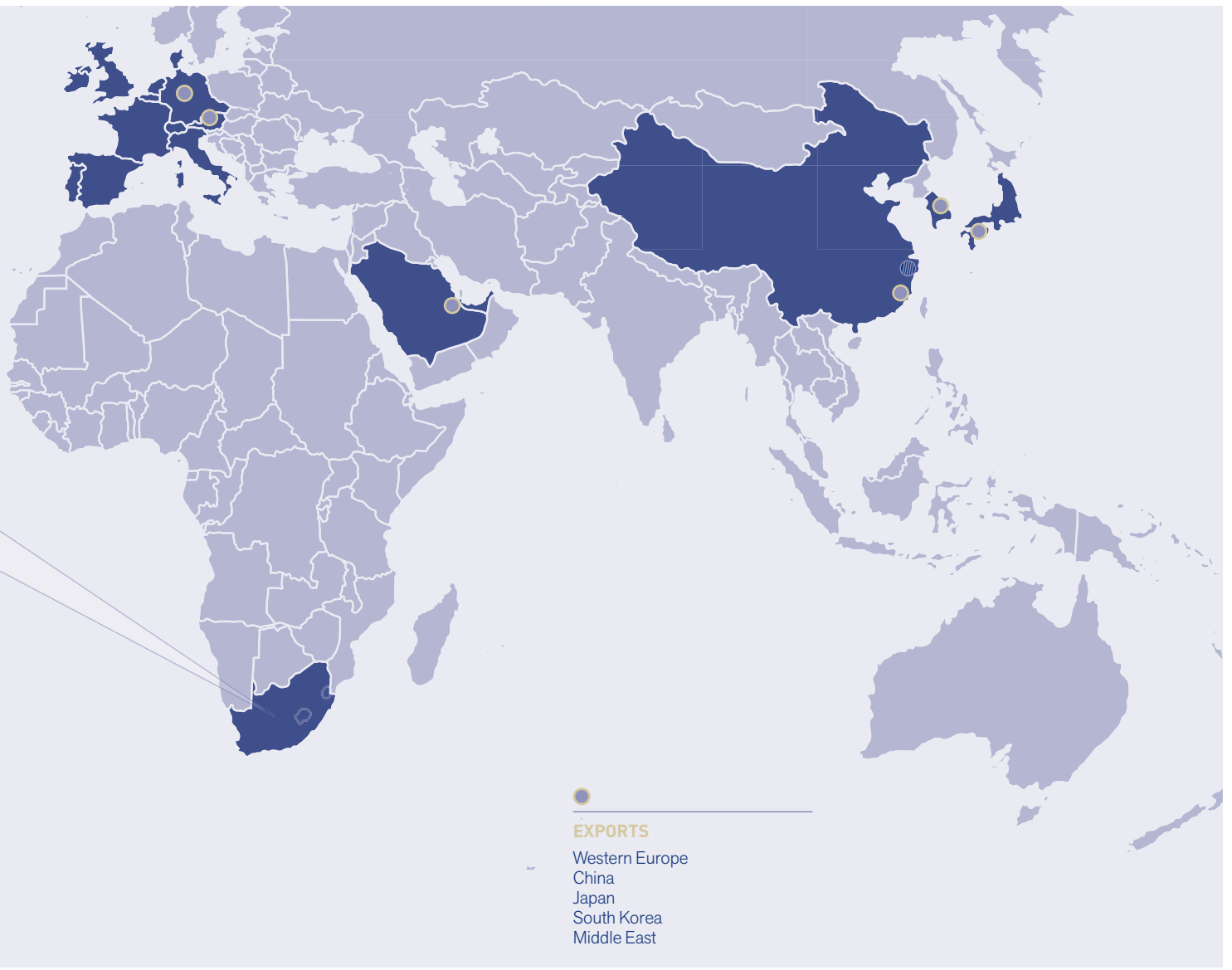
Largest province in South Africa (372 889km²)

Capital:	Kimberley
Languages:	68% Afrikaans, 20.8% Setswana, 2.5% English
Population:	1.1 million
HIV/AIDS prevalence rate:	16.1%
Total labour force:	398 000
Employed:	308 000
Employed in mining sector:	15 000
Unemployment rate:	23%
Share of SA population:	2.3%
Share of total SA area:	30.5%
Population density:	3 people per square kilometre
Gross regional product:	R29.7 billion
Share of total SA GDP:	2.4%

Source: Stats SA

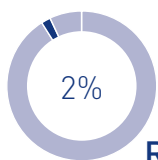
For more information see page 34 visit www.angloamericankumba.com/ob_sishen.php

For more information see page 44 visit www.angloamericankumba.com/ob_kolomela.php



THABAZIMBI MINE

- Annual production: 2.0Mt (2010)
- Life-of-mine: 6 years
- Ore reserves: 9.0Mt (proved)



R666m
2009: R543m

- 806 employees
- HIV/AIDS prevalence rate: 13.8%
- Employment equity:
 - HDSAs in management: 49.3%
 - Women in core disciplines including the general manager: 7.4%
- Social and community spend: R10.2 million

For more information see page 40
visit www.angloamericankumba.com/ob_thabazimbi.php

LIMPOPO PROVINCE PROFILE

Thabazimbi Mine is near the town of Thabazimbi in the Limpopo province of South Africa. Limpopo, South Africa's northern most province, shares borders with Botswana to the west, Zimbabwe to the north and Mozambique to the east. Its rich mineral deposits include platinum group metals, iron ore, chromium, high- and middle-grade coking coal, diamonds, antimony, phosphate and copper, as well as mineral reserves like gold, emeralds, scheelite, magnetite, vermiculite, silicon and mica. Base commodities such as black granite, corundum and feldspar are also found. Mining contributes to over a fifth of the provincial economy. The province exports primary products and imports manufactured goods and services. It has a high potential for development, with resources such as tourism, rain-fed agriculture, minerals and abundant labour offering excellent investment opportunities.

Key statistics

The fifth largest province in South Africa (125 755km²)

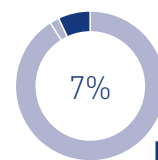
Capital:	Polokwane
Languages:	52.1% Sesotho, 22.4% Xitsonga, 15.9% Tshivenda
Population:	5.4 million
HIV/AIDS prevalence rate:	18.5%
Total labour force:	1 260 000
Employed:	880 000
Employed in mining sector:	45 000
Unemployment rate:	29.5%
Share of SA population:	10.8%
Share of total SA area:	10.3%
Population density:	43 people per square kilometre
Gross regional product:	R81.3 billion
Share of total SA GDP:	6.7%

Source: Stats SA



LOGISTICS AND SHIPPING

- Railed to port: 36.5Mt
- Volumes loaded at the Port of Saldanha: 36.7Mt
- Shipped on behalf of customers: 18.7Mt



R2 879m
2009: R3 392m



READ MORE

OPERATIONAL REVIEW	page 30
RESOURCES AND RESERVES	page 54
ANNUAL FINANCIAL STATEMENTS	Book
RESPONSIBILITY REPORT	Book

FROM THE INTERIM CHAIRMAN

DELIVERING ON OUR COMMITMENTS FOR THE LONG TERM



2010 was a remarkable year during which Kumba achieved a number of firsts, delivered exceptional returns to its shareholders, saw its share price rise to an all-time high and received a number of accolades which recognised the company's economic performance, its commitment to sustainable development and the performance of its management team.

ALLEN MORGAN
Interim Chairman

During 2010 our share price outperformed the JSE FTSE/Mining index by nearly 30% in Rand terms and reached an all-time high for the period 1 January 2010 to 31 December 2010 of R433.79 per share in November 2010. When compared with the performance of our global peers during 2010, Kumba was the second best performing share (this comparison was made using the currencies relevant to each company). A wonderful consequence of the economic performance of the company is that the SIOC Community Development Trust, formed in 2006, which was only expected to be able to pay for its 3% shareholding in 2016, paid for it in full in August 2010. This means that from 2011 millions of rands in dividends that previously went to pay off the cost of the trust's shareholding will now be available to fund community development in the areas surrounding our operations and the areas from which we draw our employees.

During the year Kumba adopted the new refreshed Anglo American plc brand, which has been applied across all Anglo American plc business units. It presents a unified face and set of values to our stakeholders, maximising the advantage of the Group's reputation and global presence. Our legal name remains unchanged – Kumba Iron Ore Limited – and our listing on the JSE is unaffected by the rebranding.

Kumba was the runner up for the second consecutive year in the Sunday Times, Business Times Top 100 companies survey which acknowledges those listed companies that have earned the most value for their shareholders in terms of share price growth over the past five years. (A R10 000 investment in Kumba at the time of its listing in 2006 was worth R71 000 at the end of September 2010, representing compound growth of 48%.)

STRATEGY

Notwithstanding the challenges the Kumba management team faced during 2010, the team remained focused on the company's goals and objectives and delivered against the four strategic objectives. They optimised the value of our existing operations by increasing production and effectively containing unit cash costs through asset optimisation and procurement savings. Additional value was captured across the value chain by achieving exceptional prices for their niche products and once again making additional profits on the shipping business. The progress the team made on the final ramp up of the jig plant to full production and the development of Kolomela Mine, which is on track and within budget, has ensured that Kumba is delivering on its growth targets.

In terms of our strategy to demonstrate organisational responsibility and capability Kumba was rated a Best Performer in the 2010 JSE Socially Responsible Investment Index. Only 23 of the companies listed on the JSE were rated Best Performers. These are companies that have met the environmental threshold relative to the company's impact and all core social, governance and climate change indicators. Reporting on our sustainability was also recognised when Kumba's report was placed fifth in the Ernst & Young Excellence in Sustainability Reporting awards in 2010. These awards recognise the level of disclosure applied in a company's reporting.

SAFETY

The board of Kumba and its management team are dedicated to achieving zero harm at all Kumba's operations and the safety of our employees remains our priority. Disappointingly, however, this was one area where we did not perform well against our targets during the year. It is both tragic and wholly unacceptable that three people lost their lives working for Kumba in 2010. Both the board and management team extend our sincere sympathies and condolences to the families, friends and colleagues of those who lost their lives.



To read Allen Morgan's biography turn to page 75.

As part of our unwavering commitment to achieving zero harm, we have revisited our safety improvement plans and invested significant effort in preventing any recurrence of the unusual events which caused the fatalities.

STAKEHOLDER ENGAGEMENT AND ACCOLADES

The recognition of a number of Kumba's communications – and in particular our internal newsletter, *Insite*, which received an award from the South African Publication Forum as the best internal newsletter for 2010 – was very pleasing in terms of their recognition of our efforts to engage with stakeholders.

Kumba's management team was recognised by our employees when they ranked Kumba the best mining company to work for in the Deloitte Best Company to Work for survey and 6th overall. Our Chief Executive, Chris Griffith, was named Top Businessman of the Year in the 8th Annual African Access National Business Awards (AANBA), a well-deserved accolade.

Engaging with stakeholders and listening to their views is an integral part of sustainable development and risk management at Kumba. We engage with a considerable number of stakeholders, which include the investment community, the board, employees, contractors, unions, national, regional and local governments, inter-governmental bodies, regulators, the communities associated with our operations, business partners, suppliers and customers.

MINING RIGHTS

The board has spent considerable time during the year debating the Department of Mineral Resources' (DMR) interpretation of the legislation regarding mining rights, which resulted in the granting of prospecting rights over the residual 21.4% mining right for Sishen Mine, previously held by ArcelorMittal South Africa Limited (ArcelorMittal), to Imperial Crown Trading (ICT). Kumba does not agree with the DMR's interpretation of the law and we attempted to avoid taking legal action in this regard by raising our objections with the DMR and appealing its decision. When these efforts were unsuccessful, and because the South African (SA) justice system allows for disputes of this nature to be adjudicated in a court of law we instituted legal proceedings to protect our rights and the interests of our shareholders in this matter.

REVISED MINING CHARTER

Kumba is well-positioned regarding the requirements of the revised Mining Charter, as we already comply with almost all aspects of the charter. There are certain areas where we are seeking clarification from government but in general we are pleased with the fact that Kumba has achieved and in many cases exceeded the requirements set out in the revised charter.

GOVERNANCE

Our directors endorse the King II Code of Governance Principles for South Africa 2009. As part of our ongoing efforts to improve Kumba's governance standards the board has reviewed the recommendations contained in King III and is taking the necessary steps to ensure that these recommendations are applied throughout the company.

THE BOARD

The changes to the board during 2010 included the resignations of Nkosana Moyo and Philip Baum, both non-executive directors, in January 2010. Both directors had been members of the board since the listing of the company in November 2006. On behalf of the board I would like to thank them for the immense contributions made during the four years they served on the board, and wish them well in future endeavours.

One of the major challenges the board faced this year was a possible conflict of interest that our Chairman, Lazarus Zim, may have had. Lazarus offered to recuse himself from discussions regarding the mineral rights dispute on this basis. However, the board did not believe there was any conflict of interest and as Lazarus brought significant experience and wisdom to the deliberations, we initially declined his offers to recuse himself. However, as a result of a number of media articles and perceptions of conflict, we agreed that to avoid any doubt regarding the integrity of the processes under way, it was in the best interests of the company and its shareholders that he recuse himself. So we had to proceed without him on this very tough and challenging matter that continues to challenge us.

I acted as Chairman in his absence during these discussions and have continued to act as Interim Chairman since Lazarus resigned from the board in December 2010. On behalf of the board I would like to thank Lazarus for the wealth of knowledge and experience that he brought to our deliberations over the past five years. We missed his input in 2010 when he recused himself from our discussions and I have no doubt we will miss it in the future. We wish him well with his new venture.

Two new non-executive directors joined the board in 2010. David Weston, Anglo American plc's Group Director of business performance and capital projects joined the board in April and Godfrey Gormwe, who is the Executive Director of Anglo American South Africa Limited joined us in May. Their experience, vision and business acumen will further strengthen the board in guiding the company into the future.

I would like to extend my heartfelt thanks and appreciation to my fellow board members for their contribution to our deliberations during the year. They showed commitment and dedication during lengthy discussions in tough times.

IN CONCLUSION

In closing, I feel privileged to have assumed the interim chairmanship of Kumba at this juncture in the company's development. I have complete faith that the board and Kumba's management team, under the competent leadership of Chris Griffith, is equipped to meet the challenges we currently face.



AJ Morgan
Interim Chairman

PERFORMANCE AND STRATEGY

ACHIEVING OUR AMBITION

CHIEF EXECUTIVE'S REVIEW

page 8

Chris Griffith, Chief Executive Officer, reviews the group's performance in 2010 against its four strategic pillars and discusses the outlook for the iron ore market.

OUR STRATEGY

page 12

Kumba's strategy, which is based on four strategic pillars, is very clear on its objectives and is aimed at creating long-term value for all our stakeholders, which include our shareholders, customers, employees and the communities in which we operate.

MEASURING OUR PERFORMANCE KEY PERFORMANCE INDICATORS

page 20

The reporting approach that we have adopted demonstrates that our strategy is integrated into all aspects of our business, including how we measure our performance.

KEY RISK FACTORS

page 26

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



Haul trucks ready for another day of production at Kumba's flagship, Sishen Mine.

CHIEF EXECUTIVE'S REVIEW

DELIVERING REAL VALUE TO ALL OUR STAKEHOLDERS



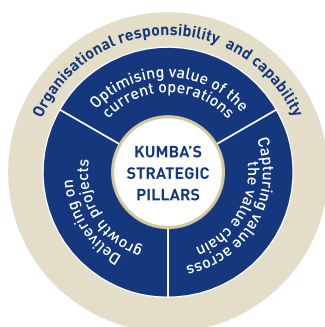
Kumba achieved a phenomenal financial and operational performance and delivered substantial returns to its shareholders in 2010.

CHRIS GRIFFITH

Chief Executive Officer



OUR STRATEGY



MISSION

People making a difference in a company making a difference.

VISION

Kumba is a leading value adding iron ore supplier to the global steel industry.

Kumba performed exceptionally well in 2010 and we delivered on our key objectives. The favourable climate for iron ore, a substantial increase in export prices and increased sales volumes, resulted in the company achieving record earnings. We gave guidance at the beginning of 2010 that we would increase production by 5%, deliver production from the Sishen Mine jig plant of between 12.5 and 13Mt, mine 20Mt of additional waste at Sishen Mine and that unit cash costs at Sishen Mine would increase by 15%. We delivered on all of these key measures as guided. On the downside, however, this performance was marred by our disappointing safety record for the year and the significant challenges we face regarding the residual 21.4% of the mining rights of Sishen Mine.

Safety continues to be a priority throughout our group. However, regrettably, we reported three fatalities at our operations in 2010, two of which were caused by highly unusual tyre explosions. Our colleagues that lost their lives were: Mr Moses Machacha of Kolomela Mine and Mr Fanie Ramalapi of Sishen Mine, whose deaths were the result of tyre explosions and Mr Koos Mashango who was fatally injured when the haul truck he was driving went over a highwall berm at Thabazimbi Mine.

We once again extend our deepest sympathies to the families of these colleagues and those who were affected by their deaths.

We also did not achieve our lost-time injury frequency rate (LTIFR) target for the year, which increased from 0.07 in 2009 to 0.12 in 2010. This setback on an otherwise exemplary performance was particularly disappointing in light of our ongoing aim of achieving zero harm throughout the group and the 42% reduction in LTIFR we achieved in 2009.

Kumba has invested significant effort in preventing any recurrence of the unusual events which caused two of these fatalities. These lapses in our safety performance are not as a result of any complacency on our part, or a loss of focus on safety. Since 2003 we have achieved a 75% reduction in our LTIFR and over the past year we have invested over R132 million at Sishen Mine alone in engineered solutions to improve safety and the implementation of the fatal risk standards that will improve safety on our mines.

OPTIMISING AND SHARING VALUE

Kumba's strategies ensure we deliver value in a sustainable and responsible manner.

Our value creation as a company in 2010 includes:

- The value we created for the Kumba shareholders through the significant appreciation of our share price over the year and the 106% increase in headline earnings to R14.3 billion, on which a total cash dividend of R34.50 per share was paid to shareholders



To read Chris Griffith's biography turn to page 75

- SIOC's empowerment shareholders are Exxaro Resources Limited (20%), SIOC Employee Share Participation Scheme (Envision) (3%) and SIOC Community Development Trust (3%)
- In 2010, Kumba paid R3.6 billion to these empowerment shareholders; one of the most successful empowerment deals in South Africa
- The SIOC Community Development Trust, fully redeemed its funding in 2010
- Significant contributions we made to the South African fiscus through the R7 billion in taxes and the R1.4 billion in mining royalties paid in 2010
- Salaries and other benefits we paid to our employees which amounted to R 2.3 billion and the R94 million dividend paid out to participants in Envision
- The investment of R132 million we made in skills development during 2010
- R134 million we invested in the social and economic development of the communities in which we operate, which includes R10 million contributed to the Anglo American Chairman's Fund.

Optimising value of our current operations

This year we once again improved our operational efficiencies and contained the increase in unit costs – both of which remain ongoing strategic goals – by focusing on all aspects of our value chain.

The Bokamoso¹ business improvement project at Sishen Mine, which started in 2009, continued to deliver value. On the mining side, by optimising the use and size of our vehicle fleet we increased output and reduced capital, operating and maintenance costs. The savings from this project and the mining maintenance project at Sishen Mine amounted to R239 million during 2010. A further R101 million was saved through enhancements to drilling and blasting processes at Sishen Mine during the year.

As a member of the Anglo American plc Group we have also been able to achieve substantial procurement benefits and value from leveraging the scale of the Group and from sharing best practice across the business units within Anglo American plc.

Using technology to add value

The impact of the development and application of new technology in the mining industry cannot be underestimated and leveraging technology to beneficiate waste material is another one of our strategic goals that is continuing to deliver benefits. The R5 billion we invested in the construction of the jig plant at Sishen Mine created 381 jobs and will contribute significantly to the economy by way of increased production at the mine.

Using material previously discarded as waste, the jig plant, which ramped up to full production this year, produced 13.3 Mt of iron ore and contributed 32% of Sishen Mine's production this year.

Adding value as a niche supplier

One of our competitive advantages is the unique physical characteristics of our lump ore which contributes to furnace efficiencies. We further differentiate ourselves as a niche supplier by screening and sizing our ore to suit specific client applications. By adding value to our customers' processes we have consistently been able to command a price premium for our product.

Ports and logistics

Notwithstanding the 3Mt worth of disruptions on the Sishen-Saldanha Iron Ore Export Channel during the year which were due to industrial action in the second quarter and derailments in the second and third quarters, Transnet Freight Rail (Transnet) had an excellent operational performance in the fourth quarter and we were able to increase volumes railed to the Port of Saldanha by over 5% during 2010. In terms of expansion, Kumba, together with other industry role players, is working closely with Transnet to explore the potential for expanding the Sishen-Saldanha Iron Ore Export Channel beyond 60Mt per annum. A conceptual study was commissioned which is now at the pre-feasibility stage and a feasibility study is planned for completion in 2012.

Creating value by delivering future growth

Construction of our growth project at Kolomela Mine remains on track and in line with its budget. We expect Kolomela Mine to deliver its first production towards the end of the first half of 2012, ramping up to full production of 9Mt per annum in 2013.

Kumba's target of producing 70Mt by 2019 remains in place. We have a number of projects in our current pipeline, in different phases, which could allow us to reach this target. These projects include Northern Cape growth (Sishen B-grade, Kolomela beneficiation, SEP 1B and Sishen concentrates) and Limpopo growth which includes Phoenix, which will replace the Thabazimbi Mine after the end of its life in 2016, and Zandriverspoort.

We are aligning our growth projects to meet the agreed growth that the export channel expansion can sustain.

ORGANISATIONAL RESPONSIBILITY AND CAPABILITY

Investing in our employees

The employment opportunities created by the establishment of the jig plant at Sishen Mine and the new Kolomela Mine are just two of many examples that illustrates how Kumba's performance against its growth strategy is creating employment and assisting the government in meeting one of its fundamental priorities. Since 2007 Kumba has created over 1 700 additional jobs.

OPERATIONAL HIGHLIGHTS

LTIFR 0.12  **71%**

DETERIORATED FROM 0.07 IN 2009

BEE success

COMMUNITIES NOW HOLD AN UNENCUMBERED 3% INTEREST IN SIOC
VALUE: OVER R5 BILLION

Kolomela Mine


REMAINS ON SCHEDULE AND WITHIN BUDGET


92% 


WEIGHTED AVERAGE INCREASE IN EXPORT PRICES

R34.50
per share  **136%**

TOTAL DIVIDEND FOR 2010

 Read more about safety matters in Measuring our performance on page 16 of this report and our Responsibility Report 2010 where you will also find information on our investment in training, skills development and social and community development.

 Read more about the Bokamoso project in the case study on page 19 and the Operational review on page 36 of this report.

 Read more about Kumba's compliance with the Mining Charter, its safety initiatives, training and development, social and community development and its environmental performance in the Responsibility Report 2010.

