

KUMBA IRON ORE LIMITED
INTEGRATED REPORT 2013

FOCUSED ON DELIVERY

SECURING THE FUTURE IN
PARTNERSHIP



FOCUSED ON DELIVERY

2013 was a year in which we revised our strategy to ensure it gave us the flexibility our business required. We undertook extensive studies to help revise our mine plans, and we initiated intensive stakeholder engagement to gain insight into how people see us. With all this planning and understanding behind us, in 2014 we will be focused on execution of the revised strategy to yield results.

Other sources of information



You can find this report and additional information about Kumba Iron Ore Limited on our corporate website.

▶ For more information visit
[www.angloamericankumba.com/
investor_fin_reports.php](http://www.angloamericankumba.com/investor_fin_reports.php)

HIGHLIGHTS

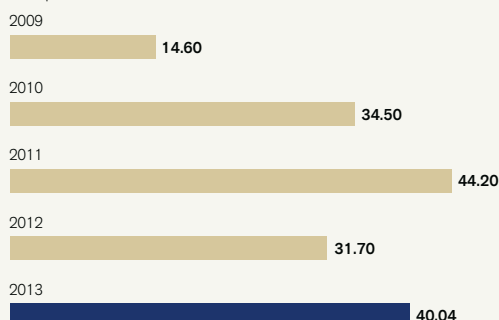
Production

Mt



Dividend per share

Rand per share



Cover Image

The pit at Sishen mine is one of the five largest in the world. It is currently being extended to follow the ore body that is dipping towards the southwest. Kobus Ellis and Kefentse Molotsane observe waste mining in the southwestern part of the pit from one of the viewpoints.

Opposite

Supervisor James Kolai oversees the loading of a train at Kolomela mine in the Northern Cape. The mine produces direct-shipping ore for the export market.

SAFETY

(2012: 2 fatalities)

No loss of life

REVENUE

(2012: R45.4 bn)

R54.5bn

HEADLINE EARNINGS

(2012: R12.5bn)

R15.4bn

DIVIDENDS PAID

(2012: R18.0bn)

R13.7bn

PAID TO SOUTH AFRICAN FISCUS

(2012: R6.2bn)

R8.3bn

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OUR APPROACH TO INTEGRATED REPORTING

OUR APPROACH TO INTEGRATED REPORTING

This is the third year Kumba Iron Ore Limited (Kumba or the company or the group) has produced an integrated report. Both the report and our integrated reporting process have been shaped by the internal and external feedback we received on our 2012 reporting suite, as well as what we have learnt from the previous processes. Our reporting is extensive and reflects input from individuals at various levels and in different disciplines in the company, as well as our stakeholders, and we believe this provides us with more insight into how all the elements of our business work together.

This report is aligned with the International Integrated Reporting Council's (IIRC's) <IR> Framework, released in December 2013, as well as the King Code of Governance Principles and the King Report on Governance (King III). We endeavour to provide readers with a holistic view of the company through our integrated reporting and to tell Kumba's story – not only of our performance in 2013, but also where we hope to go in the future. This Integrated Report should be read in conjunction with our Annual Financial Statements and Sustainable Development Report.

Reporting scope and boundary

This report provides insight into the primary operations owned and managed by the group – Sishen, Kolomela and Thabazimbi mines – as well as the company's logistics and marketing operations and its corporate office. While the report concentrates on the 2013 financial year, historical information, targets and objectives are provided as context and to give the reader the complete picture of Kumba. For more information on Kumba and its activities see Our business on page 04.

In line with the IIRC guidelines this report is aimed primarily at providers of capital funding. The material issues discussed within the report, however, impact and/or are impacted by key stakeholders, who are considered when compiling the report. For more on this see Determining our material issues on page 36 and Stakeholder engagement on page 30.

During 2013 we adopted International Financial Reporting Interpretations Committee (IFRIC) 20 *Stripping costs in the production phase of a surface mine*, resulting in a restatement of the 2012 financial results. An explanation of this and its impact can be found in the Financial Review on page 42 and the Annual Financial Statements 2013. Where necessary, the 2012 numbers have been restated to reflect this change.

2013 SUITE OF REPORTS

Kumba's 2013 suite of reports for the financial year ended 31 December 2013, consists of:

- **Integrated Report**, which speaks to the company's key operational, financial, economic, social and environmental issues, as well as governance, strategy, material issues and performance during the year. The Integrated Report has been compiled using the recommendations of King III and the <IR> Framework, and is made available to all shareholders.
- **Annual Financial Statements**, which present the audited group and company Annual Financial Statements, prepared in accordance with the International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board and IFRIC Interpretation Committee, the South African Companies Act No 71 of 2008, as amended (Companies Act), the Listings Requirements of the Johannesburg Stock Exchange (JSE Listings Requirements), and the South African Institute of Chartered Accountants Financial Reporting Guides as issued by the Accounting Practices Committee. The Annual Financial Statements have been audited by Deloitte & Touche. An unmodified audit opinion was issued and is included on page 25 of the Annual Financial Statements.
- **Sustainable Development Report**, which, for the first time, has been prepared in line with the G4 Guidelines of the Global Reporting Initiative (GRI) and GRI's Mining and Metals Sector Supplement (MMSS). In line with guidance from the Anglo American Group we have adopted a 'core' approach to reporting and certain key performance indicators (KPIs) have been assured by PricewaterhouseCoopers Inc (PwC). This assurance statement can be found on page 100 of the Sustainable Development Report. Both the principles endorsed by the International Council on Mining and Metals and the United Nations Global Compact have been taken into consideration when compiling this report as Anglo American plc is a signatory to both. Furthermore, we have reported on our compliance with the Mining Charter of South Africa.

Copies of these reports may be requested from Kumba's investor relations department contact Esha Mansingh at esha.mansingh@angloamerican.com / melida.manala@angloamerican.com. Alternatively, the reports may be downloaded at www.angloamericankumba.com/investor_fin_reports.php.



ASSURING OUR REPORTS

Kumba applies a combined assurance model, which seeks to optimise the assurance obtained from management and internal and external assurance providers.

- External auditors provide assurance for the group. Deloitte & Touche assured the Annual Financial Statements 2013 and PwC assured selected sustainability information in the Sustainable Development Report 2013. Key financial indicators and sustainable development information is included in the Integrated Report 2013. Quoted reserves and resources estimates are assured through a rolling external audit schedule by Xstrata Mining Consultants (Australia), a Calibre Group company.
- The group's internal audit function, overseen by the audit committee, assesses the adequacy and effectiveness of the group's financial, operating, compliance and risk management controls and provides the board with positive assurance on the key areas of the group's internal financial controls.

The audit committee reviews the company's combined assurance model and is satisfied that it is complete, that the level of unmitigated risks remain appropriate, and that sufficient internal and external assurance is provided to manage risks and the control environment. The committee also fulfils an oversight role regarding this report and the related processes, and recommended this report for approval to the Kumba board (the board). The report of the audit committee is on page 138.

MATERIALITY

We have again chosen to focus this report on our material issues, using these as a compass to navigate what is important to our story. Our material issues were identified and reviewed by management through a rigorous process that took into consideration stakeholder concerns and included a materiality workshop held during the year, and which were approved by the board. For more on this, and to read about our Material issues, see page 36.

Material trade-offs for Kumba

In order to leverage our driving forces (see below) and create sustained value we must acknowledge there will be some material trade-offs between them. For example, our activities can have a negative impact on the environment, but the same activities can allow us to enhance the lives of our people and support our communities. As a result, the mitigation of something such as environmental impacts should not be viewed in isolation, but rather in the context of all the driving forces and how we aim to balance them. Another example of this is taking decisions that might impact profitability in the short term, but that allow us to focus on long-term financial sustainability, such as ramping up waste mining. Throughout this report we have aimed to show how our business works holistically and provide explanations of similar trade-offs.

THE DRIVING FORCES OF OUR BUSINESS

Our people

People are central to our business at Kumba and the safety and well-being of everyone in our organisation remains a priority and a non-negotiable value. Part of our strategy revision in 2013 was to focus on the role each individual plays in helping the company achieve its goal. For more on this see page 68.

Our relationships

A business cannot create and sustain value without strong partnerships and Kumba is no different. We strive to build mutually beneficial relationships with stakeholders and business partners, including government with whose regulations we comply. For more on this see page 30.

Our performance

Consistent, sound financial, operational and social performance provides the foundation for a sustainable future from which shareholders and all other stakeholders can benefit. We are cognisant of using capital effectively in order to maximise the benefit that can be drawn from it. For more on this see page 42.

Our assets

The way in which we optimise our assets will determine the success of our business. During the year under review we conducted numerous strategic studies at our operations and continued with asset optimisation to allow us to benefit from these in the most sustainable manner. In addition we continued to actively protect our mining rights. For more on this see page 60.

Our innovation

New ideas are what make us competitive and allow us to find ways to be sustainable. In 2013 Kumba faced a number of challenges, and innovation is allowing us to not only overcome these, but use them to our long-term advantage. For more on this see page 81.

Our environment

We recognise that mining can have detrimental effects on the environment. We aim to minimise this impact, be mindful of the resources we use, and improve our efficiencies. Kolomela mine's concurrent rehabilitation programme is an example of the way we work. For more on this see page 74.

OUR BUSINESS

WHO WE ARE

Kumba, a member of the Anglo American Group, is a leading supplier of high-quality iron ore to the global steel industry and operates primarily in South Africa. We focus on creating and sharing value.

People are central to our business and Kumba is proud to provide employment to many in the communities around our operations. In 2013 Kumba employed a total of 13,305 individuals, comprising 7,433 full-time employees, 5,037 full-time contractors and 835 people in learnerships, slightly more than the number employed in 2012 (11,773). In addition 3,492 fixed-term project contractors were employed at Kumba's construction projects. While the number of people employed may not be large in comparison with other labour-intensive mining operations, in the regions in which we operate the company is a significant employer, both directly and indirectly.

Approximately 84% of our employees are local, living in the communities surrounding our operations. It is these same communities that we work with and invest in – in 2013 our community engagement and development (CED) expenditure amounted to R253.7 million (2012: R275.6 million). We are also cognisant of our role as a good corporate citizen in South Africa and paid R8.3 billion in taxes and mineral royalties in 2013. We work hard to maintain an open relationship with local, provincial and national government.

Kumba has a 73.9% interest in Sishen Iron Ore Company Proprietary Limited (SIOC), an entity which we manage. SIOC, in turn, owns the operating assets of the company. The remaining 26.1% interest in SIOC is held by the following black economic empowerment (BEE) shareholders:

- Exxaro Resources Limited (Exxaro), a leading BEE company listed on the JSE, with 19.98%
- SIOC Community Development Trust (SIOC-CDT), a trust that funds projects in local communities, with 3.0%
- Envision, an employee share participation scheme, with 3.1%

Kumba is listed on the JSE and its major shareholders are Anglo American plc (69.7%) and the Industrial Development Corporation of South Africa (IDC) (12.9%), with the balance held by minority shareholders. At the end of December 2013 Kumba had a market capitalisation of R142.8 billion (2012: R183.2 billion). Our business is spread across South Africa with our head office in Centurion, just north of Johannesburg.

Our mining operations are in the Northern Cape and Limpopo provinces, while our port operations are in Saldanha Bay in the Western Cape province. These are all managed by SIOC. We produce a high-grade iron ore, with a lump-to-fine ratio of 63:37 achieved in 2013. This allowed us to benefit from the stronger market prices for lump ore towards the end of 2013. Our commercial operations are managed by specialist teams in South Africa, Europe and Singapore, which ensures our products reach our customers timeously.