¹ Bokamoso means the future. We chose this name for a business improvement programme focusing on optimising value throughout our operations that is contributing to the future sustainability of our business.

The revised Mining Charter, released in September 2010, set new targets for historically disadvantaged South Africans (HDSAs) in management. Kumba has always focused on exceeding the targets set in the original Mining Charter and we continue to do so with the revised Mining Charter. Already we exceed the revised Mining Charter target for 2014, of 40% HDSAs in management, as 48% of our management team are HDSAs. Although it is not legislated or driven by government, we have given ourselves a self-imposed target of having a management team that is 40% black by 2014. This demonstrates our ongoing commitment to improving the level of transformation in the company.

Another example of this commitment is our performance against the targets set for women in mining in the original Mining Charter. While it required that 10% of our employees should be women, in fact over 15% of our employees are women and the percentage of women in core positions in the company is now approximately 10.9% of our workforce.

In the past few years Kumba has built over 1 000 houses in the vicinity of its operations, which our employees now own, and we plan to build more.

This year 89% of our employees participated in HIV voluntary counselling and testing (VCT) and we had one reportable case of noise-induced hearing loss.

Kumba, which has been ranked as a top spender on skills development in South Africa, invested the equivalent of 6.8% of its payroll in skills development this year. We are currently training 348 artisans and in 2010 we delivered 141 qualified artisans. Currently we have nearly 500 learners registered in engineering and mining learnerships.

The environment

At Kumba, we are committed to minimising the environmental impacts of our operations throughout their lives. Our commitment was recognised when Kumba received an AANBA Environmental, Social, Governance (ESG) award. This award recognised the company's adherence to environmental, social and corporate governance policies, its active involvement in promoting ESG policies and the example it sets for other corporations in South Africa to follow.

We systematically seek ways in which Kumba can lessen its environmental impact. Reducing the amount of energy and water we use per tonne of iron ore produced is of key importance in addressing the conservation of natural resources. During 2010, we continued to engage with the farmers in the vicinity of our operations who are affected by our dewatering programmes. We continue to extract significantly less water than our water use licence allowance and use less than 50% of the amount we extract, delivering all our excess water to the surrounding communities and the farmers who have been impacted by our de-watering and with whom we have agreements.

Hydrocarbon (primarily diesel) contamination of groundwater and soil is a key concern for Kumba. The challenges we face in this area are due to historical spillages and current operational activities.

Current contamination involves soil pollution which takes place during the re-fueling, washing and servicing of mine vehicles and haul trucks. We have established special facilities for these activities. Previously, contaminated soil was disposed of at an authorised disposal site. As this is not the best environmental option we researched other solutions and, having established that bio-remediation was the most effective technology, we are applying it at all our sites.

The clean-up of the legacy groundwater contamination at Sishen Mine is due to be completed in March 2011 and we expand further on the ongoing initiatives in place to contain this issue, in the Responsibility Report. Cut-off trenches have been constructed and natural bacteria have been used to break down the contaminants. As we extract the contaminated water it is transferred to oil water settling ponds where it is treated further. Once the water is free of all contaminants it is reused.

The market in 2010

Global steel production increased by 17% year on year to 1.4Bt in 2010 and our traditional markets of Europe, Japan and South Korea saw a 24% rise in output for the year as they replenished stocks and steel production started to increase. Chinese crude steel production achieved a 9% increase in production to 627Mt.

Overall, seaborne iron ore demand increased 5% to 979Mt, while seaborne imports to Europe, Japan and Korea grew 24% year on year in 2010 in line with the increase in steel production. Seaborne imports to China were down 2% to 610Mt as domestic production of iron ore increased by 34% incentivised by high prices.

The two major changes we saw in market conditions during 2010 were the move away from an annual benchmark pricing system for iron ore to more flexible shorter term pricing mechanisms and the massive increase in domestic production of iron ore in China. The change in pricing mechanisms in the iron ore market included the introduction of a quarterly pricing mechanism and an improvement in market conditions. The quarterly pricing mechanism has not yet been fully accepted across the global steel making industry as there is still some resistance from the more traditional sectors of the market.

During the year we focused on selling all our non-contractually committed excess ore on spot markets and were able to negotiate favourable prices. In 2010 the benchmark price benefited from three quarters of high prices, resulting in an overall price increase of 92%, coming off a very low annual benchmark price in 2009. The strengthening of the average Rand against the US Dollar exchange rate by 13% resulted in a reduction in contribution to our revenue in Rand terms by R4.9 billion. This impacted negatively on the performance of the business, but the increase in prices we achieved and our increased sales volumes more than offset this impact.

China represented 60% of Kumba's 2010 seaborne iron ore sales, while Europe accounts for approximately 13% and the rest of Asia for 19% of our seaborne iron ore sales.

Optimising empowerment benefits

The SIOC Community Development Trust, Envision and Exxaro Resources Limited (Exxaro), represent the 26% black-empowered stake in SIOC, which in terms of the Mining Charter, the company is required to achieve by 2014.

This year was a very significant one for the SIOC Community Development Trust, established at the time of the unbundling of Kumba Resources into Kumba Iron Ore and Exxaro in 2006. It was able to redeem its total funding for the purchase of its shareholding in SIOC and is now an unencumbered 3% shareholder in SIOC. The value of this shareholding is approximately R5 billion. It was initially anticipated that it would take the Trust 10 years, using its dividend income, to pay off its debt for the purchase of these shares. It took less than four years to do so. We are very proud that the performance of the company made this possible. The Trust will be receiving the entire dividend income derived from its shareholding in 2010, which will be R243 million (from the final 2010 SIOC dividend). The Trust was established to fund education, skills development and infrastructure projects that will benefit the communities which are beneficiaries of the Trust.

Envision, an employee broad-based share participation scheme, also benefits from a 3% shareholding in SIOC. This scheme comes to an end in 2011 at which time the value will be distributed to approximately 5 000 participants after settling its original acquisition funding. Since 2006 this shareholding has generated R990 million in dividends (including the final 2010 dividend). R772 million of this has been used to reduce the original funding and to pay the interest on this funding, while the balance of R218 million has been distributed to the scheme's participants.

Since unbundling, Exxaro, our black economic empowerment partner which has a 20% stake in SIOC, has received R6.6 billion in dividends contributing very significantly to its performance and playing a meaningful role in the growth of the company.

Investing in communities

In addition to the benefits the communities in the vicinity of our operations are receiving from the SIOC Community Development Trust, we have built homes and are investing in infrastructure development, the education and training of community members and enterprise development.

In 2010 Kumba spent R134 million on social and community development initiatives.

Mineral rights update

SIOC notified ArcelorMittal on 5 February 2010, that it was no longer entitled to receive 6.25 Mt per annum of iron ore contract mined by SIOC at cost plus 3% from Sishen Mine, as a result of the fact that ArcelorMittal had failed to convert its old order mining right. This contract mining agreement, concluded in 2001, was premised on ArcelorMittal owning an undivided 21.4% interest in the mineral rights of Sishen Mine. As a result of ArcelorMittal's failure to convert its old order mining right, the contract mining agreement automatically lapsed and became inoperative in its entirety as of 1 May 2009.

A dispute has thus arisen between SIOC and ArcelorMittal, which SIOC has referred to arbitration. Both parties have exchanged their respective pleadings, and the arbitration panel has been appointed.

SIOC and ArcelorMittal reached an interim pricing arrangement in respect of the supply of iron ore to ArcelorMittal from the Sishen Mine. This arrangement will endure until 31 July 2011.

After ArcelorMittal failed to convert its old order mining right, SIOC applied for the residual 21.4% mining right previously held by ArcelorMittal and its application was accepted by the DMR on 4 May 2009. A competing application for a prospecting right over the same area was also accepted by the DMR. SIOC objected to this acceptance. Notwithstanding this objection, a prospecting right over the 21.4% interest was granted by the DMR to ICT. SIOC initiated a review application in the North Gauteng High Court on 21 May 2010 in relation to the decision of the DMR to grant a prospecting right to ICT.

SIOC initiated an application on 14 December 2010 to interdict ICT from applying for a mining right in respect of the Sishen Mine and the DMR from accepting an application from ICT, nor granting such 21.4% mining right to ICT pending the final determination of the review application. This interdict application is currently pending.

The DMR informed SIOC on 12 January 2011 that ICT had applied for a 21.4% mining right over Sishen Mine on 9 December 2010, and that the DMR had accepted this application on 23 December 2010. The DMR's acceptance of the application means that the mining right application will now be evaluated according to the detailed process stipulated in the Mineral Resources and Petroleum Development Act (MPRDA) 2004 before a decision is made as to whether or not to grant the mining right.

SIOC does not believe that it was lawful for the DMR to have accepted ICT's application, pending the High Court Review initiated in May 2010, and has formally objected to, and appealed against, the DMR's acceptance of ICT's mining right application. In addition, SIOC has lodged an appeal against the DMR's decision of 25 January 2011 to reject SIOC's May 2009 application to be granted the residual 21.4% mining right. Finally, on 26 January 2011, SIOC lodged a new application for the residual 21.4% mining right.

On 4 February 2011 SIOC made an application to join ArcelorMittal as a respondent in the review proceedings.

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

OUTLOOK

We remain committed to achieve zero harm and an improvement in our safety performance in 2011 through ongoing efforts to improve safety standards throughout the group.

We anticipate stable production levels at Sishen Mine during 2011 as both the DMS and jig plants are now operating at full capacity. We are looking forward to our next production increase, which will come in 2012 when Kolomela Mine comes on line.

As we mine deeper the additional amount of waste that we will need to strip at Sishen Mine will increase unit costs. We will do everything we can to improve efficiencies through asset optimisation and sustained benefits from Sishen Mine's optimisation project to offset the negative impact of increased waste stripping and general inflationary pressures.

We anticipate that seaborne iron ore prices will remain fairly strong, given that demand is increasing and the market is not expecting any significant increase in domestic iron ore production in China. Spot prices of iron ore are therefore expected to be volatile but to remain around current levels in 2011. However, we cannot anticipate what the impact of the ZAR/US\$ exchange rate will be on prices.

In the year ahead we will maintain our focus on the aspects of our business that we can control: costs, productivity and operational efficiencies, to maximise the value we can extract from a market with strong fundamentals.

Our strategies are aimed at ensuring the sustainability of our business going forward.

CONCLUSION

Along with a fantastic company performance in 2010 came various challenges that we faced on the safety and legal front. Our management team appreciates the support we received from the board this year, when tough decisions had to be made at a number of special board meetings. Please accept our thanks for your support and wise counsel.

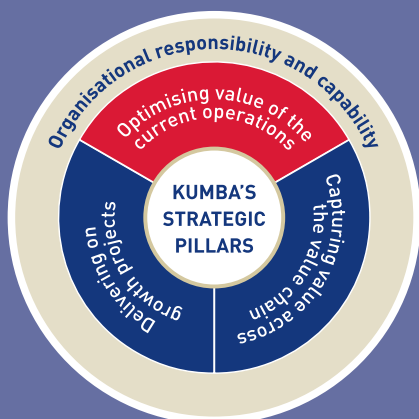
I would like to acknowledge and thank Lazarus Zim for the valuable contribution he made to the company during his tenure as Chairman of the board. Allen Morgan, the senior lead independent director was appointed as the Interim Chairman, effective 15 December 2010. I wish Allen well in his role.

My personal thanks go to each and every Kumba employee for the outstanding work and contribution made in all sectors of the company that contributed to the success of Kumba in 2010. Our employees have delivered on their promises, have found additional ways to create value for the company and they stayed focused, notwithstanding some of the additional pressures they faced during the year. Their efforts have been recognised by the numerous awards Kumba won this year. I would especially like to thank our employees for their recognition of Kumba as the Best Mining Company to Work for in the Deloitte Best Company to Work for survey. It was particularly rewarding to learn that our employees gave job satisfaction and management style the highest ratings.

Cl Griffith
Chief Executive Officer

OUR STRATEGY

OPTIMISING VALUE OF THE CURRENT OPERATIONS



The focus of this strategic pillar is to unlock value through managing our assets in the most effective and efficient manner and achieving operational excellence through ongoing cost and productivity improvements.

ASSET OPTIMISATION INITIATIVES

Containing unit costs and operational efficiencies are both ongoing strategic goals. Business improvement initiatives which are part of Project Bokamoso, resulted in savings of over R200 million and enhancements to drilling and blasting processes saved a further R101 million. A financial reporting policy framework is in place to consistently measure, monitor and audit our delivery of asset optimisation.

Another of our strategies aimed at optimising the value of our current operations is looking at ways to deliver optimal value from the Sishen Mine ore body.

USING TECHNOLOGY TO ADD VALUE

The construction of a jig plant at Sishen Mine enabled us to use material previously discarded as waste. Production from the jig plant contributed 32% of Sishen Mine's production in 2010.



George Motshabi at the jig plant, Sishen Mine. The plant that beneficiates ore previously discarded as waste is the largest of its type in the world.

STRATEGY IN ACTION

ASSET OPTIMISATION IN ACTION

The aim of the Bokamoso Jig-Mini-T asset optimisation project was to increase the final product of the Sishen Mine jig plant and enhance revenue generated by improving:

- the throughput of the tertiary crusher;
- run of mine quantity;
- run hours/uptime of the plant; and
- overall yield of the plant.

The benefit of the project was calculated by taking the net incremental final product from the jig plant, that was as a result of the focus areas listed above, multiplying it by the iron price per tonne and then deducting associated costs, to arrive at the actual improvement in operating profit.

The production target set for the Bokamoso project was an average daily production rate for the jig plant of 35 670 tonnes. Target was exceeded every month, except one, from the start of the project in June 2010 to October 2010.

The total revenue enhancement over five months was R460 million.

Another revenue enhancement project involved increasing the shutdown interval of the DMS plant from six to eight weeks, which resulted in a gain of six additional production days during the year.

The increase in the shutdown interval was achieved by using differently designed lipliners which proved to be more cost effective and safer to replace. Previously it took 12 hours to replace the lipliners during a shutdown, the new liners take only two hours to replace.

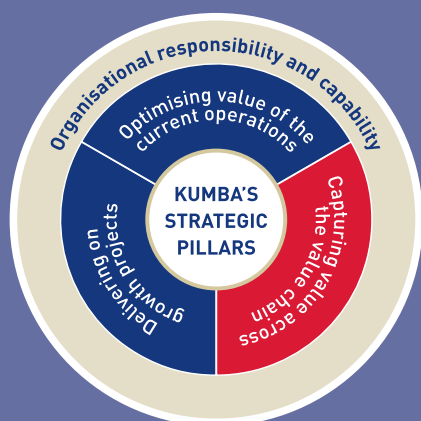
Doors were used to divide the grizzly ore feeder into modular sections. With these doors in place no preparation work is required before the shutdown and hence maintenance is completed faster.

To calculate the financial benefit of the project the average daily production rate is multiplied by the number of days gained each quarter (1.5 days). This calculates the incremental production which is then multiplied by the iron ore price per tonne less the cost associated with the additional production.

The target for the project was an improvement of 120 000 tonnes per quarter. The revenue enhancement achieved during the first three quarters of 2010 was R343 million.

OUR STRATEGY

CAPTURING VALUE ACROSS THE VALUE CHAIN



Applying Kumba's niche product strategy, together with its pricing and logistics strategies gives it the potential to capture significant value across its value chain.

NICHE PRODUCT STRATEGY

Kumba can benefit from the unique physical characteristics of its lump ore by providing its customers with innovative products that add value to their processes.

PRICING STRATEGY

This is aimed at ensuring that Kumba benefits from recent changes in the iron ore pricing mechanisms, while ensuring it maintains its customer relationships.

LOGISTICS STRATEGY

The management of freight costs is increasing with the shift in sales terms from free on board (FOB) to cost insurance and freight (CIF) as the landed cost at the customer has become a key competitive driver.

We aim to extract the maximum benefits from the shipping logistics channel required to transport Kumba's products from mine to customer. Volatile freight rates form a major component in the landed cost of iron ore. Kumba has implemented an Ocean Freight Management programme which uses a mixture of different shipping strategies and instruments to negotiate competitive shipping rates and reduce its exposure to the very volatile shipping market.



Customers have achieved significant operational efficiencies by using the Sishen 27mm, 66% Fe, niche product.

STRATEGY IN ACTION

ADDING VALUE AS A SUPPLIER OF NICHE PRODUCTS

One of Kumba's competitive advantages is the unique physical characteristics of the lump ore produced at Sishen Mine. It has always been able to command a price premium for the typical 25mm lump product it produces, because of its low degree of breakdown during handling and its reduction in blast furnaces, which contributes to the efficiency and productivity of these furnaces.

By screening and sizing its ore in accordance with the specific applications of its customers, Kumba has been able to further differentiate itself as a supplier of niche products to the global steel industry. Kumba screens and sizes its ore to produce 27mm and 20mm niche products.

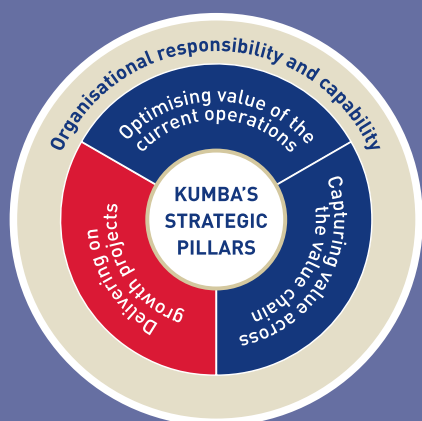
Some of Kumba's customers have achieved significant cost savings by using its undersize 27mm niche lump ore which yields more direct charge lump ore in their iron-making facilities even after extensive handling of the product.

Kumba's 20mm niche lump ore is ideal for our customers with advanced iron making facilities and our 6,3mm fine ore is ideally suited for sinter making due to its relative coarseness and the small amount of super-fine material (0,2mm – 6,3mm) it contains.

As a result of Kumba's production of these value-adding niche products it has been able to sell its continually increasing volumes of niche lump product from Sishen Mine at a price premium. It is Kumba's aim to increase production of these products to 12Mt per annum in the near future.

Tests with various international lump iron ores show conclusively that Sishen Mine lump ore is more permeable under blast furnace conditions. Sishen Mine lump ore can also replace pellets without negatively impacting on blast furnace and direct reduction operations.

OUR STRATEGY DELIVERING ON GROWTH PROJECTS



The implementation of Kumba's growth strategy would allow it to become a 70Mt per annum supplier of iron ore by 2019.

DELIVER ON THE KOLOMELA PROJECT

Kumba is on track to deliver Kolomela Mine by 2012.

DEVELOP PROJECTS IN KUMBA'S CURRENT PIPELINE TO BANKABLE FEASIBILITY STAGE

Kumba has five projects in its current pipeline at various study phases to be developed for final approval.

FIND OPTIONS TO ENSURE AN AFFORDABLE EXPANSION OF THE IRON ORE EXPORT CHANNEL

Kumba and other stakeholders are engaging with Transnet to find the optimal expansion plan for the iron ore export channel and to minimise the costs and associated tariff for this expansion.

ORE REPLACEMENT STRATEGY

Develop options that will extend Kumba's life beyond 2030 when the Sishen Mine iron ore resource is expected to be depleted.

LOW GRADE ORE EXTRACTION USING BENEFICIATION TECHNOLOGIES

Kumba plans to develop and use beneficiation technologies that will allow it to use the significant low grade resources at Sishen and Thabazimbi mines for future growth and ore replacement opportunities.



Vivian Cloete (left) and Neo Pitiela working on the load out station at the new Kolomela Mine.

STRATEGY IN ACTION KOLOMELA MINE

- Project budget: R8.5 billion
- Future production of iron ore: 9Mt per annum

Kumba's growth objective of producing 70Mt per annum of iron ore by 2019 depends on various macro-economic factors, finding an optimal solution for the next expansion of the iron ore export channel and on its ability to deliver on its growth pipeline.

The first project in Kumba's growth pipeline is Kolomela Mine. The development of the Kolomela Mine remains on track and on budget for first production towards the end of the first half of 2012. By 31 December 2010 the overall project development was 81% complete. The capital spend on the project by 31 December 2010 was R5.3 billion. The overall budget for the project is R8.5 billion.

PROGRESS TO DATE

Kumba has made significant progress with key deliverables and major construction elements are well advanced.

Construction of the Transnet rail link started in 2010 and should be completed in the first half of 2012, in line with the planned timing for first production from Kolomela Mine.

The mining of waste necessary before Kumba can start production of iron ore at Kolomela is well under way. In 2009 and 2010 it mined 4.0Mt and 18.6Mt respectively of waste material.

Kumba expects to mine 13Mt of waste material in the first half of 2011 as it continues to open up the pit for production.

When the mine is in steady state (from 2013 onwards) waste stripping at Kolomela Mine is expected to be 30Mt per annum resulting in a stripping ratio in the order of 3.3 for the mine.

JOB CREATION

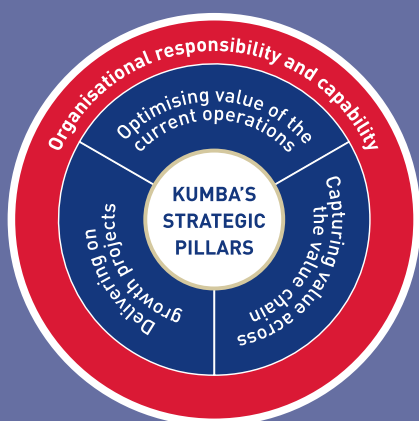
Already 555 people are employed full-time on Kolomela Mine and when fully operational, the mine will employ 830 people.

CORPORATE RESPONSIBILITY

Despite the fact that Kolomela is not as yet a productive mine we have invested R36.4 million in community development and are in the process of building 718 houses at the mine which will accommodate mine employees. A partnership between Kolomela Mine and the Tsantsabane Municipality is currently being used by the DMR as a best practice example. This partnership resulted from a stormwater drainage project that Kumba undertook with the Tsantsabane Municipality.

OUR STRATEGY

ORGANISATIONAL RESPONSIBILITY AND CAPABILITY



SAFETY AND HEALTH

Kumba's health and safety strategy is designed to achieve the company's zero harm objective.

ENVIRONMENTAL MANAGEMENT

Kumba plans to strengthen its position as a proactive corporate citizen by applying seven strategic approaches:

- Using technology to achieve energy and water savings
- Remediating historical impacts
- Attitude and behaviour change
- Governance
- Maintaining and building strong relations with the South African Government
- Applying the polluter pays principle introduced in 2010
- Continual improvement through physical rehabilitation, closure plants and costing, shade net trails, land use options and plans.