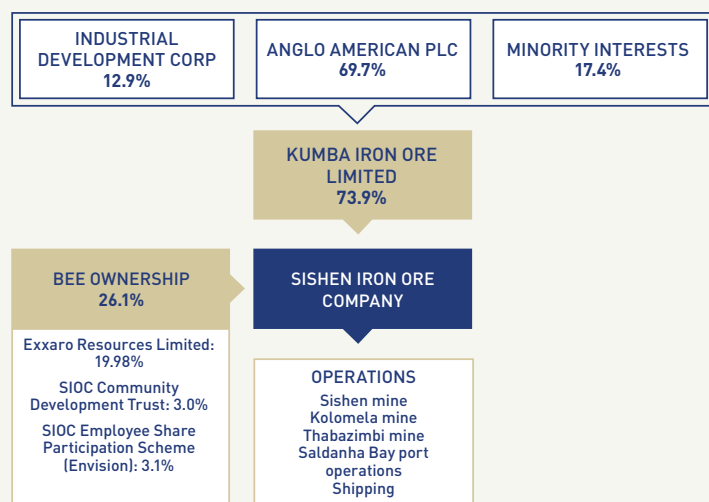
SIOC's operations comprise the following:

Sishen mine, near the town of Kathu in the Northern Cape province, is our largest operation and has been operational since 1953. Sishen's current life of mine (LoM) is estimated to be about 19 years with a production design capacity of 37Mtpa. However, the Sishen mine pit is currently constrained, resulting in periods of insufficient exposed ore. A revised mining strategy to address the constraints and a longer-term operational optimisation strategy has been implemented, which includes redesigning waste mining push-backs to rotate mining direction in some areas through 90°, optimising smaller push-backs; and design changes to enable faster sink rates to expose ore. For more on this operation see page 61.

Kolomela mine, near Postmasburg in the Northern Cape province, is our newest mining operation, having come into commercial production in December 2011. Kolomela mine has grown steadily since then and its LoM is estimated to be 25 years. Technical studies have confirmed the mine's capacity to sustain production at 10Mtpa, 1Mtpa above its original design capacity. For more on this operation see page 62.

Thabazimbi mine, near the town of Thabazimbi in the Limpopo province, previously operated on a cost-plus basis and was contractually dedicated to supplying ArcelorMittal South Africa Limited (ArcelorMittal SA). In November 2013 an agreement that regulates the sale and purchase of iron ore between SIOC and ArcelorMittal SA was signed and became effective on 1 January 2014.

Kumba Iron Ore Limited group structure



OPERATIONS IN SOUTH AFRICA

Corporate office

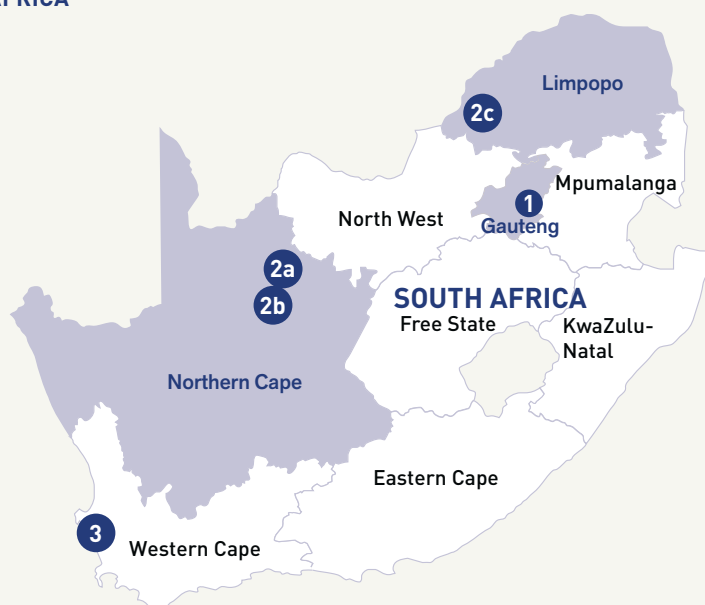
- 1 Centurion

Mining operations

- 2a Sishen mine
2b Kolomela mine
2c Thabazimbi mine

Port operations

- 3 Saldanha Bay



This agreement provides security of supply and favourable pricing relative to export parity prices (EPP) of iron ore to the domestic market, and is an opportunity to extend the life of Thabazimbi mine beyond 2023 through mining out the remaining haematite and through the introduction of low-grade beneficiation technologies. For more on this please see page 62.

The Northern Cape operations are serviced by a dedicated iron ore rail link, the Sishen/Kolomela-Saldanha iron ore export channel (IOEC), which transports iron ore to domestic customers and to Saldanha Bay where it is shipped to export markets. In addition, iron ore to domestic customers is transported via domestic rail infrastructure. The rail and port operations are owned and operated by the state-owned entity Transnet.

In 2013 Kumba produced 42.4Mt (2012: 43.1Mt) of iron ore, for domestic and export markets combined.

Kumba is well positioned to supply the growing Asia-Pacific as well as European steel markets. In 2013 the company exported 89% of its total iron ore sales volumes of 43.7Mt. Export sales volumes to China accounted for 68% of the company's total export volumes for the year, compared to 69% in 2012. Sales volumes to Japan and South Korea rose by 13% to 8.3Mt and represented 21% of the total export sales for the year. The remaining 11% went to Europe, and the Middle East and North Africa (MENA).

GOVERNANCE IN ACTION

The board of directors promotes sound corporate governance throughout the group and provides leadership that makes this possible. When nominating members for

DIRECTORS' RESPONSIBILITY FOR THE REPORT

The board, assisted by the audit committee, is ultimately responsible for overseeing the accuracy, integrity and completeness of this Integrated Report. A project steering committee, including the chief executive officer (CEO) and chief financial officer, oversaw the reporting process. The process undertaken to identify the company's material issues is explained on page 36. The directors of Kumba confirm that they have collectively reviewed the content of the Integrated Report 2013 and believe it addresses the material issues and is a balanced representation of the company's performance in the year under review. The board approved this Integrated Report on 13 March 2014.

the board it is considered how the individual can contribute not only to our financial performance, but also how well suited they are to contribute to our operational, social and environmental objectives. This balance of leadership allows us to pursue a strategy that balances current success with long-term sustainability, and this is something we are proud of.