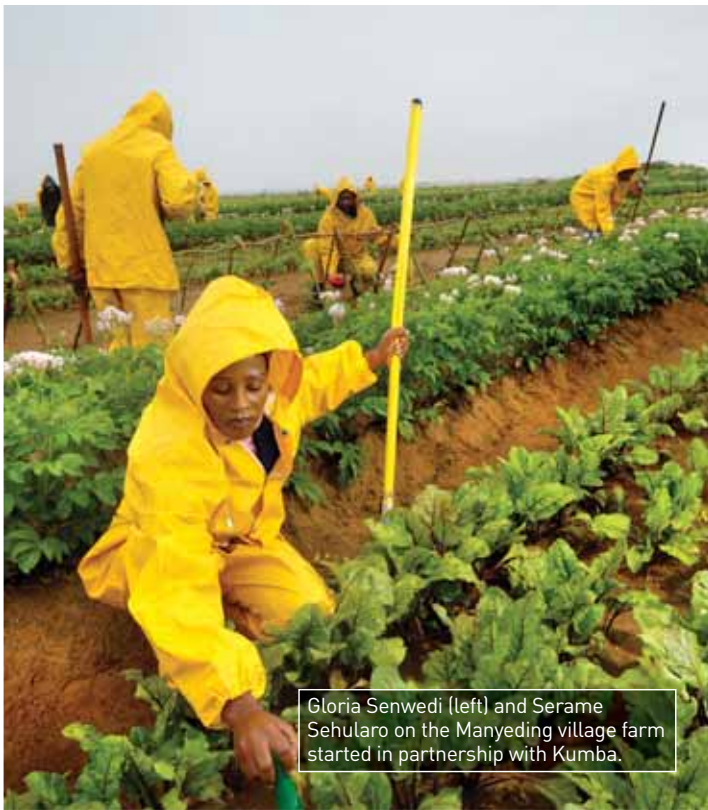
EXCEED LEGISLATIVE REQUIREMENTS AND ENSURE KUMBA RETAINS ITS LICENCE TO OPERATE

Kumba's aim is to provide Kumba with a competitive advantage by strengthening its position on current and future licences to operate. This will be achieved through:

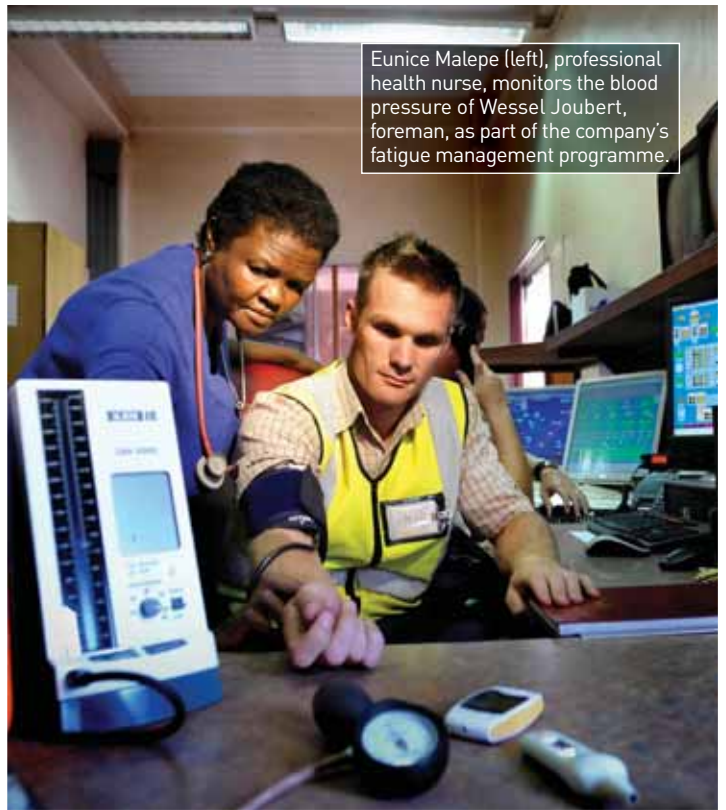
- 100% compliance with social and labour plans
- Stakeholder engagement and communication
- The effectiveness of the SIOC Community Development Trust
- Visibility in its host communities
- Impact assessment and exit strategy on older projects
- Sustainability of communities post closure
- Driving its sustainable development strategy.

ESTABLISH A VALUES-BASED PERFORMANCE-DRIVEN WORKFORCE BY ATTRACTING AND RETAINING THE RIGHT SKILLS AND MATCHING OUR CAPABILITY WITH OUR STRATEGY

Kumba plans to become an employer of choice by developing and building visible career paths, building an employer brand with a high performance culture, retaining critical skills, executing a competitive pay and reward strategy and exceeding the revised Mining Charter requirements.



Gloria Senwedi (left) and Serame Sehularo on the Manyeding village farm started in partnership with Kumba.



Eunice Malepe (left), professional health nurse, monitors the blood pressure of Wessel Joubert, foreman, as part of the company's fatigue management programme.



T Thubakgale doing exploration drilling on one of Kumba's expansion projects.



Pit wall monitoring is a crucial element in safeguarding operations. Thabo Makhorole, operates one of the radar systems used for this purpose.

STRATEGY IN ACTION

BUILDING VIABLE LOCAL ECONOMIES

Kumba's Social and Community Development Department, in collaboration with Anglo American's small business development initiative, Anglo American Zimele, has supported the creation of 37 new businesses which created 360 permanent jobs and generated R29 million in turnover during 2010. Through Kumba's mentorship programme, 340 small and medium enterprises were assisted. Many of Kumba's enterprise development activities are driven out of the small business hub at Kathu but increasing activity is expected from Postmasburg, where Kolomela Mine is located, once the mine ramps up to full production.

KEY PERFORMANCE INDICATORS

MEASURING OUR PERFORMANCE

The integrated reporting approach we have adopted in 2010 allows us to demonstrate how Kumba's strategy is integrated into all aspects of its business, including how it measures performance.

KEY FINANCIAL PERFORMANCE INDICATORS

Optimising value of the current operations and capturing value across the value chain

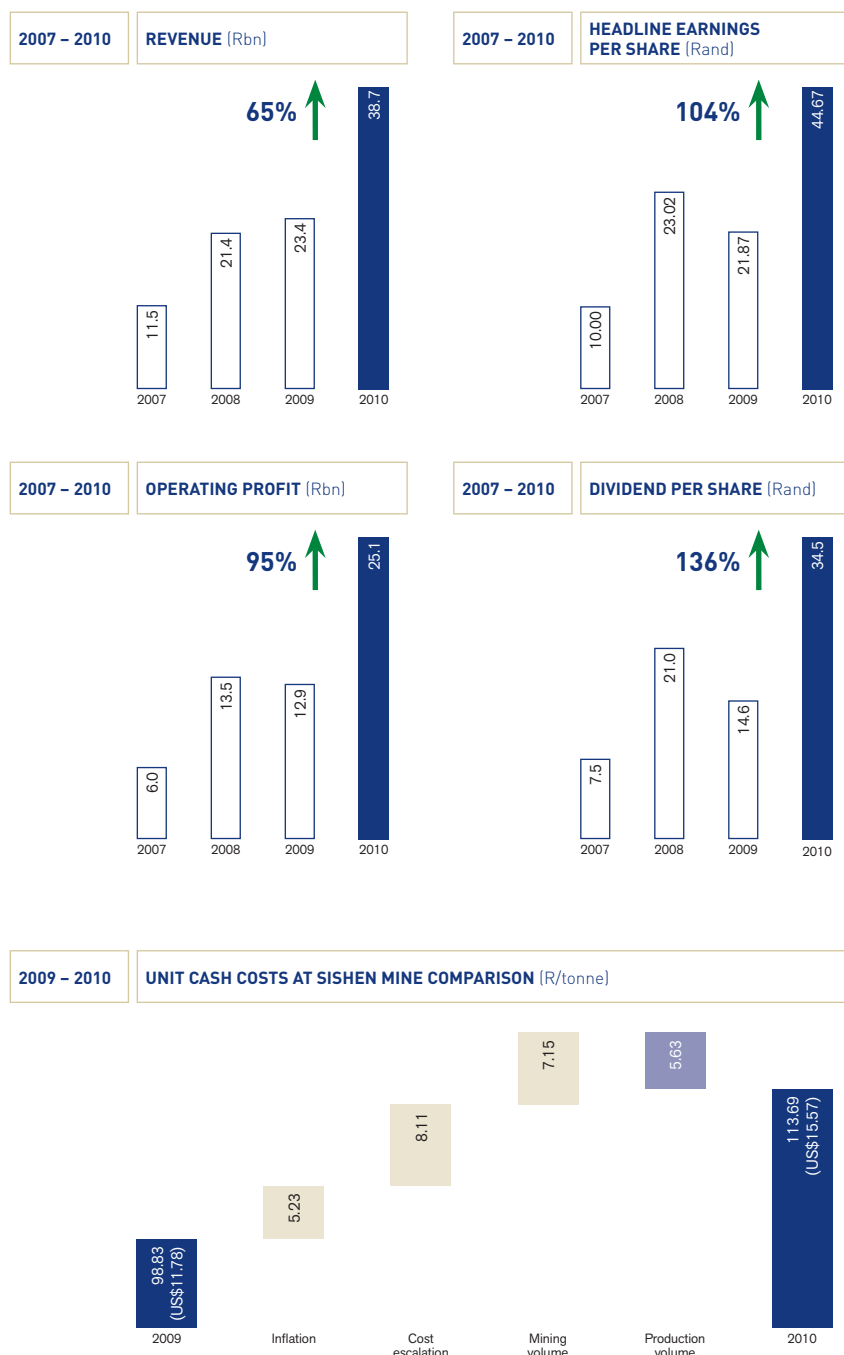
The phenomenal financial performance Kumba achieved this year was as a result of it achieving two of its strategic goals: optimising the value of its current operations and capturing value across the value chain through improved pricing, increased margins, containing unit cash costs, optimising operational efficiencies and enhancing the value of its products to its customers. All Kumba's shareholders benefited from its financial performance including its three empowerment shareholders in SIOC: Exxaro, a black owned 20% shareholder, the SIOC Community Development Trust (which became unencumbered in 2010) and Envision, both of which have a 3% shareholdings in SIOC.

Delivering on growth projects

Kumba's financial success also meant it could invest in growth through the Kolomela Mine project.

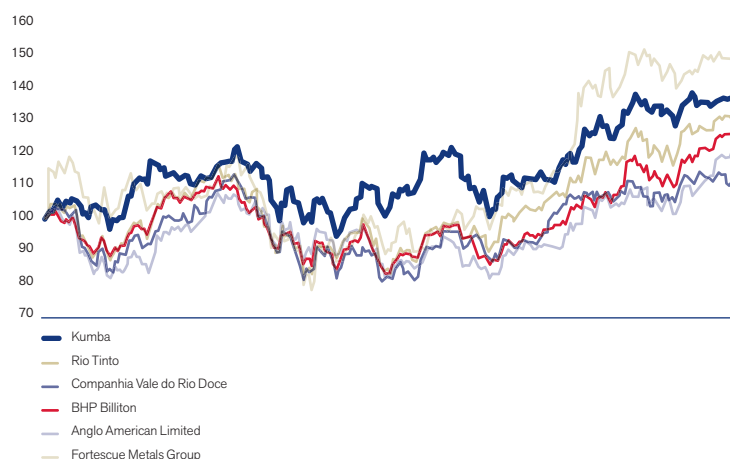
COSTS

As Kumba guided unit cash costs at Sishen Mine increased by 15% year on year to R113.69/tonne driven by a 24% or 20.0Mt increase in waste mining volumes (R320 million) and above inflationary cost escalations in diesel, labour and electricity costs. Costs were contained by means of increased efficiencies from asset optimisation.



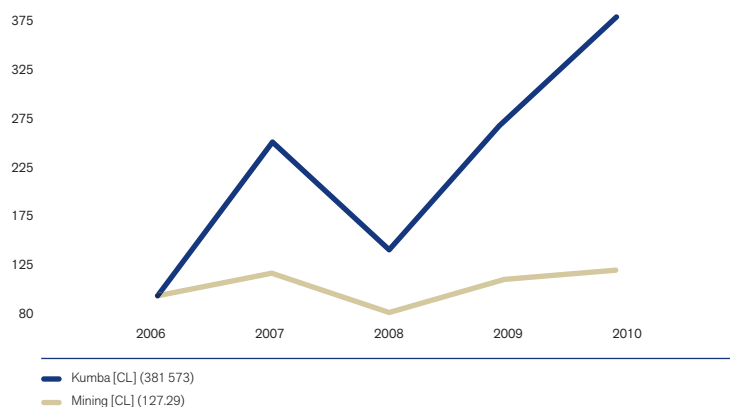
2010

SHARE PERFORMANCE: KUMBA SHARE PRICE VERSUS OTHER MINING COMPANIES (4 Jan 2010 to 31 Dec 2010)



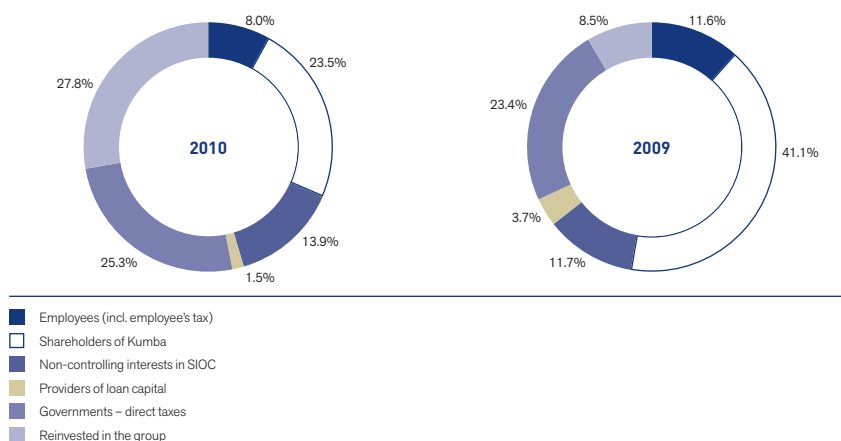
2006 – 2010

KUMBA VS MINING INDEX (Yearly 1 Jan 2006 to 31 Dec 2010 based to at 100 at the start)



2010 AND 2009

ECONOMIC VALUE ADD



ECONOMIC VALUE ADDED

Organisational responsibility and capability

Kumba added value and achieved some of the goals under its fourth strategy by creating jobs, providing portable skills development opportunities to community members, paying taxes and royalties, procuring goods and services from the businesses of HDSAs and businesses local to its operations.

Kumba was a major contributor to the South African fiscus through the R7 billion in taxes and the R1.4 billion in mining royalties paid in 2010.

The SIOC dividend

Kumba continues to make a meaningful contribution towards South Africa's broad-based empowerment initiatives, both through capital appreciation and the payment of substantial cash dividends to the three empowerment shareholders of SIOC. The dividend declared by SIOC for 2010, has returned a further R3.6 billion to its empowerment shareholders, bringing the total returned since listing to R8.6 billion.

Procurement and enterprise development

The overall cost of goods, materials and services purchased for the year amounted to R13.7 billion of which R9.4 billion was discretionary spend. R3.7 billion (39.10%) of this was spent with BEE suppliers (2009: 36.85%), of which Sishen Mine accounted for 60.37%.

READ MORE

FINANCIAL PERFORMANCE page 66
ANNUAL FINANCIAL STATEMENTS Book

SAFETY ACHIEVEMENTS IN 2010

>3.3 million
LTI-free

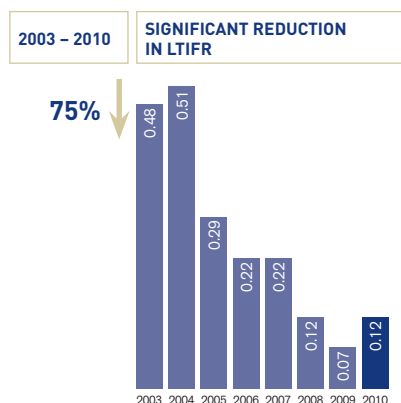
MAN-HOURS AT SISHEN MINE
DURING THE YEAR

8.6 million
LTI-free

MAN-HOURS AT
KOLOMELA PROJECT

1 calendar year
LTI-free

AT KOLOMELA MINE



- ¹ These are incidents which indicate the risk of a fatal incident taking place.
- ² Days with no lost-time injuries, including fatalities.
- ³ There were 21 lost-time injuries during the year: 15 at Sishen Mine, five at Thabazimbi Mine and one at Kolomela Project.

KEY NON-FINANCIAL PERFORMANCE INDICATORS

This section covers the key indicators that Kumba uses to measure its non-financial performance. Full details of its non-financial performance are provided in the Responsibility Report 2010.

Organisational responsibility and capability

Non-financial issues have been accorded added importance in Kumba's four-pillar strategy. The pillar – organisational responsibility and capability – encompasses our other strategies. It requires Kumba to deliver on its sustainable development objectives. Kumba believes that by continuing on its path to zero harm, driving its sustainable development strategy to move it to being a proactive miner caring for the environment in which it operates, establishing a values-based performance-driven workforce by attracting and retaining the right skills and matching its capability with its strategy, Kumba will be able to achieve its strategic goals.

SAFETY

While a range of parameters are used to measure safety performance, the key benchmarks Kumba uses to assess its overall safety performance are zero fatalities, the LTIFR, and the numbers of high potential incidents¹ and zero harm days² it has.

Fatalities

Kumba regretfully reported three fatalities in its operations during 2010. Mr Moses Machacha of Kolomela Mine, Mr Fanie Ramalapi, of Sishen Mine both lost their lives as a result of highly unusual tyre explosions and Mr Koos Mashango was fatally injured when the haul truck he was driving went over a berm at Thabazimbi Mine. These deaths happened despite a massive effort to eliminate fatalities across the group.

LTIFR

While Kumba did not achieve its LTIFR³ target for 2010 the downward trends in its LTIFR continues, as is evident from the graph to the left.

Kumba attributes the significant reduction in its LTIFR to the success (despite the fatalities) of its safety campaigns which are constant, intensive and innovative, focusing on key risk areas such as vehicle safety, behavioural change and work regimes. Where appropriate, engineering and technical solutions are employed to eliminate risks. These include a vehicle collision avoidance system which has helped to reduce vehicle collisions. A further indicator of the seriousness with which Kumba is driving safety is the amount of money it spends each year on finding technological solutions to its safety risks. During 2010, Kumba spent R132 million.

Zero harm days and high potential incidents

Zero harm days are aimed at achieving buy-in to a zero harm culture. The recording and deconstructing of high potential incidents allows Kumba to understand what went wrong and to find ways to prevent future recurrences of these incidents.

Kumba's performance regarding zero harm days and high potential incidents improved during 2010. It attributes this to an overall improvement in safety management.

HEALTH

Kumba focuses its health efforts on HIV/AIDS noise-induced hearing loss (NIHL) and fitness to work.

HIV/AIDS

Kumba's strategy is to prevent employees and contractors becoming HIV-positive and to manage the disease among those employees and contractors who are HIV-positive.

Prevention revolves around Kumba's education and awareness campaigns, run throughout the year and its intensive HIV VCT drives. During 2010 and 2009, 89% of its permanent workforce was tested for HIV/AIDS.

Employees who are HIV-positive are encouraged to enrol on the company disease management programme, which includes the provision of antiretroviral (ARV) treatment to those employees in need of it. Of the 449 of Kumba's employees who are HIV-positive, most are enrolled on the wellness programme and 148 receive ARVs.

NIHL

NIHL is the primary occupational disease affecting employees at Kumba. One new reportable case of NIHL was recorded at Kumba in 2010 (five cases were reported to the authorities during 2009). This reflects a significant improvement in our performance in this area.

Fitness to work

During the year, Kumba began the process of developing health improvement plans for all its operations. Work has commenced on fitness-to-work assessments, fatigue management and the management of alcohol and substance abuse. Improvements are being pursued in resourcing, skills and technological interventions to ensure successful outcomes.

Employment equity in Kumba

	HDSAs (incl white female) in management 2010	Blacks in management 2010	Disabilities 2010
Head office	47.37%	29.39%	0.60%
Sishen Mine	42.38%	29.05%	0.81%
Thabazimbi Mine	49.30%	40.85%	1.11%
Kolomela Mine	51.28%	43.59%	0.38%
Total	45.99%	31.75%	0.80%

	Performance %	Target %
Women in mining	15.13	10
Women in core mining	10.85	7*

* Internal target.

Kumba's major training interventions

Key programmes	Total	HDSA incl white females	Females	White males
Professionals in training (PIT)	45	33 (73%)	9 (20%)	12 (26%)
Bursars	70	55 (79%)	23 (33%)	15 (21%)
Engineering learnerships: (Mining engineering: 273, civil: 30, Thabazimbi: 28, Kolomela: 25)	356	273 (77%)	70 (20%)	83 (23%)
Other learnerships: (Mining 35, plant 91)	126	118 (94%)	32 (25%)	8 (6%)
Bridging school	5	5 (100%)	1 (20%)	0 (0%)
Students receiving technical and commercial practical exposure	24	20 (83%)	15 (63%)	4 (17%)
Total	627	504 (80%)	152 (24%)	123 (20%)

HUMAN RESOURCES

- Employee turnover in 2010 was 3.2%
- Women in mining make up over 15% of Kumba's workforce
- Kumba is currently training 348 artisans and in 2010 Kumba delivered 141 qualified artisans
- In 2010 Kumba invested the equivalent of 6.8% of its payroll on skills development

Central to Kumba's success is its workforce. As at 31 December 2010 Kumba employed 6 400 permanent employees and 5 400 contractors (in 2009 Kumba employed 5 865 permanent employees and 4 337 contractors).

Employment equity

Transformation is a key strategic imperative for Kumba and an ongoing process, embedded in its operational culture.

Kumba regards employment equity as a key measure of its transformation. The revised Mining Charter, released in September 2010, set new targets for HDSAs in management. Kumba has always focused on exceeding the targets set in the original Mining Charter and continues to do so with the revised Mining Charter. The following statistics demonstrate the application of our commitment to transformation:

Career development plans

The compilation of personal development plans for all employees, regardless of their position, was a major focus at Kumba during 2010. Kumba believes that this process is important in building the morale of the company and providing employees with a structured route map towards their professional goals.

Employee housing

As part of Kumba's ongoing commitment to the wellbeing of its employees, Kumba has already built over 1 000 houses in the vicinity of its operations and converted four hostel blocks at Sesheng (Kathu) in 2010. Six hostel blocks are planned for conversion in 2011 and a further four blocks are scheduled for conversion in 2012. By 2012 Kumba would have constructed a further 718 houses at Kolomela Mine, 421 of which are in the process of being built.

The company conducted a survey during 2009 to determine the future housing needs of its employees. Its future provision of housing and conversion of hostels will be guided by this survey.

Contractor management

Kumba initiated a company-wide programme to ensure that all contractors conform to its requirements across a range of disciplines, from safety and health through to environmental management. This is being pursued from a risk management perspective, since poor performance on the part of contractors reflects on Kumba. By ensuring that contractors conform to its standards Kumba also affords its contractors the opportunity to strengthen and upgrade their businesses.

SOCIAL AND COMMUNITY DEVELOPMENT

Kumba have exceeded the compliance requirements of the Social and Labour Plans (SLP) for all three of its operations. The main focus of these SLPs is on efforts to build the capacity of, and create opportunities for, people living in close proximity to Kumba's operations, or those labour-sending areas that provide its with its workforce.