The board is responsible for, among other things, overseeing our strategic direction and business plans; agreeing to both financial and non-financial targets for Kumba, as well as monitoring performance against those targets; ensuring effective risk management processes and regulatory compliance; supporting the CEO; and defining

and reporting on material issues. These responsibilities support the task of integrated reporting. The board and Executive Committee (Exco) have played an active role in the development and approval of this report, as well as the material issues on which we report (see page 36).

The board assigns the management of Kumba to the appropriate management structures. There is open communication between the board and Exco to ensure they share a common vision and can work together to meet our objectives.

Corporate governance is not limited to board meetings, but is also about how involved leadership is with the everyday business of Kumba and how its actions help the company achieve its goals. We entrust the board and Exco with the responsibility for the strategy of the company and for this reason the performance of Exco is linked to KPIs used to measure progress against strategic targets (see page 129). Throughout this report we will highlight more examples of governance in action.

Corporate governance at Kumba is in line with King III, the Companies Act, the JSE Listings Requirements and other regulations. For more on corporate governance please see page 118.

LEGAL MATTERS

We endeavour to avoid litigation and legal disputes, but when they do arise we aim to resolve them in a timeous manner that results in the best long-term outcomes for the company and its stakeholders. Pleasingly, the two most important – and related – legal and contractual issues facing us were resolved late in 2013. For more on this see page 86.

OUR EXTERNAL ENVIRONMENT

Our external environment is complex and ever-changing. Our risk management process, described on pages 20 to 29, and the identification of material issues, described on pages 36 to 37, provide a more detailed account of particular issues.

Our external commercial environment is discussed extensively on pages 84 and 85.

In the regulatory sphere, a critical issue for us, as for many other mining companies were the amendments to the Mineral and Petroleum Resources Development Act (MPRDA). We have participated in the efforts of Anglo American plc and the Chamber of Mines of South Africa to co-create this all important piece of legislation with government. We are pleased that the Amendment Bill approved by Parliament in March 2014 has addressed the majority of our concerns that were in the initial draft Bill published in December 2012. These include:

- the removal of the provision on concentration of rights
- conditions required to ensure security of supply for local beneficiation to be determined in collaboration with a Ministerial Advisory Committee which will include industry representatives. This eliminates concerns around ministerial discretion

- export consent required from the minister only when the exporter is not the producer
- owners of residue stockpiles or deposits having an exclusive right to apply for the inclusion of such into their mining right

A second critical issue for resolution in 2014, following initial consideration during 2013, is the review of the Mining Charter, the current lifespan of which is due to expire at the end of 2014. The Department of Mineral Resources (DMR) has commissioned a survey on companies' compliance with the Charter, and this is likely to provide a foundation for negotiations between government, industry and organised labour on what lies ahead.

Labour relations in the mining sector continue to be impacted by the inter-union rivalry of the Association of Mineworkers and Construction Union (AMCU) as opposition to the previously uncontested dominance of the National Union of Mineworkers (NUM). However, Kumba has not experienced any inter-union rivalry to date, and while AMCU has applied for recognition at Kumba, the union has not yet achieved the requisite level of representation.

For detailed discussions on Community relations and Employee relations see pages 52 to 66 of our Sustainable Development Report 2013.

OUR FUTURE

Kumba continues to invest in the development and expansion of our business to ensure future sustainability. In 2013 we spent R6.5 billion (2012 restated: R5.9 billion) on capital comprising R1.1 billion on growth projects, R4.5 billion on stay-in-business (SIB) capital and R0.8 billion on deferred waste stripping.

SIOC reported total attributable ore reserves of 1.07 billion tonnes (2012: 1.1 billion tonnes) and attributable mineral resources of 1.2 billion tonnes (2012: 1.2 billion tonnes) at the end of December 2013. This is reported in accordance with the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC). For more information see pages 88 to 111.

Kumba's strategy for growth comprises two parts. First, in South Africa, we aim to leverage our current mining right holdings and existing infrastructure to develop a project pipeline that enables optimal levels of production. In addition we also need to grow to meet the requirements of the market. While this strategy remains intact, there has been a reprioritisation in the phasing of projects and specific deliverables of various components of this pipeline. Second, in partnership with Anglo American plc, Kumba is continuing with exploration for potential expansion into west and central Africa to develop a second footprint. For more on this see pages 78 to 81.

Our primary focus for 2014 is the effective execution of our new mine plans in line with our strategy. For more on this see page 16.

SALIENT FEATURES

KEY STATISTICS

	2013	Restated ¹ 2012	2011	2010	2009
Production (Mt)					
Sishen mine	30.9	33.7	38.9	41.3	39.4
Kolomela mine	10.8	8.5	1.5	–	–
Thabazimbi mine	0.6	0.8	0.9	2.0	2.6
Sishen mine FOR² unit cost					
Unit cost (R/tonne)	325.28	257.39	178.90	128.65	111.12
Cash cost (R/tonne)	266.94	197.75	150.47	113.69	98.83
Unit cost (US\$/tonne)	33.81	31.43	24.68	17.62	13.24
Cash cost (US\$/tonne)	27.75	24.15	20.75	15.57	11.78
Kolomela mine FOR unit cost					
Unit cost (R/tonne)	240.97	255.69	–	–	–
Cash cost (R/tonne)	181.81	180.20	–	–	–
Unit cost (US\$/tonne)	25.05	31.22	–	–	–
Cash cost (US\$/tonne)	18.90	22.00	–	–	–
Stripping ratio					
Sishen mine	4.1	3.5	2.6	1.9	1.8
Kolomela mine	3.5	3.3	7.1	–	–
Thabazimbi mine	29.4	28.9	25.8	14.6	5.4
Logistics (Mt)					
Total volumes railed to port of Saldanha Bay (incl. Saldanha Steel)	39.7	40.0	39.1	36.5	34.6
Total volumes loaded at port	39.3	38.5	37.6	36.7	34.6
Sales volumes (Mt)					
Export sales	39.1	39.7	37.1	36.1	34.2
Domestic sales	4.6	4.7	6.4	7.0	5.8
LoM (years) (incl. inferred resources) (Mt)					
Sishen mine	19	18	21	20	21
Kolomela mine	25	29	27	28	28
Thabazimbi mine	10	6	6	6	6
LTIFR (per 200,000 hours worked)					
Sishen mine	0.21	0.10	0.08	0.15	0.10
Kolomela mine	0.20	0.04	–	–	–
Thabazimbi mine	0.14	0.10	0.1	0.25	–
CED expenditure (Rm)					
Sishen mine	105.3	72.3	73.6	72.1	19.4
Kolomela mine	51.7	77.9	30.9	38.9	0.3
Thabazimbi mine	8.9	14.9	9.2	16.8	1.3
Amount spent on housing (Rm)					
Sishen mine (including LHC) ³	551.8	398.1	181.0	44.0	38.0
Kolomela mine ⁴	–	511.0	403.0	–	–
Thabazimbi mine ⁵	–	9.0	10.3	7.1	4.0
Houses constructed/converted (units)					
Sishen mine (including LHC)	310	1,166	172	39	342
Kolomela mine	103	335	280	–	–
Thabazimbi mine	–	–	–	–	–

	2013		2012		2011		2010		2009	
	Full time	Contractors	Full time	Contractors	Full time	Contractors	Full time	Contractors	Full time	Contractors
Employees										
Sishen mine	5,104	3,099	5,303	2,910	4,412	3,425	4,173	4,217	3,868	1,199
Kolomela mine	1,065	1,649	1,030	811	771	640	534	28	241	7
Thabazimbi mine	791	269	852	470	815	889	806	974	821	693

1 Restated as a result of the adoption of IFRIC 20 *Stripping costs in the production phase of a surface mine*.

2 Free on rail.

3 Lakutshona Housing Company.

4 Spend for housing at Kolomela mine is part of the expansion project and included in capital expenditure.

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

OUR BUSINESS MODEL

WHAT DRIVES OUR BUSINESS?

Mutually beneficial **partnerships**
Safe, healthy thriving **people**

Well utilised **assets**

Consistent financial, operational
and social **performance**

EXPLORATION

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

On-mine, exploration and resource definition drilling is conducted to increase the confidence in the geological models, which are updated on an annual basis in support of the LoM and long-term planning process as well as the annually published Ore Reserves and Mineral Resources Statement.

SP Delivery on growth projects

SP Optimising value of current operations

MINING



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

SISHEN MINE

Northern Cape province

2013: 30.9Mt production

2013: 167.8Mt waste mined

KOLOMELA MINE

Northern Cape province

2013: 10.8Mt production

2013: 46.7Mt waste mined

THABAZIMBI MINE

Limpopo province

2013: 0.6Mt production

2013: 26.5Mt waste mined

SP Optimising value of current operations

SP Organisational responsibility and capability

PROCESSING

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

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

FURTHER BENEFICIATION

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

SP Capturing value across the value chain

WHAT EFFECTS DO WE HAVE?

Looking after our people

Our employees are the core of our business and we dedicate time to hiring the right people, providing training and development opportunities, and entrenching effective health and safety programmes.

► For more information, [turn to page 68](#)

Sustainable performance

A solid performance ensures the company can continue to deliver on its promises to all stakeholders.

► For more information, [turn to page 42](#)

Footprint management

We understand the limits of natural resources and endeavour to manage these responsibly, while mitigating our impacts.

► For more information, [turn to page 74](#)

Corporate social investment

Among our key partnerships is our relationship with our communities. During 2013 we invested R253.7 million in various projects aimed at leaving a lasting legacy, which were delivered in consultation with the relevant communities.

► For more information, [turn to page 72](#)

Asset optimisation

During the year, in line with our strategy, we reviewed our operations and developed plans to ensure they are utilised optimally.

► For more information, [turn to page 60](#)

Innovation and research

In order to sustain our future we need to innovate. Our technical division has spent much of 2013 looking into new technology to help us maximise our available resources.

► For more information, [turn to page 78](#)

Responsibly managed
natural resources

Competitive
ideas and innovation

Sound corporate governance

► For more information, turn to page 118

BLENDING AND OUTBOUND LOGISTICS

Blending

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

Outbound logistics

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

SP Capturing value across the value chain

SHIPPING, MARKETING AND SELLING



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

SP Capturing value across the value chain

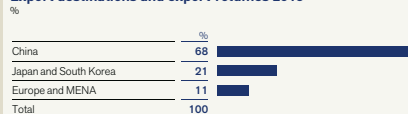
REHABILITATION AND ENVIRONMENT

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

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

SP Organisational responsibility and capability

Export destinations and export volumes 2013



PEOPLE ARE CENTRAL
TO OUR OPERATIONS



WHERE ARE WE GOING?

Short term

Maximise the value of our current operations within our current logistical capacity

Medium term

Optimise and execute the growth of our South African project pipeline

Long term

To explore opportunities in west and central Africa to maximise potential future investment and growth on the continent

► For more information, turn to page 16

CHAIRMAN'S REVIEW



Fani Titi
Independent non-executive
chairman

For Kumba 2013 was a year of transition in which we revised our strategy and strengthened our purpose in the face of both challenges and successes. It was the first full year at Kumba for many of our leadership team, including the CEO, the chief financial officer and myself, and we saw a new leader at the helm of our majority shareholder, Anglo American plc. These changes, coupled with the changing needs of the company, gave us an opportunity to dig deeper into examining what we wanted to achieve and how we planned to do it. Looking forward, I believe we are on the right track.