Kumba's Social and Community Development (SCD) Department is responsible for ensuring compliance with its SLPs, developing businesses and their owners and supporting the enhancement of the lives of the people living in the vicinity of its operations through a variety of interventions, which include addressing education and community health needs.

Kumba's social and community development spend in 2010 was R134 million. Complications that arose in connection with Kumba's major infrastructure projects prevented it from meeting its forecast expenditure for 2010.

Some of the programmes, projects and institutions Kumba supported during the year include:

- Modular classrooms at the Northern Cape Primary School, Olifantshoek
- The Manyeding cultivation project
- The trauma facility at Dibeng police station
- Addressing the water backlog in the Joe Morolong Municipal area
- The Simba and Mmbana early childhood development centres in Olifantshoek
- The Sishen Intermediate School at Mapoteng

Dingleton relocation

The relocation of the residents of Dingleton is being considered. The area where they are currently living will form part of a buffer zone adjacent to a future mining expansion at Sishen Mine. The resettlement planning process is under way and the project is entering the feasibility stage. Relocation is not a simple process and thus care is being taken to ensure that the project is properly planned, and, importantly, that the affected people are well informed of developments through regular consultations with the structures in place.

Stakeholder engagement

Central to Kumba's success as a company is a comprehensive and active strategy of engagement. Its key stakeholders are varied and fall into categories spanning regulators, customers, neighbours, unions and suppliers. For each stakeholder group, it has ongoing and constructive interactions, and it ensures that its interactions are straightforward, unambiguous and purposeful. This does not militate against forming close ties, rather it cements the relationship within clearly defined boundaries where the expectation of each party is clearly understood.

In fulfilling Kumba's social and community development goals, it frequently engages with provincial and local government, and, importantly, the beneficiaries of its support, to ascertain needs, discuss ideas and agree on implementation strategies.

ENVIRONMENTAL OVERVIEW

During 2010, Kumba focused on:

- resolving the dewatering issue involving farmers around Sishen Mine
- energy and water management
- pollution prevention and
- our land management strategy.

Dewatering

Dewatering activities at Sishen Mine deplete water resources and as a result some local farmers are deprived of water. To mitigate the negative impact of its dewatering, Kumba provides affected farmers with either water or feed for their livestock, or both. Some farmers are dissatisfied with the solutions Kumba is providing. As a result, Kumba is still busy renegotiating with these farmers regarding the assistance it provides them. At the same time independent studies, commissioned by Kumba and the farmers, that will fully investigate the impact of the company's dewatering, are under way. Kumba has purchased two of the affected farms.

Any excess water pumped from the Sishen Mine pit is fed into the Vaal-Gamagara pipeline for use by local authorities for distribution to other users.

Energy management

The energy supply to Kumba's mines is clearly important. Kumba's energy savings and efficiency programme is of vital importance to the company and it employs a range of energy efficiency initiatives across its operations. Product intensity, measured as gigajoule per tonne of ore produced was 0.15 in 2010, which is slightly higher than the 0.12 achieved in 2009. The increase in energy consumed by Kumba during 2010 was a result of the increase in waste stripping which took place at all three of its operations.

Water management

Kumba's approach to water management includes looking at ways of limiting consumption and improving efficiencies. The water intensity at Thabazimbi Mine continues to improve as a result of management's ongoing efforts, which include developing a water efficient culture, effective metering and operational awareness.

Sishen Mine's efficiency target for 2010 was 175 litres of water per tonne of ore produced. The mine managed to improve on its target by achieving 169 litres/tonne. At Thabazimbi Mine the target set for 2010 was 540 litres/tonne. The actual efficiency achieved was 802 litres/tonne.

Slimes density and lower production levels resulted in the mine not achieving its water usage target.

Several projects are under way to reduce the water consumption at Thabazimbi Mine including a slimes dam return water system upgrade and an upgrading of the plant water recovery system.

Water consumption and efficiencies are not yet applicable for Kolomela Mine.

Groundwater and soil pollution

Soils contaminated with hydrocarbons (mainly diesel) and nitrates pose a key risk for Kumba at Sishen and Thabazimbi mines. During the year, Sishen Mine concluded investigations to determine the extent of groundwater contamination caused by polluted soils. At Thabazimbi Mine the monitoring of pits in use for over three years showed no evidence of groundwater contamination from polluted soils.

In order to remediate polluted soil, contaminated soil is treated using a bioremediation process. Soil contamination by hydrocarbons is generated by the:

- washing of haul trucks and other vehicles
- the primary crusher
- accidental spills in the mine during routine operations and
- excavation of polluted soil from historically polluted sites.

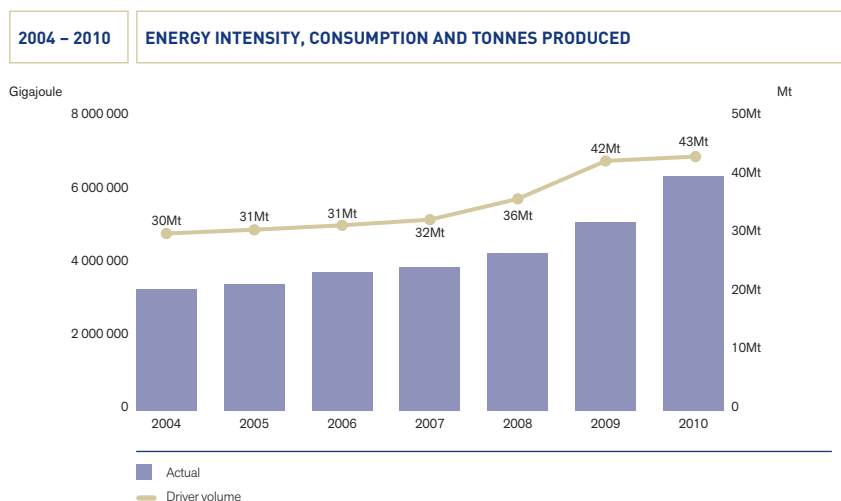
The clean-up of the legacy groundwater contamination at Sishen Mine is due to be completed in 2011.

A noteworthy development during the year, which is intended to act as a deterrent, was the implementation of the polluter pays principle (PPP) at Sishen Mine. This requires every department or contractor responsible for polluting soil to pay R1 900/tonne for the soil to be transported to the storage facility prior to remediation.

Rehabilitation and land management

Kumba is developing a comprehensive rehabilitation strategy for Sishen Mine. The strategy will focus specifically on the identification of areas that can be rehabilitated before mine closure and the formulation of a methodology that will maximise the opportunities for concurrent rehabilitation.

Land-use options chosen for both Thabazimbi and Sishen mines are game farming and eco-tourism. During 2010, all livestock on Kumba's properties near Sishen Mine was sold.





KEY RISK FACTORS

OUR APPROACH

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

The approach to management of risk is to:

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

Identification of risks

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

Analysis of risks and controls

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

Determination of management actions required

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

Reporting and monitoring

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

THE RISK MANAGEMENT PROCESS



HEADLINE RISK AREAS ARE:

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

KEY RISK FACTORS

1. REGULATORY, POLITICAL AND LEGAL

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

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

2. INFRASTRUCTURE

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

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

3. RESOURCES AND RESERVES

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

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

4. ENVIRONMENT

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

Root cause	Impact	Mitigation
The mining process including blasting and processing ore bodies can generate dust and noise and will require the storage of waste materials in liquid form.	Potential impacts include fines and penalties, statutory liability for environmental remediation and other financial consequences that may be significant. Any underestimated or unidentified rehabilitation costs will reduce earnings and could materially and adversely affect Kumba's asset values, earnings and cash flows.	Kumba implements a number of initiatives to monitor and limit the impact its operations have on the environment, including electricity consumption, CO ₂ emissions, water quantity and quality, dewatering, biodiversity, waste rock dumps, non-mineral waste, hydrocarbon spillage and dust emissions.

KEY RISK FACTORS

5. EMPLOYEE SAFETY AND HEALTH

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

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

6. EMPLOYEES

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

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

7. SOCIAL

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

KEY RISK FACTORS

8. FOREIGN EXCHANGE

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

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

9. COMMODITY PRICE AND DEMAND

Commodity prices of iron ore is subject to wide fluctuations.

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

10. OPERATIONAL PERFORMANCE

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

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

OPERATIONAL REVIEW LEADING REAL CHANGE THROUGH OPERATIONAL EXCELLENCE

THE GLOBAL IRON ORE MARKET

page 32

An overview of the global iron ore market focusing on global crude steel production, demand and supply as well as an outlook for 2011. In 2010, global crude steel production grew by 17%, whilst total global seaborne iron ore trade only increased by 5%. Both demand and seaborne imports in Kumba's traditional markets, Europe Japan and Korea, increased by 24%.

SISHEN MINE

page 34

Production at our flagship mine increased, with the DMS plant performing just below design capacity and jig plant outperforming its name-plate capacity during 2010. We remain committed to our safety and health initiatives and continue to deliver on social and community development initiatives. Sishen Mine attended to three major environmental issues in 2010: dewatering; pollution; and land management and rehabilitation.

THABAZIMBI MINE

page 40

The mine is nearing the end of its life after nearly 80 years of continuous operations. Project Phoenix is currently in its prefeasibility stage, and it is anticipated that it will replace production from the Thabazimbi Mine when it comes on stream after 2016.

KOLOMELA MINE

page 44

Kumba's new mine being developed at Postmasburg in the Northern Cape is one of Anglo American's top four expansion projects. Production is set to commence towards the end of the first half of 2012, and the mine will ramp up to full capacity in 2013. Environment concerns pertaining to dewatering and dust pollution are being actively managed on site.

SHIPPING AND LOGISTICS

page 48

Logistics remains a core contributor to the iron ore industry's high entry barrier. Kumba has adopted a strategy that ensures maximum benefits are derived from logistics activities.

PROJECT PIPELINE

page 52

A review of Kumba's five key expansion projects: Sishen B Grade Project, SEP1B, Sishen Concentrate, Project Phoenix and Zandriverspoort as well as our stay in business project, SWEP.

RESOURCES AND RESERVES

page 54

This section is a summary of Kumba's mineral resource and ore reserve status, in terms of quantity and quality, remaining after 31 December 2010. It has been derived from a comprehensive ore reserve and mineral resource statement that Kumba prepares annually.



A haul truck being loaded at the Thabazimbi Mine.

THE GLOBAL IRON ORE MARKET

DEMAND

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

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

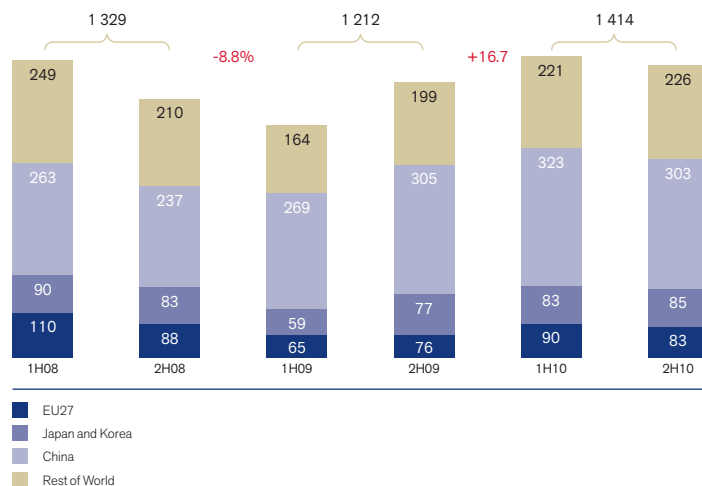
GLOBAL CRUDE STEEL PRODUCTION

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

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

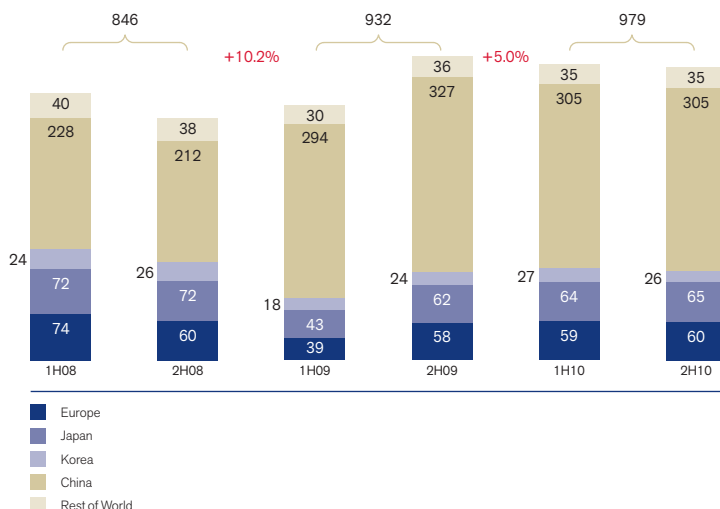
2008 – 2010

GLOBAL CRUDE STEEL PRODUCTION (Mt)



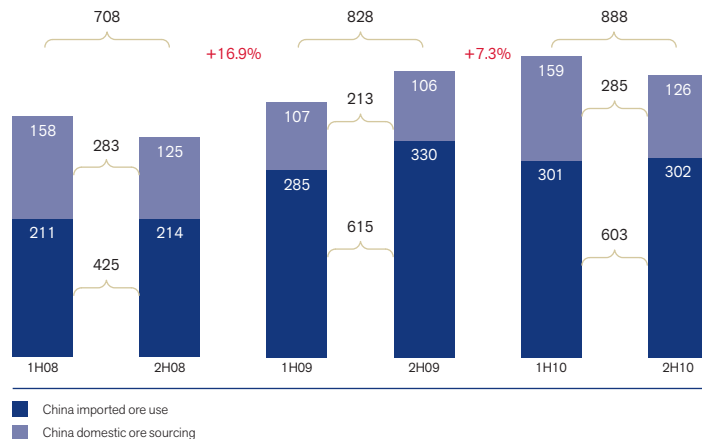
2008 – 2010

GLOBAL SEABORNE IRON ORE DEMAND (Mt)



2008 – 2010

CHINESE IRON ORE IMPORTS VERSUS IMPLIED USE OF DOMESTIC ORE (Mt)



* These numbers are also reported on an 'as is basis' and not converted to a 62% Fe basis. China's use of imported ore dropped from 615Mt to 603Mt. These numbers now exclude imports from Kazakhstan and Mongolia, and are reported on a 62% Fe basis.

Steel demand from the European construction industry is expected to remain weak, whilst steel production in Japan and Korea is also expected to remain subdued during 2011. This could impact negatively on seaborne iron ore demand in the aforementioned regions during 2011. However, in China, which remains the mainstay of global seaborne demand, prospects are more positive.

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

SUPPLY

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

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



An ore carrier is being moved into position to receive its load at the iron ore terminal at Saldanha Port.

SISHEN MINE OVERVIEW

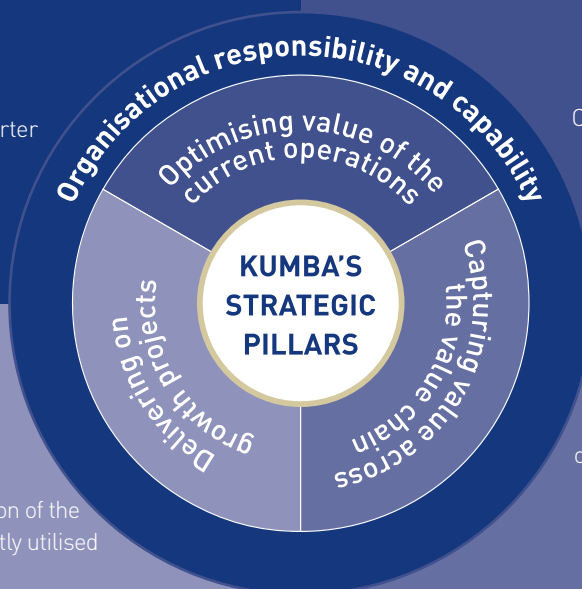
Northern Cape



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

Asset optimisation delivering value

Revenue enhancement of R1.2 billion through incremental production
Cost savings of R340 million



Sishen B Grade Project

Utilising "B Grade" material to produce 64% Fe iron ore

SEP1B

Benefication -1+0.2mm fraction of the jig plant ROM feed not currently utilised

Sishen concentrate

Expansion project to create high grade iron ore concentrate from slimes

Niche product strategy

Benefiting from the unique physical characteristics of our lump ore by providing customers with innovative products that add value to their processes

Pricing strategy

Benefit from recent changes that have resulted in more flexible iron ore pricing mechanisms



Mining operations continues as dusk falls over the pit at Sishen Mine.

MANAGEMENT TEAM



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



Retief Louw [46]
Manager business improvement
BEng (Electrical),
Diploma Datametrie, NEM



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



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



Nico Smit [36]
Manager plant
BEng (Met) and
MBA (cum laude)



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



PERFORMANCE SUMMARY

	2010	2009	2008	2007
Total tonnes mined (Mt)	153.2	128.3	108.8	104.4
ROM production	51.2	46.2	44.6	38.9
Waste mined	102.0	82.1	64.2	65.5
Final product (Mt)	41.3	39.4	34.0	29.7
DMS	28.0	29.0	28.4	29.5
Jig	13.3	10.4	4.7	0.2
Additional initiatives	–	–	0.9	–
Stripping ratio (times)	1.9	1.8	1.4	1.7
Cost per tonne (R/tonne)				
Total cost	128.7	111.1	110.8	79.9
Cash cost	113.7	98.8	101.9	74.3
Total sales (Mt)	41.1	38.2	30.5	30.5
Export	36.1	34.2	24.9	24.0
Domestic	5.0	4.0	5.6	6.5
Safety				
Lost-time injury frequency rate	0.15	0.09	0.12	0.23
Fatalities	1	–	1	1

HIGHLIGHTS

**Contained at
R113.69**

UNIT COST/TONNE

0.15

LTIFR

One

FATALITY

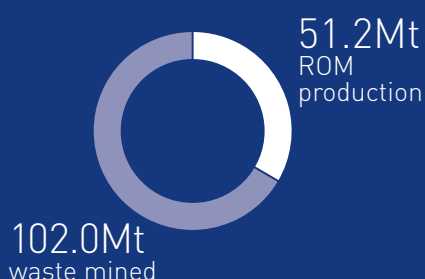
Bioremediation

OF LEGACY HYDROCARBON
POLLUTION

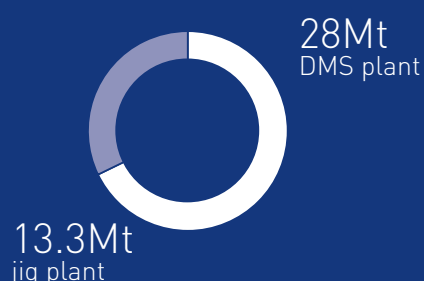
**Social and
community spend**

R77.4 MILLION

TOTAL TONNES MINED (Mt)



FINAL PRODUCT (Mt)



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



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



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



Lambert Mostert [54]
Manager engineering
NDIP and GCC Electrical

GEOLOGY

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



A drum reclaimer on one of the Sishen Mine blending beds.



Jan Minnies (left) and Rudo Wessels prepare a block for blasting.

LOGISTICS

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

SUSTAINING OUR FINANCIAL PERFORMANCE

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

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

The increase in Sishen's cash unit cost has been contained to 15% – R113.69 per tonne from the R98.83 per tonne achieved in 2009. Operating costs were under significant pressure due to large increases in activities at the mine, including a 20Mt or 24% increase in waste mining, which was partially offset by the 5% increase in production over 2009.

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

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

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

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

SAFETY AND HEALTH

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

Sishen Mine had 15 lost-time injuries during the year translating into an LTIFR of 0.15¹. The number of injuries and the fatality did not dampen the mine's safety drive. Focus continued on vehicle collision avoidance, the implementation of the fatal risk standards, and on managing fatigue, particularly of those employees working from midnight to dawn. A key risk area for the mine is contractor adherence to Sishen Mine's safety rules and programmes. During 2011, the mine will be making a concerted effort to ensure that contractor safety is aligned with Kumba's safety expectations – this implies not just contractor assurances that these expectations are being met, but demonstrable evidence thereof.

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

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

HUMAN RESOURCES

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

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

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

MINING AND PRODUCTION

- 24 hr, 365 day open-pit mining operation
- Positioned in lower half of the FOB cost curve
- Highly mechanised, continuous blending operation
- All products beneficiated through
 - Dense medium separation (DMS)
 - JIG gravity separation
- Sishen products:
 - 25mm 66% Fe lump (DMS plant)
 - 25mm 64% Fe lump (jig plant)
 - 27mm and 20mm 66% Fe lump – niche products
 - 8.0mm 64.5% Fe fines
- Consistent product quality is ensured through final product blending and reclaiming at Sishen Mine before being dispatched to customers

PROJECT PIPELINE

- Sishen Mine has a number of on-mine brown field expansion projects in various stages of development from opportunity phase to pre-feasibility phase (lower grade resources)



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

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

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

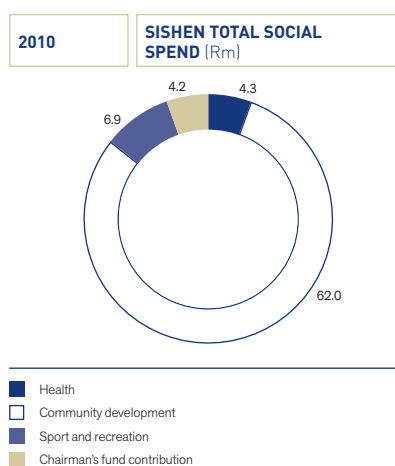
Related to this is the deployment of occupational health practitioners on every shift – even the red eye shifts. The practitioners are there to build relationships with the teams and provide individuals support, pick up potential issues before they mushroom into something big and offer counselling to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

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

SOCIAL AND COMMUNITY DEVELOPMENT

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

Social and community development is detailed in the SLP, which contains the mine's commitments for a five-year period, but also includes projects and programmes that are not identified in the SLP². Sishen's development agenda includes the provision of infrastructure; education, health and welfare services; and enterprise development, the latter through the Anglo American Zimele Hub in Kathu (refer to the table on the following page).



¹ According to DuPont, an LTIFR of 0.25 is considered world class.

² Sishen Mine met all its SLP obligations during 2010.

SOCIAL AND COMMUNITY DEVELOPMENT continued

The enterprise development support provided by the hub:

2010

Enterprises submitted for development support	11
Turnover generated	R28.6 million
Loans made	R4.6 million
Loan repayments	R5.8 million
Jobs created	316

2008 – 2009

Enterprises submitted for development support	26
Turnover generated	R54.0 million
Loans made	R10.7 million

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

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

ENVIRONMENT

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

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

Dewatering and pollution at Sishen Mine have been erroneously linked in the media. As mentioned in the Chief Executive's review, dewatering at Sishen Mine impacts local farmers because groundwater is drawn down and thus becomes unavailable for use by the farmers. Of the farmers affected, only a very small minority were not satisfied with the mine's efforts to remedy their situation. Sishen Mine recognises that as much as the issue is a technical one, it is also about relationships.