SAFETY

We are pleased to have operated without any loss of life in 2013. Our performance in respect of lost-time injuries (LTIs) was however, unsatisfactory as we saw an increase in these across our operations. The labour disruptions in 2012 and the subsequent ramp-up at Sishen mine made safety a challenge at this mine. The safety of our employees was, and remains, our first priority – and we will sharpen our focus on this in the period ahead. In addition, the rewards of all managers and executives are based, in part, on the safety performance of the company.

REVISED STRATEGY

One of our material issues in 2013 is the ability to adapt to a changing landscape – a skill that is vital to the survival and success of any business. During 2013 we saw our landscape change significantly and the combination of both internal and external factors has naturally meant revisions in strategy. External influences included the volatility in the market demand and the general sentiment in South African mining. Internal factors encompassed the redesign of Sishen mine, the continued ramp-up of Kolomela mine, the final judgment from the Constitutional Court, and the new supply agreement signed with ArcelorMittal SA.

Taking all this into consideration we revised our strategy, making it more flexible. This flexibility allows the company to adapt implementation plans to appropriately meet

challenges and changes while still achieving strategic goals. These goals are to effectively optimise our current operations and grow our South African pipeline with the development of the second footprint elsewhere in Africa remaining a long-term priority.

OPTIMISING OUR PORTFOLIO

The toughest challenges of 2013 were addressing the on-going pit constraints, together with the safety stoppages at Sishen mine that impacted production. After significant review and introspection during 2013, we have restated our LoM production forecasts and expectations, based on a better understanding of the ore body. A production recovery plan to address the current pit constraints, and a longer term mining strategy, were developed and are being implemented. I am certain that we are taking the pain now that will allow us more confidence in our plans for the future. For more on the work done and the plans in place see page 61. Pleasingly, in February 2014 we were granted the mining right for the rail properties at Sishen mine, allowing us to proceed with the mining plan.

At Kolomela mine production has exceeded expectations and we are confident we will be able to sustain this good performance. It is our intention to achieve this without committing the error of pursuing short-term production gain at the cost of long-term sustainability. For more on this see page 62.

Thabazimbi mine has become a more commercial operation in the Kumba portfolio, having changed from being a mine captive to ArcelorMittal SA, through the new supply agreement concluded in November 2013. The mine will be undergoing a major reconfiguration which will take some time to progress. For more on this see page 62.

EMPLOYEE RELATIONS – A KEY PRIORITY

Employees are, and always have been, the cornerstone of Kumba. A critical internal focus in 2013 has been stabilising employee relationships after the contagion effect of events in the gold and platinum sectors extended to and exacerbated underlying tensions at our own operations in October 2012. We have sought to understand the issues that resulted in the unprotected strike at Sishen mine in 2012 through extensive employee engagement. In addition we have put much effort into employee and union relationships during the year under review and hope this will allow us to enter the 2014 wage negotiations on a good footing with our employees and their unions.

LEGAL RESOLUTIONS

Another priority issue for Kumba in 2013 was making progress on the dispute with ArcelorMittal SA and the related

During 2013 we saw our landscape change significantly and the combination of both internal and external factors has naturally meant revisions in our strategy.

dispute with the DMR and Imperial Crown Trading 289 Proprietary Limited (ICT), which was heard in the Constitutional Court:

- By November 2013 we had reached a set of far-reaching agreements with ArcelorMittal SA that settled all the uncertainties related to our relationship. This agreement also provided an opportunity for us to address government's imperative of seeking to ensure that steel should be supplied into the local markets on the basis of what it terms developmental pricing. The agreement is private between the two companies, but we approached it with the 'developmental pricing' concept in mind. The agreement offers the country's manufacturing industry some additional security of iron ore supply and favourable prices relative to EPP, which can only assist the beneficiation drive that is the basis of the country's industrial policy, and a pillar of the Mining Charter.
- The judgment given by the Constitutional Court in December 2013 in respect of the 21.4% Sishen mining right represents a win for both Kumba and the DMR. It has provided welcome clarity for us on our mining rights, and it has provided clarity for government on its role in the awarding of mining rights. We have applied to the DMR for the outstanding 21.4% Sishen mining right and expect this will be granted in the first half of 2014.

We do not believe there are any fundamental obstacles to a good relationship with government – it is something we put time into, and our approach is based on finding solutions and making plans that are beneficial to all involved. We aim to ensure that when our business does better, the state, our communities and all other stakeholders share in the benefits.

With the resolution of the mining rights and the ArcelorMittal SA relationship we are now in a position to manage and control many of the issues we face. In recent times we have owed our shareholders assurance on our ability to deliver, both in operational execution, and in effectively managing our regulatory challenges. Regarding the latter, distinct progress has been made; regarding the former, we expect to see the results of revised strategy execution in 2014. For more on legal matters see Securing our future on page 86.

IRON ORE MARKET EXPECTATIONS

In 2013 market prices exceeded our expectations even as supply from Australia and Latin America grew at a faster rate than demand. On the positive side, economic conditions in the US improved, stabilised in Europe, and growth in China was also stronger than expected.

Our customer base and secure customer relationships are our strengths. Last year I visited key customers in Asia, which gave me a chance to discuss aspects of our relationships that

they viewed either negatively or positively. These visits are an essential part of our efforts to develop and maintain strong partnerships with key stakeholders – our customers being vital to our ability to carry out our business. Pleasingly, even during our more difficult production periods, we were always able to maintain supply to our key customers. For more on this see Accessing our markets on page 84.

BUILDING ON COMMUNITY RELATIONSHIPS

We are satisfied with the quality of our relationships with communities around our operations. Dividends to the SIOC-CDT continue to flow. Our fundamental approach to host communities benefit and relations is the idea of shared growth – a recognition that the generation of financial and social value is mutually reinforcing, rather than requiring trade-offs between the two. Our success and that of our communities depend on each other.

CORPORATE GOVERNANCE

The board of directors has a duty to the company to ensure it carries out its role to the best of its ability – by ensuring the company has a strategy in place that can adapt to changes; that it sets a tone at the top that translates into a culture the people at Kumba can live up to; and that it ensures the company acts in accordance with the company's ethics and values. The combined effect of this is a company in which employees are motivated to achieve strategic goals while always acting ethically and safely. This is something the board takes seriously and something that we, and the people of Kumba, continually work to uphold.