As a consequence, the mine has employed a full-time person, Mr Hermie Spangenberg, to manage the issue and liaise with the farmers. In addition, a new groundwater study has been commissioned to provide analysis into the mine's impact on the Gamagara River. The mine hopes that this will be the final study commissioned to understand its impacts and that the recommendations put forward will be adopted by all concerned parties.

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

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

FUTURE OUTLOOK

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

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

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

Simon Stalenberg doing maintenance
in the Sishen pit.



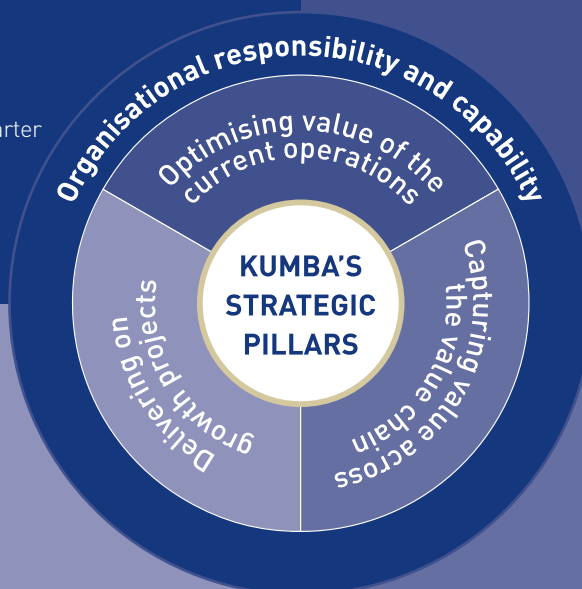
THABAZIMBI MINE OVERVIEW

Limpopo



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

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



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

Sales to ArcelorMittal increased 14% to 2Mt



Ore stockpiles at Thabazimbi Mine.

MANAGEMENT TEAM



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



Lesego Mataboge [38]
Manager human resources
BA, Postgraduate Diploma in Human Resources



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



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



Barry Le Roux [56]
Acting manager asset optimisation and projects
Higher Diploma in Industrial Engineering



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



Mining operations in one of Thabazimbi Mine's several pits.

PERFORMANCE SUMMARY

	2010	2009	2008	2007
Total tonnes mined (Mt)	35.4	19.5	12.2	22.2
ROM production	2.2	3.1	3.2	3.3
Waste mined	33.2	16.4	9.0	18.9
Final product (Mt)	2.0	2.5	2.7	2.7
Stripping ratio (times)	16.6	5.3	2.8	5.8
Sales to ArcelorMittal (Mt)	2.0	1.8	2.5	2.4
Cost per tonne (R/tonne)				
Total cost	399.7	302.9	269.7	249.1
Cash cost	359.0	262.8	236.3	204.5
Safety				
Lost-time injury frequency rate	0.25	0.00	0.00	0.12
Fatalities	1	–	–	–

HIGHLIGHTS

Cost plus 3%

RECOVERY FROM ARCELORMITTAL

Safety

FIRST FATALITY IN EIGHT YEARS

8 000 trees

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

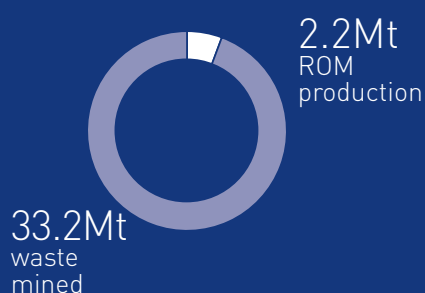
Project Phoenix

PRE-FEASIBILITY STAGE

ONSTREAM POST 2016

3.4Mt per annum LUMP AND FINE ORE PRODUCTION PROJECTED

TOTAL TONNES MINED (Mt)



Integrated water use licence

ONE OF THE FEW MINES TO OBTAIN THIS



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



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



Kenneth Kgomo (38)
Manager supply chain
BCom (Operational Research), MBL

GEOLOGY

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

SALES

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



Cornelia Holtzhausen (right), the first woman to be appointed as general manager at a Mine in Kumba, in discussion with Paulus Selota, an equipment operator.



Samuel Legoale, metallurgical assistant, testing iron ore in the laboratory.

SUSTAINING OUR FINANCIAL PERFORMANCE

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

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

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

EXPANDING OUR BUSINESS

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

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

Project Phoenix will produce 3.4Mt per annum in total of lump and fine ore per annum.

SAFETY AND HEALTH

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

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

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

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

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

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

HUMAN RESOURCES

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

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

MINING AND PRODUCTION

- Open-pit mining operation using trucks and shovels
- Pre-stripping results in high stripping ratio's which increased mining cost significantly
- Entire ROM beneficiated through
 - High yield dense medium separation (DMS)
- Thabazimbi Mine products:
 - 30mm 62% Fe lump
 - 8mm 62.5% Fe fine

FUTURE

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



SOCIAL AND COMMUNITY DEVELOPMENT

Thabazimbi Mine, while not the biggest mining operation in the area, plays a key role in local economic development and provides support to the local municipality given its location within the town of Thabazimbi. The mine is currently developing its new social and labour plan which spans the period 2012 – 2016.

This process requires that Thabazimbi Mine understands the requirements of the new mining charter as well as the needs of the local community. The mine's social and community development spend is allocated as seen on the right.

ENVIRONMENTAL ISSUES

The mine's rehabilitation efforts focused on the planting of about 8 000 trees, shrubs and grasses on the waste rock dumps in the Donkerpoort pit area. Prior to planting, some 512 000 tonnes of material had to be moved to prepare the area for rehabilitation.

The entire Thabazimbi Mine is located on a farm, part of which is mined and the remainder used for nature conservation purposes. The lodge located within the Ben Alberts Nature Reserve, situated on mine land, is being converted into a tourist facility which will endure post-closure.

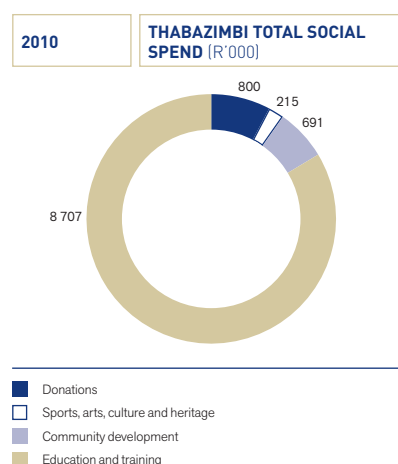
Thabazimbi's waste management facilities are being upgraded through the licensing and construction of bioremediation and central waste sorting facilities, in line with the new National Environmental Management: Waste Act. The bioremediation facility is being constructed to treat soils contaminated with hydrocarbons thereby obviating the need for disposal of contaminated soil at hazardous

waste disposal facilities. Contamination results from spillages during breakdowns and during the washing of mine vehicles. The central storage facility is planned to sort general waste into waste that can be reused, recycled or sent to landfill (the premise of the storage facility is to reduce the amount of waste disposed of).

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

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

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



KOLOMELA MINE OVERVIEW

Northern Cape

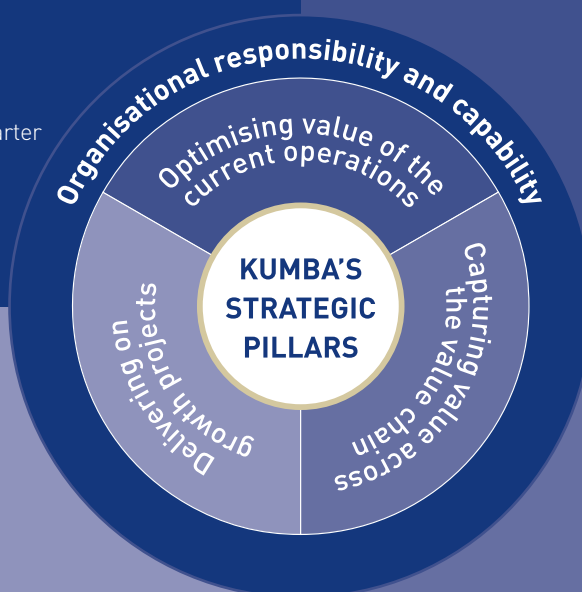


Safety and health
Social responsibility and community development
Environment management
Compliance with mining charter
Organisational capability and creating performance culture

Not yet in production but stripped 18.6Mt of waste in 2010



Remains on schedule
On budget



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



The new Kolomela Mine is more than 80% complete.

MANAGEMENT TEAM



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



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



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



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



Analine Fielding (36)
Manager finance
BCom (Business Management)



Rita Gopalkista (44)
Manager safety, health, environment and quality
SHEQ
NDSAM, BCur (Nursing) and DOH



PERFORMANCE SUMMARY

	2010	2009	2008	2007
Total tonnes mined (Mt)	18.6	4.0	–	–
ROM production	–	–	–	–
Waste mined	18.6	4.0	–	–
Final product (Mt)	–	–	–	–
Stripping ratio (times)	–	–	–	–
Safety				
Lost-time injury frequency rate	0.00	0.00	–	–
Fatalities	1	–	–	–

HIGHLIGHTS

First production

TOWARDS END OF FIRST HALF 2012

One calendar year

LTI-FREE

Rehabilitation plan

REHABILITATE PITS
CONCURRENTLY WITH MINING

421 houses

CURRENTLY BEING CONSTRUCTED

718 total houses

TO BE COMPLETED BY 2012

Total waste mined

22.6Mt

Anticipated full production

2013



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



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



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



George Benjamin [32]
Manager sustainable development
NDip Hotel and
Tourism Management



GEOLOGY

- Total mineral resource of 373Mt at 64% Fe
- Production of 9Mt per annum of Direct Shipping Ore (DSO)
- LOM of 28 years with possibility of additional 3Mt of beneficiated product (requires a Phase 2 feasibility study)
- Production to commence towards the end of the first half of 2012 and full production by 2013

SAFETY

- 8.6 million LTI-free man-hours at Kolomela project
- Kolomela Mine one year LTI free
- One fatality

CAPITAL SPEND

- R5.3 billion capital spent to date and forecast to be completed within the R8.5 billion budget



EXPANDING OUR BUSINESS

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

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

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

Kumba expects to mine 13Mt of waste in the first half of 2011 as the pit is opened to be ready for production of first ore at the end of the first half of 2012. Steady state waste stripping at Kolomela will be 15Mt per half year or 30Mt per annum from the first half of 2013 onwards. At this run rate a stripping ratio in the order of 3.3 will be achieved for Kolomela Mine. The stripping ratio is expected to remain fairly constant over the life of mine.

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

A 36km rail link is being constructed by Transnet to connect the mine with the Sishen-Saldanha Iron Ore Export Channel. This forms part of the R4 billion expansion of the export channel from 47Mt per annum to 60Mt per annum. Of the additional 13Mt per annum 9Mt have been allocated to Kolomela Mine.

SAFETY

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

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

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

HUMAN RESOURCES

When fully operational, Kolomela Mine will employ 830 permanent employees. Currently, the mine employs 555 people. 51.3% of the mine's management is HDSA and more than 90% of the mine's employees have been recruited from the Northern Cape. Recruitment drives are focused on the Northern Cape; where skills are not available locally the mine then extends its search nationally.

A critical issue is employee housing which is severely backlogged at present. The mine needs to build 718 houses by the middle of 2012; 421 are in the process of being constructed in what is known as Phase 1.

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

SOCIAL AND COMMUNITY DEVELOPMENT

Kolomela Mine's SLP prioritises the needs of local communities in the host municipality, namely, Tsantsabane. The projects contained therein are based on the local integrated development plan (IDP) and spatial development framework (SDF) with more than R53 million committed to by the company to meet its legal obligations. The implementation of the SLP is supported by an extensive and ongoing stakeholder engagement strategy co-ordinated by the mine's social and community development department.

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

This new mining development through its SCD interventions and legislative obligations will cater for the growth of Postmasburg and its surrounding communities' population. The population is expected to increase due to a proportion of migrant workers and others seeking employment (it is predicted that for every permanent job at the mine, four permanent jobs are created locally).



CONSTRUCTION

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

RAIL

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

To understand its impacts and respond accordingly, Kolomela Mine commissioned an independent study into the current and expected socio-economic conditions of local communities as a result of the mining development, and outline practical recommendations for mitigation and intervention by the mine and other stakeholders.

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

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

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

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

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

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

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

ENVIRONMENTAL ISSUES

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

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

SHIPPING AND LOGISTICS OVERVIEW



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



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

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

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



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

MANAGEMENT TEAM



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



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



Johan Deetlefs [52]
General Manager: Kumba
Hong Kong Limited &
Kumba Shipping Hong
Kong Limited
BCompt (Hons); Advanced
Tax Certificate; Mining Tax
Certificate; CTA; CFA



Robert Brownlee [55]
General Manager: Europe,
Middle East and North
Africa, Iron Ore Global
BCom (Acc); BDP



Lionel Kruger [37]
Manager: Export
Operations Saldanha
BComm (Acc)



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

PERFORMANCE SUMMARY

	Total	1H10	2H10
Total export sales (Mt)	36.1	18.8	17.3
Quarterly benchmark (%)	67	72	61
Index (%)	33	28	39
Average price received (US\$/tonne)	125	109	144

	2010 Mt	2009 Mt	2008 Mt	2007 Mt
Total volumes railed to Saldanha Port	36.5	34.6	28.4	24.7
Total volumes loaded at Saldanha Port	36.7	34.6	25.4	24.1
Total volumes shipped on behalf of customers	18.7	21.5	6.2	4.1

	2010 Rm	2009 Rm	2008 Rm	2007 Rm
Shipping revenue	2 879	3 392	2 412	1 085

HIGHLIGHTS

5% increase

YEAR-ON-YEAR IN TONNES RAILED
TO THE PORT OF SALDANHA

US\$2.72 per tonne

ACHIEVED FREIGHT MARGINS

Rail transport performance

RAIL VOLUME LOSSES RESULTING
FROM TRANSNET STRIKE AND
DERAILMENTS WERE MADE UP
AS A RESULT OF IMPROVED
TRANSNET PERFORMANCE

TOTAL TONNES RAILED

36.5Mt

VOLUMES LOADED AT PORT OF SALDANHA

36.7Mt

Stockpiles

0.9MT AT THE PORT OF SALDANHA

1.2MT AT QINGDAO, CHINA



A ship enters the Port of Saldanha
to take on a load of iron ore for the
export market.



An ore train arrives at the port.



Ore being offloaded at the tippler.



An ore train arrives at the port.



Conveyors taking ore to the new sampling plant.

LOGISTICS

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

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

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

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

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

RAIL

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

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

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

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

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

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

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

PORTS

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

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

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

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



SHIPPING

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

On a normalised basis, operating profit from shipping operations (after excluding the reversal of accounting provisions), decreased 12% to US\$44* million as volumes shipped decreased, albeit at a slightly higher margin of about US\$2.72 per tonne, compared with US\$2.23 per tonne in 2009.

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

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

PROJECT PIPELINE

Kolomela Mine

ON SCHEDULE AND ON BUDGET

PROJECT PIPELINE:

Sishen B Grade Project

UTILISING 'B GRADE' MATERIAL TO PRODUCE 64% Fe IRON ORE

SEP 1B

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

Sishen concentrate

EXPANSION PROJECT TO CREATE HIGH GRADE IRON ORE CONCENTRATE FROM SLIMES

Phoenix

UTILISING BANDED IRON FORMATION

Zandrivierspoort

UTILISING MAGNETITE RESOURCES

STAY IN BUSINESS:

SWEP

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

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

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

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

KOLOMELA PROJECT

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

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

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

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

PROJECT PIPELINE

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

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

NORTHERN CAPE

Sishen B Grade Project

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

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

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

SEP 1B

This project's aim is to beneficiate the -1+0.2mm fraction of the jig plant ROM feed currently being discarded. This fraction was not previously included in the jig plant scope due to technical risks associated with the beneficiation and dewatering of this product. These technical risks have been mitigated. The project has the potential to increase the jig plant product yield by 3% to 5%.

Sishen Concentrate

The Sishen Concentrate Project is a brownfield expansion project on Sishen Mine, aiming to produce of high grade iron ore concentrate from both the DMS and jig slimes.

LIMPOPO

Phoenix

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

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

Zandrivierspoort

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

OTHER

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

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

STAY IN BUSINESS PROJECTS

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

The second phase of SWEP involves the resettlement of the Dingleton town. This project facilitates access to additional resource in 2015 and is currently in feasibility stage.

Construction on the load out station at the new Kolomela Mine with (from the left) Randel Cockrell, Abel Reetsang, Steven Thubisi, Godfrey Orateleng and Thusho du Plooy.



RESOURCES AND RESERVES

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

REVIEW OF KUMBA'S MINERAL RESOURCES AND ORE RESERVES

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

Not only is the reporting code considered through the internalisation thereof, as governed by a company policy (www.angloamericankumba.com/sd_policies.php) and the use of reporting templates (derived from the 2007 SAMREC Code checklist table and the relevant Anglo American plc Group technical standard), but also through the continuous refinement of mineral resource and ore reserve estimation governance and execution processes. In 2010 Kumba's Executive Committee identified the mineral resource estimation and LOM estimation processes as critical to the company's success and sanctioned the development of standardised responsibilities and accountabilities across the company. These have been established and will be further refined in 2011.

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

- geologically and economically define eventual extractable iron ore mineral resources;
- derive ore reserves through the modification of mineral resources and subsequent engineering of them into current economically viable and practically and safely mineable iron ore;

- estimate saleable product to fulfil current and foreseen market requirements by converting ROM material into product material through the application of metallurgical recovery algorithms that are aligned with current installed beneficiation technology; and
- optimise market requirements with available reserves/resources in the ground.

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

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

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

MINES AND PROJECTS

Sishen Mine

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

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

Group sands, a number of uplift and erosion cycles and deformational events are recorded in the rock record.

The iron ore deposits mined at Sishen Mine are located on the western flank of the Maremane 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.

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

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

For 2010, the total tonnes mined at Sishen Mine increased from 128.3Mt in 2009 to 153.2Mt, of which waste mined was 102.0Mt. The increase in waste mining activities is aimed at mitigating the decrease in flexible access to ore due to the increasing depth of the ore body, and the geological constraints in the pit. Total production at Sishen Mine increased by 5.1% from 39.4Mt in 2009 to an estimated 41.4Mt in 2010 (beneficiated from an annual ROM of 52.6Mt). Production through the DMS plant remained at the 28.0Mt level. The jig plant throughput has been ramped up to the installed capacity of 1.08Mt per month, with 2010 production totalling 13.3Mt.

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

Table 1: Sishen Mine's saleable product depletion history

	Mt
2005	28.5
2006	28.7
2007	29.7
2008	34.0
2009	39.4
2010	41.4

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

Thabazimbi Mine

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

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

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

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

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

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

At the time of reporting, waste production for 2010 was estimated at 33.2Mt.

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.

The mine is in the process of scaling down, having reached a very mature stage after mining in excess of 50 years, with a remaining foreseen reserve life of six years, pending the market requirements of ArcelorMittal. It is foreseen that production will decline to between 140 000 and 160 000 tonnes per month as the mine is nearing closure, to enable delivery of a constant product grade to the steelworks.

The historical saleable product depletion of Thabazimbi Mine is summarised in *Table 2*.

Table 2: Thabazimbi Mine's saleable product depletion history

	Mt
2005	2.5
2006	2.4
2007	2.7
2008	2.7
2009	2.5
2010	2.1

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

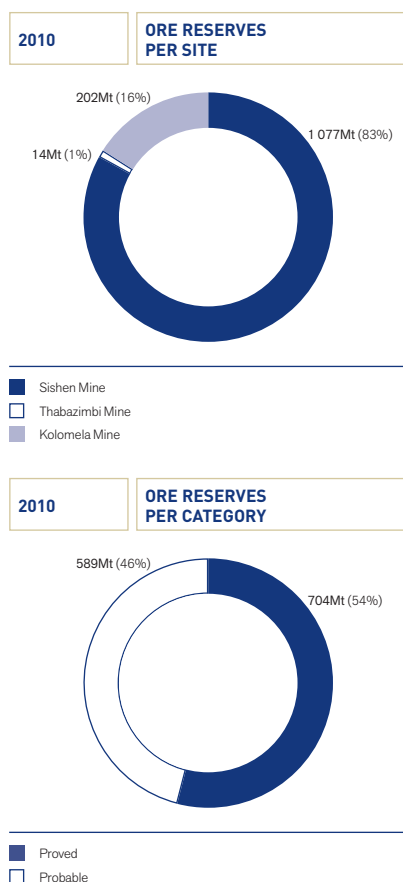
Kolomela Mine

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

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

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

Figure 1: Kumba's ore reserves per site (top) and per category (bottom)



Pre-stripping commenced in 2009. The hot-commissioning for the crushing and screening facility is scheduled for the second quarter in 2011 and first production of saleable product is anticipated in 2012, ramping up to a full capacity of 9Mt per annum, in 2013. The iron ore will be transported to the Saldanha export harbour via the Orex Iron Ore Export channel and marketed to Kumba's current overseas client base as part of Kumba's marketing strategy. Waste mining is already in progress to ensure timeous access to iron ore and totalled 18.6Mt for 2010.

Zandrivierspoort Project

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

Zandrivierspoort is a magnetite banded iron formation deposit in the Palaeoproterozoic Rhenostruckopie Greenstone Belt, or Rhenostruckopie 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 of the strata. The latter controlled the ore formation at Zandrivierspoort and resulted in a thickened magnetite-quartzite sequence that can be separated into several practicably mineable horizons.

It is assumed that a concentrate product from Zandrivierspoort could be accommodated as part of the feedstock of ArcelorMittal's domestic demand. Investigations have shown that Zandrivierspoort concentrate could comprise up to 5% of a sinter mix, which yields improved production rates in the iron ore sintering process. However, this will only support a limited market and alternatives such as 'green' micro-pellets or baked mini-pellets, both as a sinter ore replacement,

or conventional pellets (as a blast furnace feed) are being investigated to increase the domestic demand for Zandrivierspoort's product. The Pietersburg Iron Ore Company has decided to commence with large scale bulk sampling (small scale mining operation to deliver 240 000tpa at Zandrivierspoort in the near future to conduct the necessary bulk scale testing of metallurgical and subsequent steel-making properties of the concentrate).

REVIEW OF KUMBA'S 2010 ORE RESERVES AND MINERAL RESOURCES

The ore reserve and mineral resource estimates reported here are in essence a summary of detailed estimation processes conducted or supervised by competent persons for each of the Kumba 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. 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's competent persons is available from the company secretary upon request.

The 2010 ore reserves quoted by Kumba are contained within granted and executed new order mining right tenements, where Kumba has ensured that LOM schedules support the production from which the subsequent saleable product estimates have been derived. Similarly, all mineral resources stated for 2010 are contained within granted and executed new order mining right or prospecting right areas.

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

Mineral asset	% attributable to SIOC	% attributable to Kumba	% attributable to other	% attributable to Anglo American plc via Kumba*
Sishen Mine ¹	78.6	58.2	41.8	38.0
Thabazimbi Mine	100	74	26	48.3
Kolomela Mine	100	74	26	48.3
Zandrivierspoort Project ²	50	37	63	24.1

* The holding company SIOC is 74% owned by Kumba, which in turn is 65.3% owned by Anglo American plc (as at 31 December 2010).

1. SIOC's application to convert its old-order mining right in respect of its undivided 78.6% share of the mineral rights in the properties making up the Sishen Mine has been granted and is in the process of registration. ArcelorMittal has not converted its old-order mining right in respect of the remaining 21.4% share and SIOC has in consequence applied for a mining right in respect of that share. A right to prospect for iron ore and manganese over the remaining 21.4% undivided share has been granted to another entity, ICT. SIOC has instituted a High Court review application to challenge the grant of the prospecting right to ICT.

2. Zandrivierspoort is a 50:50 joint venture between ArcelorMittal and SIOC.

Ore reserve estimates for the mining operations have been updated within two months of the date of this report, whilst mineral resource estimates, reported in addition to ore reserves, are reported according to the latest available geological models which are typically updated three to six months prior to the end of the year of reporting.

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

ASSURANCE AND RISK

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

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

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

The Zandriverspoort Project will be audited in 2011.

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

SECURITY OF TENURE

All ore reserves and mineral resources quoted in this report are contained within new order mining and prospecting rights held by SIOC, in which Kumba holds a 74% share. BEE partnership represents the remaining 26%, which is divided between Exxaro (20%), the SIOC Community Development Trust (3%) and Envision (3%). Kumba has ensured that the lives of the granted and executed new-order mining rights are of sufficient duration to support the production schedules from which the ore reserves and subsequent saleable product figures have been derived. The same applies to all mineral resources stated for 2010; they are contained within granted and executed new-order mining right or prospecting right areas.

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

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

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

COMMENTARY

As at 31 December 2010 Kumba has ore reserves estimated at 1.3 billion tonnes (*Figure 1*) at its three mining operations Sishen, Kolomela and Thabazimbi.

Kumba's estimated mineral resources in excess of its ore reserves at these three operations as well as the Zandriverspoort magnetite project are 1.2 billion tonnes (*Figure 2*). Details of the 2010 estimates compared to the 2009 figures are presented in *Tables 4* and *5*.

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

Figure 2: Kumba's mineral resources in addition to ore reserves per site (top) and per category (bottom)

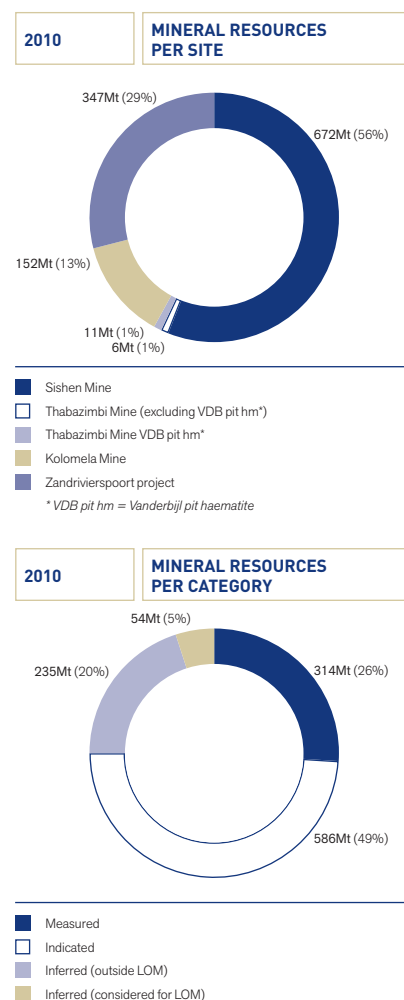


Table 4: Kumba's ore reserve statement for 2010 compared to 2009

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

	Operation/Project	Mining method	Ore type	% attrib. to Kumba	Reserve category	Tonnage (Mt)	Ore reserves 2010 Grades (% Fe) average	Grades (% Fe) cut-off	LOM plan years	
MINING OPERATIONS	Kolomela Mine ¹	Open cut	Haematite	74.0	Proved	118.5	64.5	48.0		
					Probable	84.0	64.1	48.0		
					Subtotal	202.4	64.3	48.0	28	
	Sishen Mine ²	Open cut	Haematite	58.2	Proved	576.3	59.8	40.0		
					Probable	500.6	58.7	40.0		
					Subtotal	1 077.0	59.3	40.0	20**	
	Thabazimbi Mine ³	Open cut	Haematite	74.0	Proved	9.0	61.1	50.0		
					Probable	4.9	60.6	50.0		
					Subtotal	13.9	61.0	50.0	6	
	COMPANY	Kumba				Proved	703.8	60.6		
– Total ore reserves					Probable	589.5	59.5			
Total						1 293.3	60.1			

NOTES TO TABLE 4

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

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

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

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

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

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

	Ore reserves 2009			LOM plan years	Saleable product 2010		Saleable product 2009		
	Tonnage (Mt)	Grades (% Fe) average	Grades (% Fe) cut-off		Tonnage (Mt)	Grades (% Fe) average	Grades (% Fe) cut-off	LOM plan years	
	123.1	64.2	51.0		118.2	64.5	122.9	64.1	MINING OPERATIONS
	91.0	63.9	51.0		83.8	64.1	90.8	63.9	
	214.1	64.1	51.0	28	202.0	64.3	213.6	64.0	
	707.6	59.2	40.0		439.1	65.5	530.9	65.4	
	203.9	59.2	40.0		366.3	65.1	153.8	64.9	
	911.5	59.2	40.0	21	805.4	65.3	684.7	65.3	
	9.5	61.7	59.2		7.8	62.6	8.1	63.4	
	4.7	61.3	59.2		4.4	61.9	4.2	62.7	
	14.2	61.5	59.2	6	12.2	62.3	12.3	63.1	
	840.2	60.0			565.2	65.3	661.9	65.1	COMPANY
	299.6	60.7			454.5	64.9	248.8	64.5	
	1 139.8	60.2			1 019.7	65.1	910.6	64.9	

Table 5: Kumba's mineral resource for 2010 compared to 2009

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

	Operation/Project	Ore type	% attrib. to Kumba	Reserve category	2010			2009		
					Tonnage (Mt)	Grade (% Fe) average	Grade (% Fe) cut-off	Tonnage (Mt)	Grade (% Fe) average	Grade (% Fe) cut-off
MINING OPERATIONS	Kolomela Mine ¹ – mineral resources in addition to ore reserves	Haematite	74.0	Measured	49.1	65.1	50.0	49.5	65.0	50.0
				Indicated	20.0	65.0	50.0	20.8	64.9	50.0
				Inferred (outside LOM)	47.7	62.5	50.0	47.4	62.5	50.0
				Inferred (considered for LOM)	35.1	65.7	50.0	35.4	65.5	50.0
				Subtotal	151.9	64.4	50.0	153.2	64.3	50.0
	Sishen Mine ² – mineral resources in addition to ore reserves	Haematite	58.2	Measured	127.0	59.4	40.0	589.1	56.0	40.0
				Indicated	410.5	58.5	40.0	697.0	57.6	40.0
				Inferred (outside LOM)	116.2	59.6	40.0	148.7	59.4	40.0
				Inferred (considered for LOM)	17.9	59.7	40.0	3.7	58.2	40.0
				Subtotal	671.6	58.9	40.0	1 438.5	57.1	40.0
	Thabazimbi Mine ³ (area outside the ring-fenced Vanderbijl pit) – mineral resources in addition to ore reserves	Haematite	74.0	Measured	3.4	61.8	55.0	9.5	62.7	55.0
				Indicated	1.2	61.2	55.0	2.4	63.7	55.0
				Inferred (outside LOM)	0.9	61.5	55.0	2.3	63.4	55.0
				Inferred (considered for LOM)	0.9	61.9	55.0	1.3	61.9	55.0
				Subtotal	6.4	61.6	55.0	15.5	62.9	55.0
	Thabazimbi Mine ³ (ringfenced Vanderbijl pit) – mineral resources in addition to ore reserves	Haematite	74.0	Measured	8.1	62.8	55.0	Not reported		
				Indicated	1.8	64.3	55.0			
				Inferred (outside LOM)	1.5	64.2	55.0			
				Inferred (considered for LOM)	0.0	0.0	55.0			
				Subtotal	11.3	63.2	55.0			
PROJECTS	Zandrievspoor – mineral resources in addition to ore reserves	Magnetite and haematite	37.0	Measured	126.1	34.5	30.0	126.1	34.5	30.0
				Indicated	152.4	34.2	30.0	152.4	34.2	30.0
				Inferred (outside LOM)	68.9	34.3	30.0	68.9	34.3	30.0
				Inferred (considered for LOM)	0.0	0.0		0.0	0.0	
				Total	347.4	34.4	30.0	347.4	34.4	30.0
COMPANY	Kumba – Grand total mineral resources in addition to ore reserves			Measured	313.7	50.4		774.1	53.1	
				Indicated	585.8	52.5		872.6	53.7	
				Inferred (outside LOM)	235.2	52.8		267.3	53.5	
				Inferred (considered for LOM)	53.9	63.6		40.5	64.8	
				Grand total	1 188.6	52.5		1 954.6	53.7	

NOTES TO TABLE 5

- The tonnages are quoted in dry metric tonnes and million tonnes is abbreviated as Mt.
- Rounding off figures may cause computational discrepancies.
- Mineral resource figures reported at 100% irrespective of percentage attributable to Kumba.
- The term inferred mineral resource (outside LOM) refers to that portion of the mineral resources not utilised in the LOM plan of the specific site.
- The term inferred mineral resource (considered for LOM) refers to that portion of the mineral resources utilised in the LOM plan of the specific site; reported without having any modifying factors applied to it - therefore the term 'considered for LOM' instead of 'inside LOM'.

1 Kolomela Mine's mineral resources showed a minor 1.3Mt overall decrease primarily due to more mineral resources being converted to ore reserves in the revised 2010 LOM schedule, as well as minor spatial changes made to the geological models resulting from a conversion of the local LO23 co-ordinate system to the WGS84 co-ordinate system as required by legislation for new mining rights.

2 The significant 766.9Mt decrease in the Sishen Mine mineral resource is mostly the result of increased conversion to ore reserves in the expanded pit, which was developed to incorporate the updated long-term price outlook on iron ore. A refined estimation process applied to the lower grade (< 60% Fe in situ) jig plant feed mineral resources to cater for previous over-estimation caused by historical selective non-sampling of this material type accounts for the bulk of the remaining decrease.

3 In 2009 Thabazimbi Mine reported mineral resources for the total mining rights area. In 2010, the mineral resources have been split into two separate entities; the Vanderbijl pit haematite mineral resource and the area outside the Vanderbijl pit. The haematite mineral resource in the Vanderbijl pit, which has not changed since 2006, has been ringfenced as part of an ongoing study to utilise this and other lower-grade material at this location. The overall increase in mineral resources is due to an average increase in the variable ore reserve cut-off grades, which resulted in less mineral resources being converted to ore reserves.

Sishen Mine

At Sishen Mine the new pit layout, which was expanded during the 2010 LOM planning process to incorporate the updated long-term forward-looking iron ore prices, resulted in an increase of 609Mt of ore reserves. This increase was, however, off-set by a decrease of 238Mt in the lower-grade material available for conversion due to a refinement in the estimation process applied in order to cater for the historical selective non-sampling of this material. A further decrease of 152Mt is due to the application of an improved scheduling technique that quantifies the previously factorised mining modifying factors of dilution and mining losses and better ensures that the schedule achieves the marketing quality throughout the long-term plan. Annual production at Sishen Mine also depleted the ore reserve by 53Mt. Although not highlighted in Table 4, 112Mt of the ore reserve at Sishen Mine has been downgraded from proved to probable to take into account potential environmental and/or socio-political risks.

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

Thabazimbi Mine

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

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

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

Kolomela Mine

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

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

ENDORSEMENT

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

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



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



CI Griffith
Chief Executive Officer
Kumba Iron Ore Limited

GENERAL STATEMENT ON ESTIMATION PROCESSES

Ore reserve estimation

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

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

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

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

This optimised pit shell is then iteratively converted to a practical layout by applying geotechnical slope stability parameters and haul road and ramp designs, legal restrictions etc, with safety being one of the most important parameters. Once a practical pit layout has been established, the material within the pit is iteratively scheduled to derive an optimum life of mine plan (sustainable and constant product throughput over time that satisfies client requirements). For Kumba, achieving client specifications has been translated into a 'slightly higher than client specifications' Fe grade scheduling target, where 'slightly higher' is based on adding one time the standard deviation of the frequency distribution of the product Fe grade of product beds of the mining operation in question (as actually recorded over the latest applicable fiscal year to the client specification percentage for Fe). The ROM plant feed derived from such a schedule represents the ore reserves. The product derived via the application of metallurgical factors in the mining model and subsequent scheduling represents what is referred to as 'saleable product'.

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

Inferred mineral resources occurring within the LOM plan are reported as 'mineral resources considered for LOM' and not as ore reserves and have not been adjusted to consider modifying factors.

Mineral resource estimation

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

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

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

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

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

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

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

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

Protocols for primary sampling, sample preparation and sample analyses for exploration projects were standardised in 2008. Following on this, quality assurance and quality control (QA/QC) pass/failure criteria pertaining to the sample preparation and analyses were standardised for the company in 2009. The latter has been refined in 2010 after a benchmarking exercise to consider industry best practise.

The QA/QC standards not only govern the sample preparation and analysis of exploration projects but also include exploration samples generated by any of the Kumba's mining operations. This is the case to cater for the effective management of external laboratory vendors, and to ensure internal control over the sample preparation and analyses conducted at Kumba's mining operations.



FINANCIAL PERFORMANCE

FINANCIAL REVIEW

page 66

Vincent Uren, Chief Financial Officer, outlines Kumba's key financial highlights for 2010, by providing a concise review of the company's financial performance. This report also includes summarised financial statements for 2010.

GOVERNANCE

BOARD OF DIRECTORS

page 74

This section contains biographies of each of the company's directors.

EXECUTIVE COMMITTEE

page 76

This section contains a biography for each member of the company's executive management team.

CORPORATE GOVERNANCE REPORT

page 78

The board of directors of Kumba are committed to the highest standards of corporate governance. It is the board's role to provide the leadership necessary to promote the application of the principles of good corporate governance set out in the King II Report's code of corporate practices and conduct throughout the group. This report is a summary of Kumba's corporate governance structures and practices and illustrates the company's ongoing commitment to compliance.



A stacker-reclaimer silhouetted at dawn on the Kolomela site.

FINANCIAL REVIEW

EXCEPTIONAL FINANCIAL RETURNS TO ALL OUR STAKEHOLDERS



Kumba delivered an excellent financial performance and made good progress in the area of cost control in 2010.

VINCENT UREN
Chief Financial Officer

INTRODUCTION

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

FINANCIAL PERFORMANCE

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

These price and volume increases were offset by:

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

Sishen Mine unit cash cost

Kumba set itself a target for 2010 of restricting the increase in the unit cash costs at Sishen Mine to 15% year on year. This was achieved with a unit cash cost of R113.69 per tonne compared with R98.83 per tonne in 2009. It required stringent cost control and continued optimisation of operations to achieve this. Increases in costs were driven by the 24% increase in waste mining volume and above inflation cost increases in diesel fuel, labour and electricity. These were partially offset by a 5% increase in production over 2009.

Asset optimisation and procurement

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

- The start of Bokamoso transformation programme at Sishen Mine has delivered mining operational efficiency gains which limited mining cost increases by R340 million;



To read Vincent Uren's biography turn to page 75.

- Asset optimisation initiatives in 2010 contributed to increased production through improvement in the yield of the jig plant, a reduction in maintenance shutdown periods and improvement in the up-current classifier and fine cyclone of the DMS plant which contributed a further R1.2 billion. These initiatives saw the jig plant produce in excess of design capacity and mitigated production challenges experienced at the DMS plant; and
- We've extracted further value through our development of niche lump ore products which command premium prices in the market and professionalising our shipping operations. Together these initiatives added R368 million of value to the group and were an important contributor to Kumba's record profitability.

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

Cash flow

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

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

Capital expenditure

Capital expenditure incurred during the year was R4.7 billion. R1.6 billion of this expenditure was used to maintain operations and the remaining R3.1 billion was used to expand Kumba's operations, in particular the Kolomela Mine growth project.

Growth project

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

Shareholder returns

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

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

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

Envision, SIOC's broad-based employee share participation scheme, has already paid R221 million to the approximately 5 000 participants in the scheme. The remainder of the dividend payments that have accrued to Envision have been used to redeem the scheme's outstanding debt. This year, utilising the final 2010 dividend, a further R185 million of Envision's outstanding debt will be redeemed. The Envision share participation scheme matures in November 2011 at which time the participants realise the capital appreciation after the settlement of the original acquisition funding.

Outlook

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

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

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

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

HIGHLIGHTS

R38.7 billion  **65%**

REVENUE

6% 

EXPORT SALES VOLUMES

21% 

DOMESTIC SALES VOLUMES

15% 

SISHEN MINE'S UNIT CASH COST

R25.1 billion  **95%**

OPERATING PROFIT

R44.67
per share  **104%**

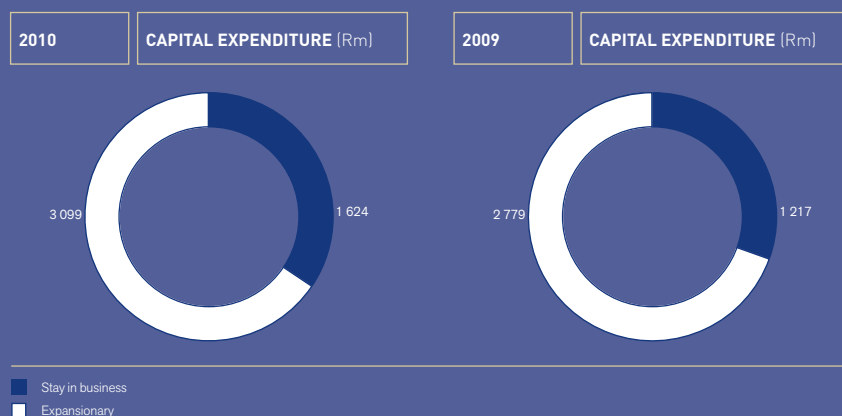
HEADLINE EARNINGS PER SHARE

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

CONDENSED GROUP BALANCE SHEET

AS AT 31 DECEMBER

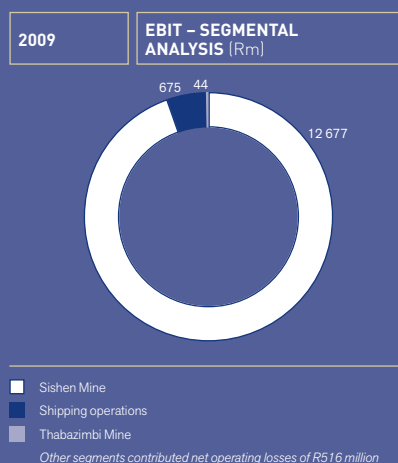
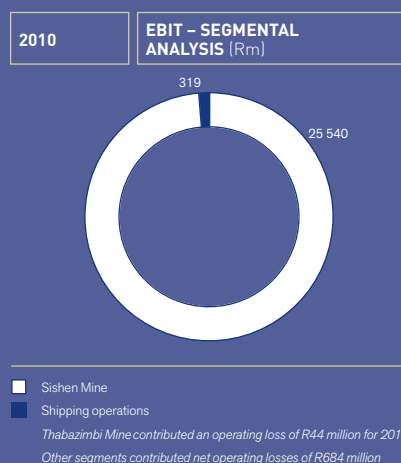
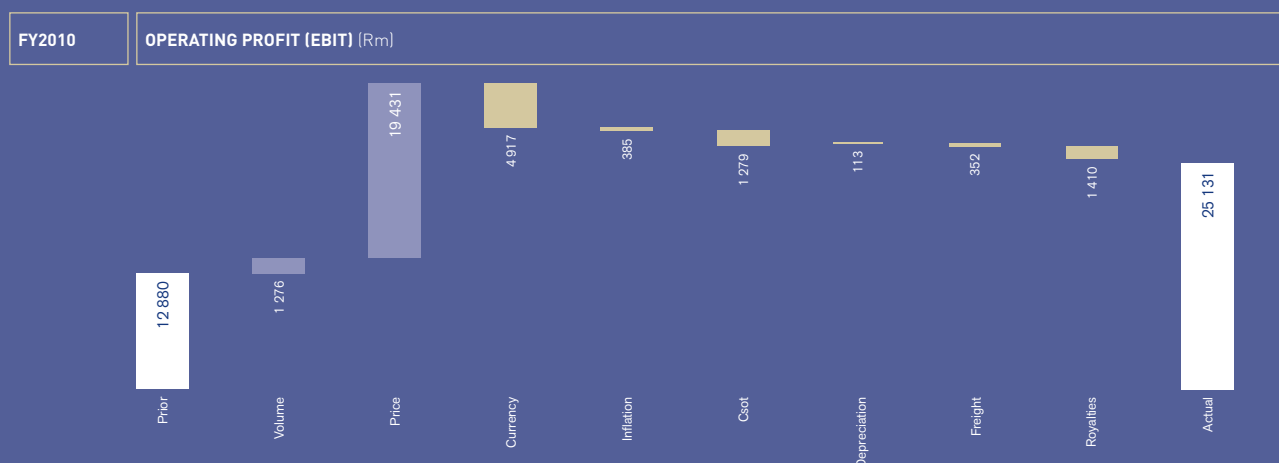
	2010 Rm	Restated 2009 Rm
ASSETS		
Property, plant and equipment	15 866	11 568
Biological assets	6	7
Investments in associates and joint ventures	29	20
Investments held by environmental trust	372	279
Long-term prepayments and other receivables	53	28
Deferred tax assets and other receivables	472	129
NON-CURRENT ASSETS	16 798	12 031
Inventories	3 102	2 559
Trade and other receivables	3 096	2 195
Current tax asset	24	131
Cash and cash equivalents	4 855	891
CURRENT ASSETS	11 077	5 776
TOTAL ASSETS	27 875	17 807
EQUITY		
Shareholders' equity	14 338	7 306
Non-controlling interest	4 038	1 650
TOTAL EQUITY	18 376	8 956
LIABILITIES		
Interest-bearing borrowings	3 185	3 859
Provisions	672	468
Deferred tax liabilities	2 272	2 282
NON-CURRENT LIABILITIES	6 129	6 609
Short-term portion of interest-bearing borrowings	–	55
Short-term portion of provisions	11	4
Trade and other payables	3 274	2 161
Current tax liabilities	85	22
CURRENT LIABILITIES	3 370	2 242
TOTAL LIABILITIES	9 499	8 851
TOTAL EQUITY AND LIABILITIES	27 875	17 807



CONDENSED GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

	2010 Rm	Restated 2009 Rm
Revenue	38 704	23 408
Operating expenses	(13 573)	(10 528)
OPERATING PROFIT	25 131	12 880
Finance income	149	286
Finance costs	(178)	(413)
PROFIT BEFORE TAXATION	25 102	12 753
Taxation	(6 813)	(3 949)
PROFIT FOR THE YEAR	18 289	8 804
Attributable to:		
Owners of Kumba	14 323	6 992
Non-controlling interest	3 966	1 812
	18 289	8 804
Earnings per share for profit attributable to the owners of Kumba (Rand per share)		
Basic	44.66	21.94
Diluted	44.52	21.82



CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

	2010 Rm	Restated 2009 Rm
TOTAL EQUITY AT THE BEGINNING OF THE YEAR	8 956	8 506
Change in accounting policy – share-based payments classification:		
Increase in non-controlling interest	–	2
Decrease in retained earnings	–	(2)
TOTAL EQUITY AT THE BEGINNING OF THE YEAR – RESTATED	8 956	8 506
CHANGES IN SHARE CAPITAL AND PREMIUM		
Shares issued during the year	74	132
Treasury shares issued to employees under employee share incentive schemes	62	–
Purchase of treasury shares	(191)	(60)
CHANGES IN RESERVES		
Equity-settled share-based payments	203	134
Vesting of shares under employee share incentive schemes	(63)	–
Net asset value of SPV on deconsolidation	(139)	–
Change in effective ownership of SIOC	(301)	–
Total comprehensive income for the year	14 143	6 734
Dividends paid	(6 756)	(6 478)
CHANGES IN NON-CONTROLLING INTEREST		
Total comprehensive income for the year	3 929	1 754
Change in effective ownership of SIOC	301	–
Dividends paid	(1 834)	(1 770)
Movement in non-controlling interest in reserves	(8)	4
Total equity at the end of the year	18 376	8 956
COMPRISING		
Share capital and premium (net of treasury shares)	153	208
Equity-settled share-based payments reserve	487	466
Foreign currency translation reserve	142	318
Cash flow hedge accounting reserve	(24)	(8)
Retained earnings	13 580	6 322
SHAREHOLDERS' EQUITY	14 338	7 306
Attributable to the owners of Kumba	13 811	6 811
Attributable to the non-controlling interest	527	495
Non-controlling interest	4 038	1 650
Total equity	18 376	8 956
DIVIDEND (RAND PER SHARE)		
Interim	13.50	7.20
Final*	21.00	7.40

* The final dividend was declared after 31 December 2010 and has not been recognised as a liability in this condensed consolidated financial report. It will be recognised in shareholders' equity in the year ending 31 December 2011.