During 2013 we bade farewell to David Weston who resigned as a board member, which coincided with his retirement from Anglo American plc. We thank David for his invaluable contribution to the company and we wish him well. At the same time we welcomed Tony O'Neill as a non-executive director. Tony brings extensive experience in the mining industry. I am pleased that we continue to strengthen our board capacity in three key areas: technical expertise, stakeholder relations, and regulatory matters.

I extend gratitude to all board members for their work and commitment to the company during 2013. They have reviewed and approved, among other things, the new supply agreement with ArcelorMittal SA, the studies and plans at Sishen mine, KPIs for the company, and this Integrated Report. However, good corporate governance does not just take place within the walls of a boardroom. In 2013 the board's activities included visits to operations and meetings with stakeholders, employees, investors and customers to build strong partnerships, as well as to enable the board to understand matters of key importance to both the company and its stakeholders first hand. For more on this see the Corporate governance review on page 118.

Opposite
Ore being stacked at the
Saldanha iron ore
terminal.

SOUTH AFRICA AS AN INVESTMENT DESTINATION

We, like many other mining companies, are affected by our country of domicile. South Africa is seen in the outside world as underachieving its economic potential. The National Development Plan (NDP), adopted by government, contains the seeds of a turnaround. The NDP is supported by the entire business community, including Kumba, but there is uncertainty regarding implementation of the economics and labour chapters.

This absence of certainty continues to erode our position as a nation. We need to accept that we cannot wait to achieve unanimity before we proceed with the implementation of the NDP. Furthermore, we need to implement the plan with determination, and to communicate effectively to the world that we are doing it well.

Education is a key area that needs to be addressed in South Africa and the NDP highlights the need to radically improve the quality of our education. The long-term competitiveness and attractiveness of the South African economy is critically dependent on achieving this objective. We have tried to play a role in turning this around through our work on early childhood development in the last few years – work that we are proud of. For more on this see page 78 of our Sustainable Development Report 2013.

In the regulatory sphere, a critical issue for us, as for many other mining companies were the amendments to the MPRDA. We are pleased that the Amendment Bill approved by Parliament in March 2014 has addressed the majority of our concerns that were in the initial draft Bill published in December 2012. A second critical issue for resolution in 2014, following initial consideration during 2013, is the review of the Mining Charter. The DMR has commissioned a survey on companies' compliance with the Charter, and this is likely to provide a foundation for negotiations between government, industry and organised labour on what lies ahead. We will continue to work with government to ensure a thriving mining industry in South Africa.

A TRIBUTE

To conclude, on behalf of the board and all the people of Kumba, I would like to pay tribute to former president Nelson Mandela who passed away in December 2013. Just six months after ascending to the presidency of our country, speaking at a Chamber of Mines annual general meeting, Nelson Mandela set out his vision for the industry. After acknowledging the industry's centrality to the economy as well as the other side of the historical coin – the unjust features of the labour and social system on which the industry was based – he stated: "The mining industry, by virtue of the place it occupies in our economy, is in a position to make a special contribution to the transformation of our society, which should have as its central objective, improving the quality of life of all its citizens."

We applaud his statement and we remain committed to the task he set us. His example of selfless but decisive leadership was driven by the objective of achieving a better life for all. More than ever we should commit ourselves to his vision, and strive to protect his legacy by continuing his work.

Fani Titi

Chairman



“THE MINING INDUSTRY, BY VIRTUE OF THE PLACE IT OCCUPIES IN OUR ECONOMY, IS IN A POSITION TO MAKE A SPECIAL CONTRIBUTION TO THE TRANSFORMATION OF OUR SOCIETY, WHICH SHOULD HAVE AS ITS CENTRAL OBJECTIVE, IMPROVING THE QUALITY OF LIFE OF ALL ITS CITIZENS.”

Nelson Mandela, former president of South Africa, 1994 to 1999

INTEGRATING WHAT WE DO

VISION: People making a difference in a company making a difference

STRATEGY: Revised during 2013, focus areas prioritised

MATERIAL ISSUE 1: ENHANCING VALUABLE PARTNERSHIPS



- Effective stakeholder engagement drives business value.
- We continue to engage with the Dingleton community on the approved relocation and Kumba has committed R4.2 billion capital to this process over the next four to six years.

KPIs

The issue is measured in accordance with Kumba's stakeholder management policy, other Anglo American plc policies and standards endorsed by Kumba, as well as international standards including King III, AA1000 SES, ISO9000 and IFC.

▶ Refer to Stakeholder engagement on page 30 for more details of who we consider our stakeholders and how we engage with them

Our key risks related to this issue:

- Labour relations and talent pipeline
- Stakeholder relationships
- Reliance on third-party infrastructure
- Workers' safety and health

All our stakeholders are affected by this issue

HOW WE DO BUSINESS IS HOW WE DRIVE VALUE

▶ Refer to page 08 for Kumba's business model

MATERIAL ISSUE 2: PROACTIVELY ADAPTING TO A CHANGING LANDSCAPE



- Sishen mine plan optimised to ramp-up production to 37Mtpa by 2016.
- Kolomela mine to sustain production of 10Mtpa.
- By understanding our customers' needs we are able to develop and deliver the appropriate, high quality products at the right time.
- Project pipeline to grow production in South Africa to optimal levels.
- Exploration for potential expansion into west and central Africa progressing in Liberia and Gabon.