CONDENSED GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

	2010 Rm	Restated 2009 Rm
Cash generated from operations	25 555	12 744
Net finance costs paid	(283)	(287)
Taxation paid	(7 031)	(3 232)
CASH FLOWS FROM OPERATING ACTIVITIES	18 241	9 225
Capital expenditure	(4 723)	(3 996)
Proceeds from the disposal of non-current assets	1	39
Investments in associates and joint ventures	(9)	(15)
Net cash outflow on disposal of subsidiaries	(2)	–
Acquisition of business	–	(115)
CASH FLOWS FROM INVESTING ACTIVITIES	(4 733)	(4 087)
Share capital issued	74	132
Purchase of treasury shares	(191)	(60)
Increase in non-controlling interest	(147)	–
Dividends paid	(6 714)	(6 437)
Dividends paid to non-controlling shareholders	(1 876)	(1 811)
Net interest-bearing borrowings (repaid)/raised	(729)	56
CASH FLOWS FROM FINANCING ACTIVITIES	(9 583)	(8 120)
Increase/(decrease) in cash and cash equivalents	3 925	(2 982)
Cash and cash equivalents at beginning of year	891	3 810
Exchange difference on cash and cash equivalents	39	63
CASH AND CASH EQUIVALENTS AT END OF YEAR	4 855	891

HEADLINE EARNINGS

FOR THE YEAR ENDED 31 DECEMBER

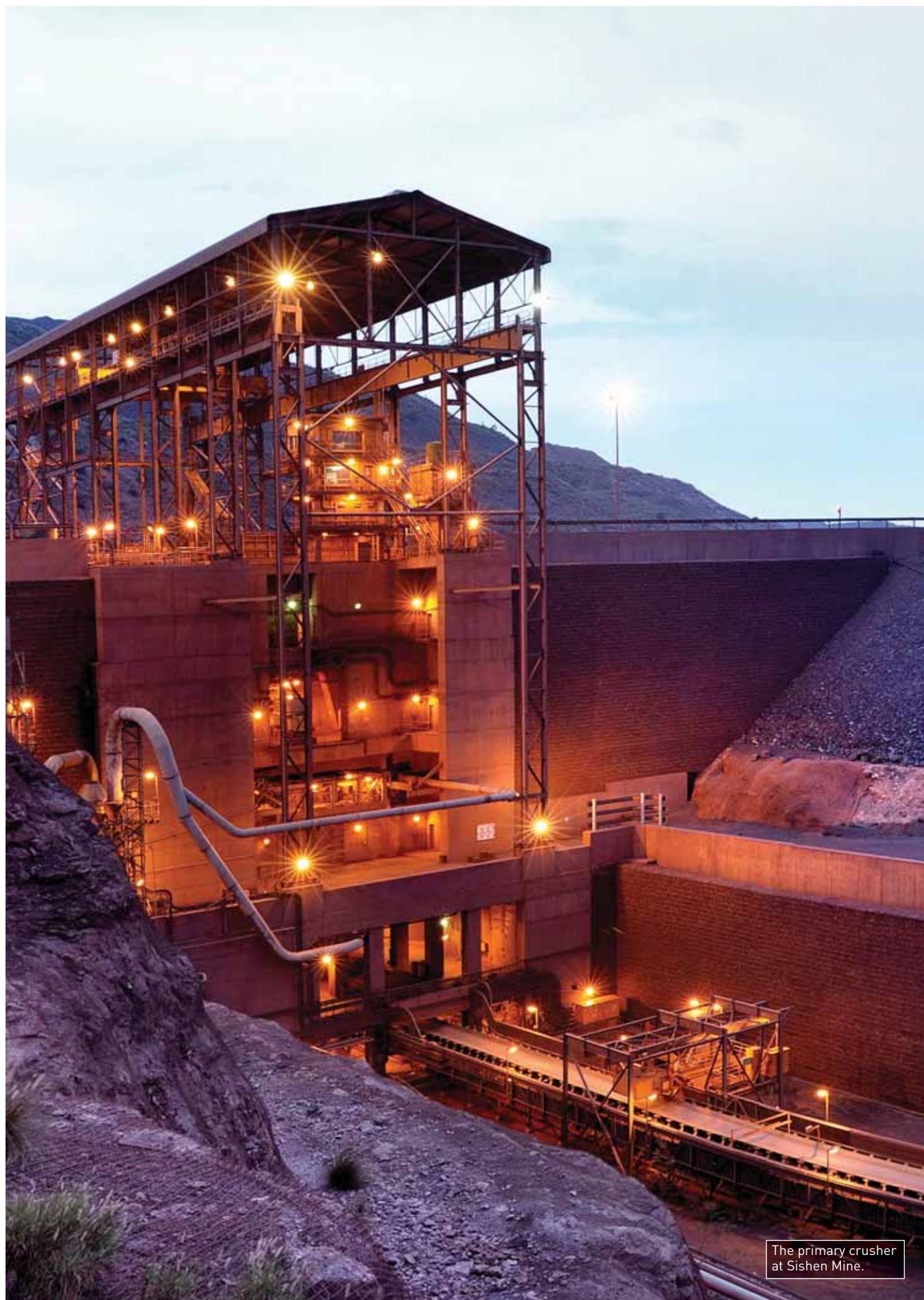
	2010 Rm	2009 Rm
RECONCILIATION OF HEADLINE EARNINGS		
Attributable profit	14 323	6 992
Net loss/(profit) on disposal or scrapping of property, plant and equipment	5	(35)
Net loss on disposal of investment	2	–
	14 330	6 957
Taxation effect of adjustments	(1)	10
Non-controlling interest in adjustments	(1)	5
Headline earnings	14 328	6 972
HEADLINE EARNINGS (RAND PER SHARE)		
Basic	44.67	21.87
Diluted	44.54	21.76
The calculation of basic and diluted earnings and headline earnings per share is based on the weighted average number of ordinary shares in issue as follows:		
Weighted average number of ordinary shares	320 727 067	318 742 724
Diluted weighted average number of ordinary shares	321 691 135	320 431 059

The adjustment of 964,068 shares to the weighted average number of ordinary shares is as a result of the vesting of share options previously granted under various employee share incentive schemes.

SALIENT FEATURES

FOR THE YEAR ENDED 31 DECEMBER

	Unaudited 2010	Unaudited 2009
SHARE STATISTICS ('000)		
Total shares in issue	321 912	320 415
Weighted average number of shares	320 727	318 743
Diluted weighted average number of shares	321 691	320 431
Treasury shares	818	464
Treasury shares (Rand million)	197	62
MARKET INFORMATION		
Closing share price (Rand)	425	305
Market capitalisation (Rand million)	136 652	97 727
Market capitalisation (US\$ million)	20 611	13 224
NET ASSET VALUE (RAND PER SHARE)	44.54	22.80
CAPITAL EXPENDITURE (RAND MILLION)		
Incurred	4 723	3 996
Contracted	1 727	2 392
Authorised but not contracted	4 965	6 755
CAPITAL EXPENDITURE RELATING TO THABAZIMBI MINE TO BE FINANCED BY ARCELORMITTAL		
Contracted	38	6
Authorised but not contracted	48	31
OPERATING COMMITMENTS		
Operating lease commitments	104	123
Shipping services	73	99
SISHEN MINE 'FOR' UNIT COST		
Unit cost (Rand per tonne)	128.65	111.12
Cash cost (Rand per tonne)	113.69	98.83
Unit cost (US\$ per tonne)	17.62	13.24
Cash cost (US\$ per tonne)	15.57	11.78



The primary crusher
at Sishen Mine.

BOARD OF DIRECTORS

The board exercises leadership, enterprise, integrity and judgement to ensure continued delivery of value to all stakeholders of Kumba.

1



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1. ALLEN MORGAN [63]

Interim Chairman

BSc, BEng (Elect), Pr Eng

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

2. ZARINA BASSA [46]

Independent Non-executive Director

BAcc, CA(SA)

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

3. GODFREY GOMWE [55]*

Non-executive Director

BAcc CA (Z) MBL

Godfrey joined the board of Kumba on 17 May 2010 and is a member of the Risk Committee. He is the executive director of Anglo American South Africa Limited. He was previously head of group business development, Africa for Anglo American plc and prior to that, finance director and chief operating officer of Anglo American South Africa Limited.

He is chairman of Anglo Zimele and Tshikululu Social Investments and has served on a number of Anglo American operating board and executive committees. Before moving to SA in 2003, he was the chairman and chief executive of Anglo American Zimbabwe. He is a past president of the Institute of Chartered Accountants of Zimbabwe and past senior vice-president of the Chamber of Mines of Zimbabwe. He held many directorships in both listed and unlisted companies.

4. GERT GOUWS [52]

Non-executive Director

BCom (Law), BCom (Hons), CA(SA), FCMA

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

5. CHRIS GRIFFITH [46]

Chief Executive Officer

BEng (Mining) (Hons), Pr Eng

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

6. PETER MATLARE [51]

Independent Non-executive Director

BSc (Hons) (Political Science), Masters (Southern African Studies)

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

7. DOLLY MOKGATLE [54]

Independent Non-executive Director

BProc, LLB, HDip Tax Law

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

8. VINCENT UREN [49]

Chief Financial Officer

BCom, CTA, CA(SA)

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

9. DAVID WESTON [52][†]

Non-executive Director

MBA, BSc (Eng)

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

10. LAZARUS ZIM [50]

MCom, DCom (hc)

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

* Zimbabwean

† British

EXECUTIVE COMMITTEE

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



1. CHRIS GRIFFITH [46]

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

Chris was previously the executive head of Joint Ventures for Anglo Platinum Limited. Chris has over 18 years of mine management experience. He was previously general manager of Anglo Platinum's Amandeubult Platinum Mine and Bafokeng Rasimone Platinum Mine.

2. VINCENT UREN [49]

Chief Financial Officer
BCom, CTA, CA(SA)

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

3. CORNELIA HOLTZHAUSEN [38]

General Manager: Thabazimbi Mine
BSc (Metallurgical Eng), MBA, Professional Registered Engineer

Cornelia has held management positions in process development, asset optimisation and projects, ore beneficiation, and continuous improvement prior to her appointment as General Manager of Thabazimbi Mine. She is the first woman to be appointed to this position at Kumba.

4. ANDREW LOOTS [43]

General Manager: Sishen Mine
BEng (Mech), MBA

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

5. FRANCOIS LOUW [50]

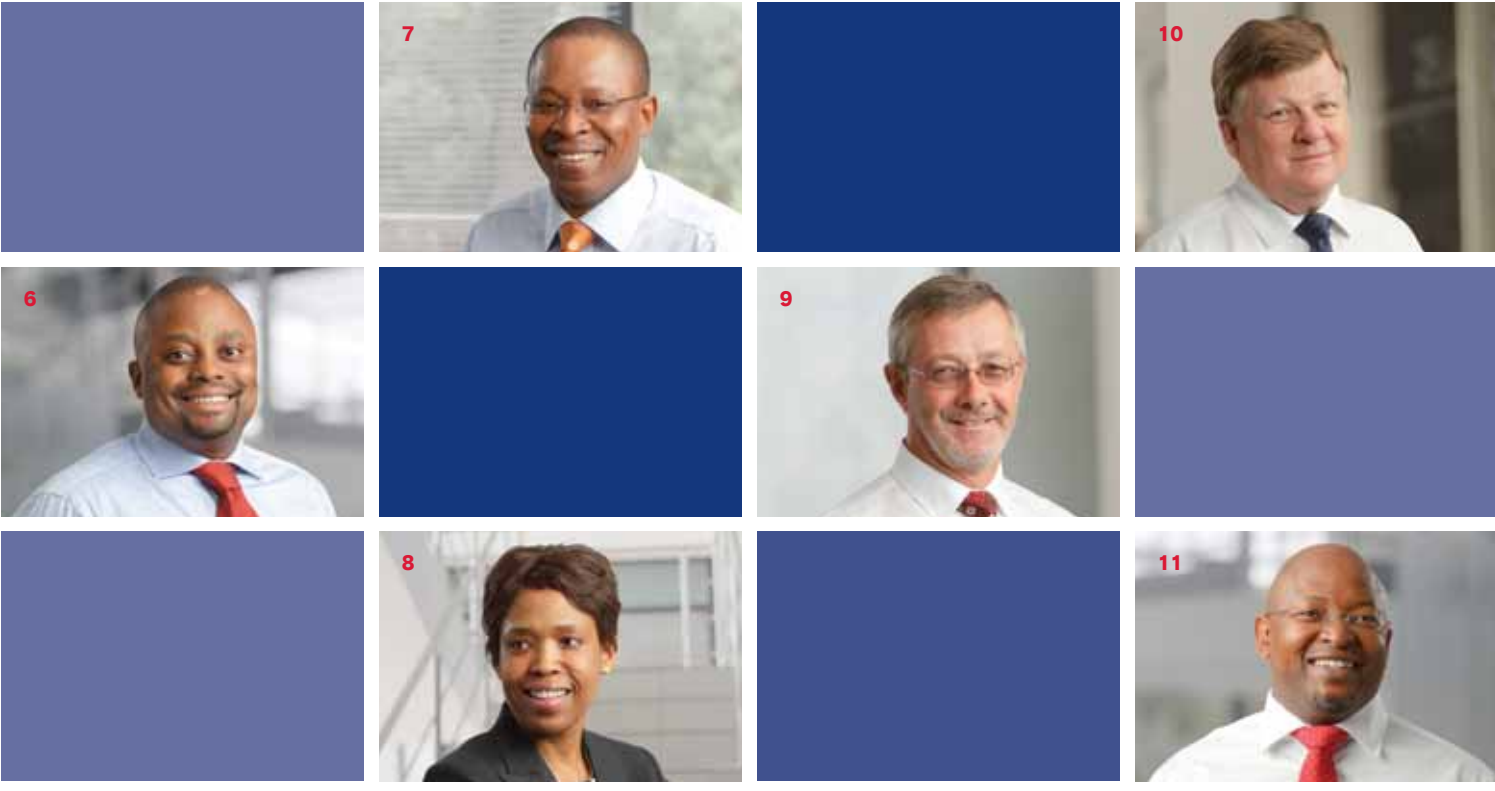
Executive: Head of Projects
BEng (Mech), MBA

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

6. VUSANI MALIE [37]

Company Secretary
BA (Law), LLB

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



7. ALEX MGADZAH [41]

Executive Head: Safety and Sustainable Development

MSc (Environmental Policy and Management), BSc (Hons) Biological Sciences

Alex has more than 15 years' management experience in integrated health, safety, environmental, community and quality management within the mining, smelting, manufacturing and consulting sectors. He was vice-president sustainability and community affairs at BHP Billiton Energy Coal South Africa before joining Kumba.

8. VIRGINIA TYOBEKA [45]

Executive Head: Human Resources

BAdmin (Hons) (UNW), MAP (Wits)

Virginia was appointed Executive Head of Human Resources for Kumba with effect from January 2010. She was previously the human resources director at Afrisan South Africa Limited.

9. AART VAN DEN BRINK [49]

General Manager: Kolomela Mine

MEng (Mining)

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

10. CHRISTO VAN LOGGERENBERG [53]

Executive Head: Technical Services

BEng (Hons) (Metallurgy), MBA

Christo was the former business development manager for Kumba Resources' iron ore business. Other senior posts include metallurgy, various engineering and operations positions in the industry.

11. TEBELLO CHABANA [39]

Executive Head: Public Affairs

BA (Law), LLB

Tebello was previously employed by Anglo American South Africa as head of regulatory affairs and joined Kumba as Executive Head of Public Affairs in September 2007. He returned to Anglo American South Africa Limited as head of public affairs effective 1 February 2011.

CORPORATE GOVERNANCE REPORT

OUR COMMITMENT AND APPROACH

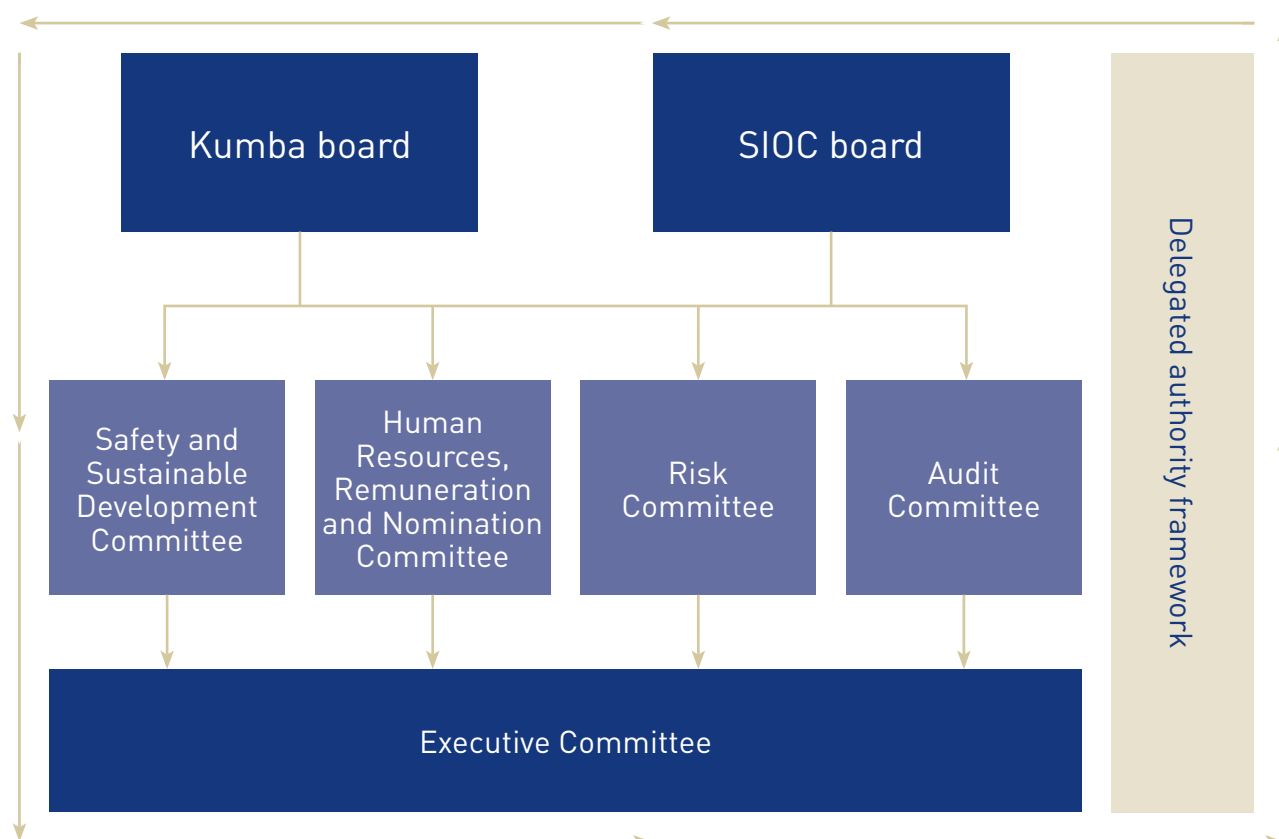
The board of directors of Kumba is committed to the highest standards of corporate governance. It is the board's role to provide the leadership necessary to promote the application of the principles of good corporate governance set out in the King II Report's Code of Corporate Practices and Conduct throughout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

INTEGRATED REPORTING

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

GOVERNANCE STRUCTURE

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



AUDIT COMMITTEE			
Recommended practice	Current practice/status	Recommended action	Progress
The audit committee members should be suitably skilled and comprise of experienced independent non-executive directors.	The Audit Committee consists of three independent non-executive directors, one of whom is a chartered accountant.	The Audit Committee has recommended that an additional non-executive director with technical accounting and risk management skills be appointed.	An independent non-executive director with the requisite skills will be appointed in May 2011.
The audit committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities.	There is a co-ordinated approach to internal and external assurance provision to the Audit Committee.	The audit committee should ensure that an appropriate combined assurance model is developed and approved.	A combined assurance model incorporating a work plan was presented to the Audit Committee. The plan described the process to be followed in identifying key assurance areas, identifying assurance owners for each area, determining the required information technology applications per area, completion of combined assurance model and benchmarking. The process will be completed and the model implemented in June 2011.
The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.	The experience and appropriateness of the Chief Financial Officer is reported to the shareholders in terms of the Listings Requirements of the Johannesburg Stock Exchange.	The audit committee should include in its work plan the assessment of the expertise, resources and experience of the company's finance function. The opinion of the external and internal auditors' will be sought in making the assessment.	The Audit Committee conducted an assessment of the finance function and Chief Financial Officer in November 2010 and it was satisfied that the finance function and the Chief Financial Officer have adequate expertise, resources and experience.
GOVERNANCE OF RISK			
Recommended practice	Current practice/status	Recommended action	Progress
A risk committee should assist the board in carrying out its risk responsibilities.	<ul style="list-style-type: none"> The Audit Committee performed the role of a risk committee. The Audit Committee's terms of reference do not cover comprehensively the board's risk governance responsibilities. 	The board should establish a risk committee to assist it in carrying out its responsibilities with respect to the governance of risk.	The Risk Committee was established by the board in February 2010 and the board has approved its terms of reference.
INFORMATION TECHNOLOGY GOVERNANCE			
Recommended practice	Current practice/status	Recommended action	Progress
The board should ensure that an information technology (IT) charter and policies are established and implemented.	<ul style="list-style-type: none"> Although components of an IT charter do exist, they have not been formally collated to constitute an IT charter. IT policies have been published and approved by the Executive Committee. 	Establish an IT charter that documents the existing governance structures, processes and policies. This would also serve to identify any gaps in existing governance processes.	An IT charter and policy was developed and approved by the Executive Committee. The charter and policy will be incorporated into the Integrated Risk Management process with reporting to the Risk Committee. This will be completed in May 2011.
LEGAL AND REGULATORY COMPLIANCE			
Recommended practice	Current practice/status	Recommended action	Progress
The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Legal and regulatory compliance is fragmented across functional areas and respective functional or statutory legal responsibility.	<ul style="list-style-type: none"> Design a legal and regulatory compliance policy. Appoint a compliance officer. Develop compliance monitoring and reporting framework. 	The Kumba legal department has commenced with designing the job specification for the compliance officer position. A suitable candidate will be appointed in June 2011.

THE BOARD

Role of the board

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

Board charter

The Kumba board charter:

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

Board composition

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

* Zimbabwean

† British

Biographical details of each director are provided on page 75.

Board meetings and attendance during the year

2010	Scheduled board meetings				Special board meetings						
	17 Feb	20 May	21 Jul	18 Nov	29 Jan	13 Apr	30 Apr	15 Jun	30 Jun	15 Jul	29 Jul
ZBM Bassa	✓	✓	✓	✓	*	✓	*	✓	✓	✓	✓
GG Gomwe	n/a	✓	✓	✓	n/a	n/a	n/a	✓	✓	✓	✓
GS Gouws	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	*
CI Griffith	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
PB Matlare	✓	*	✓	✓	✓	✓	✓	✓	*	✓	*
DD Mokgatle	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
AJ Morgan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
VP Uren	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
DM Weston	✓	✓	✓	✓	n/a	✓	*	✓	✓	✓	✓
PL Zim	✓	✓	✓	✓	✓	✓	*	✓	*	*	*

✓ Indicates attendance.

* Indicates absence with an apology.

Board composition

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

Changes to the board during the year

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

Board meetings and attendance during the year

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

Key focus areas for the board in 2010

The board had an exceptionally busy year in 2010 which commenced with site visits to key Chinese customers and strategic facilities. The visit enabled the board to get first-hand insight into the needs of the company's customers and further entrenched the excellent relationships and co-operative spirit the company enjoys with its customers. The board visited both the Thabazimbi and Sishen mines in 2010 and engaged mine management on operational issues. The board also devoted considerable time to dealing with various legal issues which the company is involved in. The non-executive directors were called upon to provide guidance and leadership in the various processes and engagements to ensure that stakeholder value was protected and sustainable solutions could be achieved to enable the company to focus on continuing to deliver value to its stakeholders. In recognition of the additional meetings, the directors have recommended that shareholders approve additional remuneration for non-executive directors.

The board oversaw certain key improvements to corporate governance which are outlined on page 79. The Risk Committee of the board was established to assist the board in carrying out its responsibilities with respect to the management of risk. The new committee met twice during the year under review and the composition of the committee and its terms of reference were finalised and approved. Further detail on this committee is provided on page 82.

Responsibilities of Chairman and Chief Executive Officer

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

Lead independent director

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

Appointments to the board

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

Rotation of directors

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

Director induction

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

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

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

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

Board and committee performance evaluation

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

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

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

Mechanisms for shareholder communication with the board

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

Company Secretary

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

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

Conflicts of interest

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

Dealing in securities

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

The Executive Committee

The Executive Committee chaired by the Chief Executive Officer consists of the executive directors, executive heads, the mine general managers and the Company Secretary. It is responsible for implementing the strategies and policies determined by the board, managing the business and affairs of the company, prioritising the allocation of capital, technical and human resources and establishing best management practices. The Executive Committee is also responsible for senior management appointments and monitoring their performance.

BOARD COMMITTEES

The board has established four standing committees through which it executes its duties. The committees are the Audit Committee, Risk Committee, Safety and Sustainable Development Committee and, Human Resources, Remuneration and Nomination Committee. The terms of reference and composition of the committees are determined and approved by the board. The board renewed the terms of reference of the Audit Committee to ensure they are in line with the provisions of the Companies Act and the King III Report. Further revision of the terms of reference of the Safety and Sustainable Development Committee and the Human Resources, Remuneration and Nomination Committee are planned for 2011, to ensure compliance with the King III Report guidelines on remuneration practices and the regulations to the Companies Act with respect to a social and ethics committee. The respective chairmen of the committees report back to the board on the deliberations of the committees and the minutes of the committee meetings are included in the board meeting papers. Further information on the committees is contained in the subsequent pages.

BOARD COMMITTEES

RISK COMMITTEE																					
Introduction	Mandate	Composition	Frequency and attendance of committee meetings																		
<p>The Risk Committee was established on 17 February 2010 to assist the board with its responsibilities relating to the management of risk and held its first meeting on 20 July 2010. The Committee's broad mandate is the monitoring, development and communication of the processes for managing risks across the group.</p>	<p>The Committee has terms of reference in place and its mandate includes:</p> <ul style="list-style-type: none">• overseeing the development and annual review of a policy and plan for risk management• reviewing and assessing the effectiveness of the integrated risk management system including group's risk philosophy• ensuring that combined assurance model on risk is appropriate and that assurance received is adequate• ensuring periodic risk assessments are carried out	<p>The Committee initially constituted the members of the Audit Committee. The Committee recommended the appointment of two non-executive directors as additional members of the Committee who were appointed by the board on 18 November 2010. The Committee now comprises the following:</p> <ul style="list-style-type: none">• ZBM Bassa (Chairman)• GG Gomwe• GS Gouws• DD Mokgatle• AJ Morgan	<p>The Committee met twice during the period under review. In addition to the Committee members, the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit and the Risk managers attend meetings of the Committee. Attendance of meetings held during the year under review is presented below:</p> <table><tr><th>2010</th><th>20 Jul</th><th>12 Nov</th></tr><tr><td>ZBM Bassa (Chairman)</td><td>✓</td><td>✓</td></tr><tr><td>DD Mokgatle</td><td>✓</td><td>✓</td></tr><tr><td>AJ Morgan</td><td>✓</td><td>✓</td></tr><tr><td>GG Gomwe*</td><td>n/a</td><td>n/a</td></tr><tr><td>GS Gouws*</td><td>n/a</td><td>n/a</td></tr></table> <p>✓ Indicates attendance.</p> <p>* Appointed to the committee on 18 November 2010 and will attend their first meeting in 2011.</p> <p>The report on key risk factors on pages 26 to 29 provides further detail on the governance of risk in the company and the risk management process.</p>	2010	20 Jul	12 Nov	ZBM Bassa (Chairman)	✓	✓	DD Mokgatle	✓	✓	AJ Morgan	✓	✓	GG Gomwe*	n/a	n/a	GS Gouws*	n/a	n/a
2010	20 Jul	12 Nov																			
ZBM Bassa (Chairman)	✓	✓																			
DD Mokgatle	✓	✓																			
AJ Morgan	✓	✓																			
GG Gomwe*	n/a	n/a																			
GS Gouws*	n/a	n/a																			

BOARD COMMITTEES

SAFETY AND SUSTAINABLE DEVELOPMENT COMMITTEE																			
Introduction	Mandate	Composition	Frequency and attendance of committee meetings																
<p>The Safety and Sustainable Development Committee is responsible for developing policies and guidelines to manage sustainable development, safety, health and environmental matters. The Committee normally meets four times each year, which includes a visit to an operation. Mine managers are invited to attend Committee meetings.</p>	<p>The Committee has terms of reference in place and its mandate includes:</p> <ul style="list-style-type: none"> reviewing the policies and performance of the company with respect to safety and sustainable development reviewing periodic reports detailing the company's performance against legislative requirements and group standards ensuring meaningful stakeholder engagement and consultation on safety, environmental and social development issues 	<p>The Committee comprises the following independent non-executive directors:</p> <ul style="list-style-type: none"> DD Mokgatle (Chairman) PB Matlare AJ Morgan 	<p>In addition to the Committee members, the Chief Executive Officer, the Executive Head of Safety and Sustainable Development and the Executive Head of Human Resources attend meetings of the Committee. During the review period, the Committee met three times. Attendance of meetings held during the year under review is presented below:</p> <table> <tr> <th>2010</th><th>9 Feb</th><th>13 May</th><th>11 Nov</th></tr> <tr> <td>DD Mokgatle (Chairman)</td><td>✓</td><td>✓</td><td>✓</td></tr> <tr> <td>PB Matlare</td><td>✓</td><td>*</td><td>*</td></tr> <tr> <td>AJ Morgan</td><td>✓</td><td>✓</td><td>✓</td></tr> </table> <p>✓ Indicates attendance. * Indicates absence with an apology.</p> <p>Detail of the activities of the Committee for the period under review is provided in the "Responsibility Report".</p>	2010	9 Feb	13 May	11 Nov	DD Mokgatle (Chairman)	✓	✓	✓	PB Matlare	✓	*	*	AJ Morgan	✓	✓	✓
2010	9 Feb	13 May	11 Nov																
DD Mokgatle (Chairman)	✓	✓	✓																
PB Matlare	✓	*	*																
AJ Morgan	✓	✓	✓																

HUMAN RESOURCES, REMUNERATION AND NOMINATION COMMITTEE (REMCO)																			
Introduction	Mandate	Composition	Frequency and attendance of committee meetings																
<p>The Remco is responsible for making recommendations to the board on the appointment, remuneration policies and practices of the Chief Executive, Executive Committee members and senior management. The Committee makes recommendations to the board on the composition of the board and board committees and ensures that the board comprises suitably qualified individuals. It consults other directors in its evaluation of the Chairman of the board, the Chief Executive and individual directors.</p>	<p>The Committee has terms of reference in place and its mandate includes:</p> <ul style="list-style-type: none"> ensuring alignment of the remuneration and human resource practices with the group's business strategy determining the group's remuneration and benefits policy monitoring the succession plan for the board and senior management regularly reviewing board composition and diversity nominating candidates for appointment to the board as and when vacancies arise recommending adjustments to non-executive directors remuneration to the board for approval by the shareholders reviewing the performance of the board and its committees and senior management 	<p>The Committee was initially constituted of three independent non-executive directors. Following the resignation of Lazarus Zim on 15 December 2010, the Committee now comprises the following independent non-executive directors:</p> <ul style="list-style-type: none"> AJ Morgan (Chairman) PB Matlare 	<p>In addition to the Committee members, the Chief Executive Officer and the relevant executive heads attend meetings of the Committee. During the financial year ended 31 December 2010, the Committee met three times. Attendance of meetings held during the year under review is presented below:</p> <table> <tr> <th>2010</th><th>9 Feb</th><th>13 May</th><th>11 Nov</th></tr> <tr> <td>AJ Morgan (Chairman)</td><td>✓</td><td>✓</td><td>✓</td></tr> <tr> <td>PB Matlare</td><td>✓</td><td>*</td><td>✓</td></tr> <tr> <td>PL Zim</td><td>✓</td><td>*</td><td>*</td></tr> </table> <p>✓ Indicates attendance. * Indicates absence with an apology.</p> <p>Due to unforeseen circumstances both Peter Matlare and Lazarus Zim were unable to attend the meeting held on 13 May 2010. Decisions taken at this meeting were subsequently ratified by the Committee via round robin resolution.</p> <p>Detail of the activities of the Committee for the period under review are provided in the Remuneration Report on pages 18 to 26 of the Annual Financial Statements.</p>	2010	9 Feb	13 May	11 Nov	AJ Morgan (Chairman)	✓	✓	✓	PB Matlare	✓	*	✓	PL Zim	✓	*	*
2010	9 Feb	13 May	11 Nov																
AJ Morgan (Chairman)	✓	✓	✓																
PB Matlare	✓	*	✓																
PL Zim	✓	*	*																

REPORT OF THE AUDIT COMMITTEE



ZARINA BASSA
Chairman, Audit Committee

Introduction

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

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

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

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

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

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

Composition

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

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

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

Frequency and attendance of committee meetings

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

2010	11 Feb	11 May	20 Jul	12 Nov
ZBM Bassa (Chairman)	✓	✓	✓	✓
DD Mokgatle	*	✓	✓	✓
AJ Morgan	✓	✓	✓	✓

✓ Indicates attendance.

* Indicates absence with an apology.

Duties carried out in 2010

During the financial year ended 31 December 2010, the Committee carried out its duties as set out in the King II Report, the Act, the Committee's terms of reference and in accordance with its annual plan.

The Committee performed the following duties:

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

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

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

Annual financial statements

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

Conclusion

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

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



ZBM Bassa

REMUNERATION REPORT SUMMARY

FOR THE YEAR ENDED 31 DECEMBER 2010

KUMBA'S REMUNERATION PHILOSOPHY

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

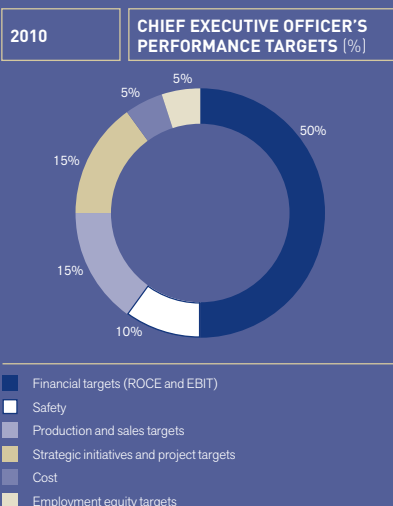
DIRECTORS' FEES AND REMUNERATION

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

Executive directors' remuneration

Two component of of executive directors' remuneration:

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



Fixed remuneration

Element	Description	Delivery
Salary	Reflects scope and nature of role, performance and experience. Reviewed annually in January and benchmarking conducted bi-annually.	Cash
Pension	Retirement and risk benefits, including life cover and death-in-service benefits. Assumption that executive directors will retire at the age of 60 years.	9.5% of cost to company employer contributions to Kumba Selector Pension and Provident Funds
Non-monetary benefits	Contribution towards membership of one of the group's approved medical health care schemes. Vehicle benefits and vehicle insurance. Security services.	Benefits in kind

	2011 Basic salary R'000	2010 Basic salary R'000	2009 Basic salary R'000
Cl Griffith	4 235	3 953	3 085
VP Uren	3 506	3 197	2 771

Variable remuneration

Element	Description	Delivery
Short-term incentives	Rewards and motivates achievement of agreed group performance objectives. Up to maximum of 60% of basic employment cost * (BEC) for achievement of stretch targets. 50% based on financial targets <ul style="list-style-type: none"> • EBIT target at budgeted levels, entry threshold at 95% and maximum payout at 110%. • ROCE target at budgeted levels, with threshold at 30% and maximum payout at 100%. 50% based on of certain personal strategic and other performance objectives.	Cash
Long-term incentives	Alignment with shareholder interests and creation of long-term value. Active schemes: <ol style="list-style-type: none"> The Bonus Share Plan ('the BSP') The Long-Term Incentive Plan Active schemes under which no new grants will be made: <ol style="list-style-type: none"> The Share Appreciation Rights Scheme The Deferred Bonus Plan Old schemes transferred to Kumba post unbundling with no grant made since unbundling <ol style="list-style-type: none"> Kumba Management Share Option Scheme Phantom Share Scheme 	Shares

Service contracts

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

	Employment date ¹	Date first appointed to the board	Notice period
Cl Griffith	1 July 2009	1 July 2009	12 months
VP Uren	7 April 2006	7 April 2006	6 months

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

Executive directors' remuneration

R'000	Basic salary	Short-term incentive	Retirement funding	Other benefits	Total 2010	Total 2009
Cl Griffith	3 953	2 052	447	43	6 495	4 398
VP Uren	3 197	1 638	382	38	5 255	4 531
Total	7 150	3 690	829	81	11 750	8 929

Short-term incentives paid 2010

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

R'000	2009 Total fixed remuneration	2009 Basic Employment Cost (BEC) used for calculating incentive	2010 Annual incentive paid	Annual incentive as a percentage of 2009 total fixed remuneration
Cl Griffith ¹		3 652	2 052	56% (66% of BEC)
VP Uren		3 281	1 638	50% (59% of BEC)

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

Non-executive directors' fees

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

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

Non-executive directors' fees paid for 2010

R'000	Board meeting fees	Committee fees	Total 2010	Total 2009
PL Zim	1 100	–	1 100	1 000
ZBM Bassa	165	331	496	376
GS Gouws ¹	165	–	165	150
GG Gomwe ¹	124	–	124	–
DD Mokgatle	165	326	491	385
DM Weston ¹	165	–	165	–
AJ Morgan	165	399	564	452
PB Matlare	165	146	311	284
PM Baum	–	–	–	217
ND Moyo	–	–	–	251
Total			3 416	3 115

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

Executive Committee members' remuneration

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

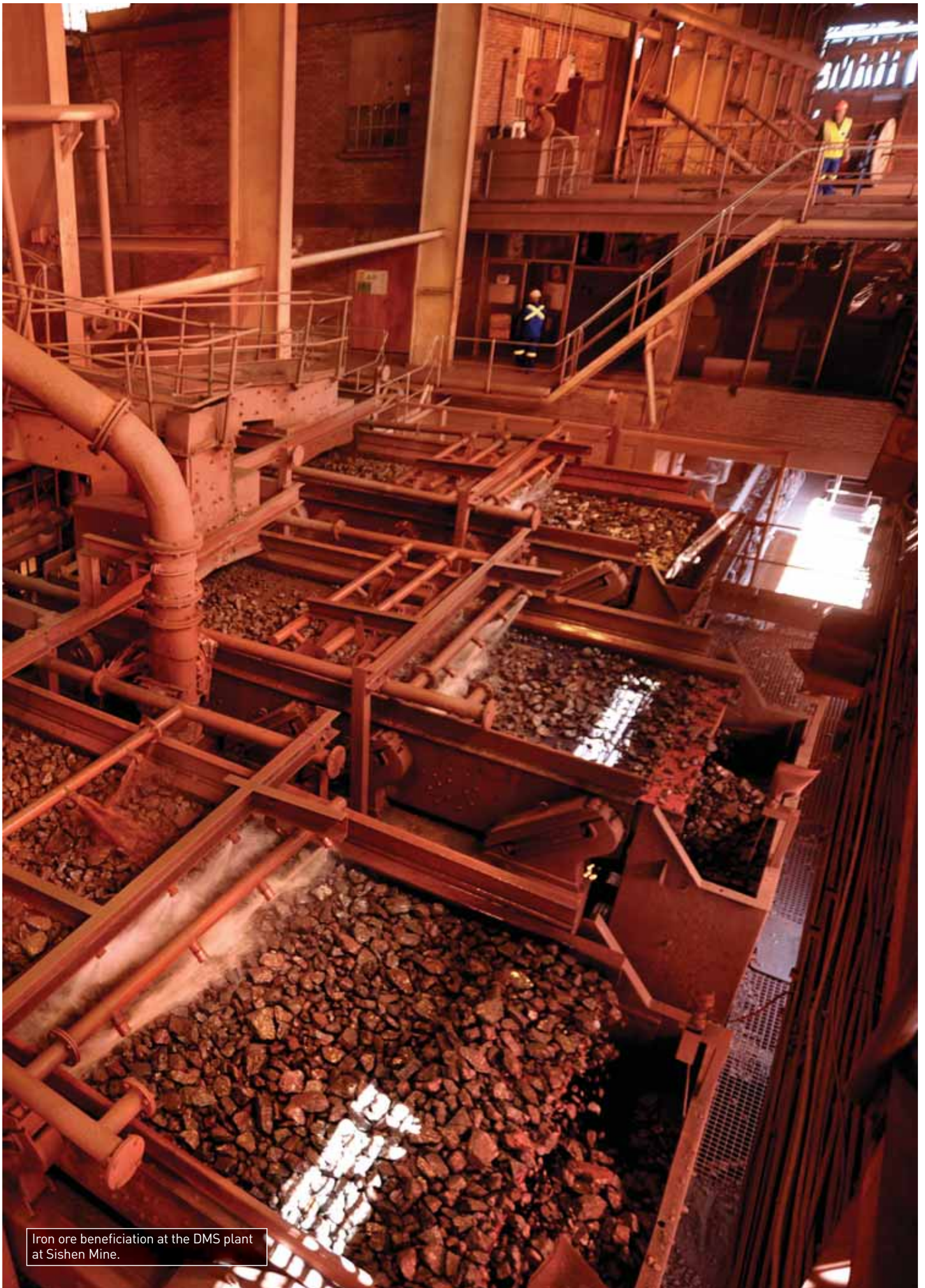
Aggregate remuneration of members of the executive committee (excluding that of the executive directors disclosed separately above) for the year was as follows:

R'000	Basic salary	Short-term Incentives	Retirement funding	Other benefits ¹	Total 2010	Total 2009
Aggregate total	11 106	5 080	1 163	1 620	18 969	19 557
Number of members²					8	8

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

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





Iron ore beneficiation at the DMS plant at Sishen Mine.

KUMBA IRON ORE ADMINISTRATION

SECRETARY AND REGISTERED OFFICE

VF Malie
Centurion Gate – Building 2B
124 Akkerboom Road
Centurion, Pretoria, 0157
Republic of South Africa
Tel: +27 12 683 7000
Fax: +27 12 683 7009

Company registration number:

2005/015852/06

JSE share code:

KIO

ISIN code:

ZAE000085346

AUDITORS

Deloitte & Touche
Chartered Accountants (SA)
Registered Auditors
Deloitte Place, The Woodlands Office Park
20 Woodlands Drive, Woodmead, 2146
South Africa
Private Bag X46, Gallo Manor, 2052

SPONSOR

Rand Merchant Bank
(A division of FirstRand Bank Limited)
Registration number: 1929/001225/06
1 Merchant Place
Corner Rivonia Road and Fredman Drive
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