KPIs	2014 guidance	2013	2013 guidance	2012
Produce according to plan				
• Production (Mt)	45 to 46	42.4	~46	43.1
Mine waste effectively				
• Sishen waste mined (Mt)	~220	167.8	170 to 180	133.5
• Kolomela waste mined (Mt)	~40	46.7	~45	33.5
Containing our costs				
• Sishen unit cash costs (R/tonne)		266.90	Increase in line with waste mining	197.80
• Kolomela unit cash cost (R/tonne)		181.80	~180	180.20
Logistics				
• Tonnes railed (Mt)		39.7		40.0
Sales volumes				
• Export (Mt)	In line with 2013	39.1	~40.0	39.7
• Domestic (Mt)	ArcelorMittal SA Supply agreement: 6.25Mtpa	4.6	~4.8	4.7

▶ Refer to Sustaining our business on page 60 for more detail

▶ Refer to Accessing our markets on page 84 for more detail

▶ Refer to Growing our business on page 78 for more detail

Our key risks related to this issue:

- Commodity markets
- Operational performance
- Mining legislation and other regulatory changes

Our key stakeholders:

- Business and industry
- Internal (including employees and unions)
- Investment community
- Customers

Our remuneration policy is designed to ensure fair, equitable and consistent application of remuneration principles, and reward is informed by performance against our KPIs.

▶ Read about this on page 129

MISSION: To be a leading value-adding supplier of iron ore to the global steel industry

► Read more on our Strategy on page 16



MATERIAL ISSUE 3: RESOLVING OUR LEGAL MATTERS

- Supply agreement concluded with ArcelorMittal SA settles all disputes and provides security of supply and favourable pricing relative to EPP of iron ore for the domestic market. Thabazimbi mine functions as a more commercial operation from 2014.
- Constitutional Court judgment on the 21.4% Sishen mining right dispute provides clarity. SIOC re-applied to be granted this right in 2014 and active engagement with the DMR continues.

► Refer to Securing our future on page 86 for more detail

KPI

We endeavour to avoid litigation and legal disputes, but when they arise, we aim to resolve them in a timeous manner that results in the best long-term outcomes for Kumba and its stakeholders.

Our key risks related to this issue:

- Mining legislation and other regulatory changes
- Legal matters

Our key stakeholders:

- Government, regulatory and political
- Business and industry
- Investment community

WE RESPOND TO OUR MATERIAL ISSUES THROUGH MANAGING RISKS AND OPPORTUNITIES

Refer to page 20 for our dynamic risk management process



MATERIAL ISSUE 4: DELIVERING A SUSTAINABLE FUTURE

- Resource replacement to protect production, and to deliver a sustainable future for the company and its stakeholders.
- Keeping our employees safe and helping them grow and develop on the job are key to sustain productive operations.
- Minimising the impact of our mining operations on the environment through prevention and mitigation initiatives.
- On-going investment in, and development of our host communities.

KPIs

	2013	2012
Zero Harm		
• LTIFR	0.18	0.10
• Fatalities	0	2
Transformation		
• HDSAs in management (%)	55	52
• Women in core mining (%)	13	13
Employee training and development		
• Trainees	557	450
• Spend (R million)	276.7	224.2
• Training hours per employee (on average)	72	81
Housing units constructed	413	1,501
Community engagement and development	253.7	275.6
Water used for primary activities (million m ³)	8.59	8.80
Energy consumed (million GJ)	9.34	7.59
Greenhouse gases (Mt CO ₂ e) (scope 1 and 2)	1.08	0.94

► Refer to Sustaining our business on page 60 for more detail

► A comprehensive review of our ore reserves and mineral resources is included on page 88

Our governance structure, policies and procedures underlie and inform everything we do.

► Read about this on page 118

Our key risks related to this issue:

- Workers' safety and health
- Social licence to operate
- Stakeholder relationships
- Securing our growth

Our key stakeholders:

- Government, regulatory and political
- Civil society (including communities)
- Internal (including employees and unions)
- Investment community

OUR STRATEGY

Defining a new path

2013 was a defining year for Kumba. As our landscape altered due to operational challenges, legal matters and changes in leadership, we were able to re-assess our business and more clearly define where we wanted to go and how to get there. During 2013 we took a fresh look at our strategy and, while the pillars on which it rests remain the same, we have revised and prioritised the focus areas.

Some of the following external and internal factors had an impact on our strategy implementation.

- External
 - iron ore prices in response to global supply and demand, and market sentiment
 - the constrained capital environment
 - proposed legislative and regulatory changes in South Africa
 - labour unrest in the South African mining industry impacting general sentiment
- Internal
 - resource reclassifications, waste ramp-up and review of Sishen mine's operations
 - Constitutional Court decision on the Sishen mining rights issue

- successful commissioning and ramp-up of Kolomela mine
- Thabazimbi mine moved from a captive to a more commercial operation

Taking all this into consideration we adopted a more flexible strategy allowing us to address the challenges we face. Our revised strategy takes cognisance of the external and internal factors that shape our business and allows us to adapt our implementation plans appropriately.

One of the most significant changes was the renewed focus on optimisation and efficiency as driving factors of our business. This was emphasised during the year by Anglo American plc when launching the Driving Value initiative, which focuses on operational and organisational efficiency. Organisational efficiency focuses on four core areas of our business:

- organisational efficiency, including the mining operations, head office and Kumba as a whole
- supply chain efficiency
- commercial efficiency
- capital portfolio efficiency

Making strategy part of each day

At Kumba we believe an essential part of strategy implementation is to ensure that every member of the company understands the strategy and their role in it.

It is common for strategy to be treated as the preserve of senior management. Our strategy revision led us to realise that, in order for it to work, everyone needs to understand company strategy and the part they play in it. Consequently, we have developed a communications plan for our strategy roll-out in 2014 that explains our goals to each individual and allows them to understand how their job fits into it.

In addition we align individual performance targets to the strategy to ensure every individual has line of sight of their contribution to our endeavours.

Our strategic objectives

Our short-, medium- and long-term goals can be seen as building blocks, with each one leveraging the achievements of the previous step/s.

- **Short term** (one to two years) – to maximise the value of our operations within our current logistical capacity
- **Medium term** (around five years) – to optimise and execute the growth of our South African project pipeline
- **Long term** (longer than five years) – to explore opportunities in west and central Africa to maximise potential future investment and growth on the continent

Progress against these objectives is tracked via a dedicated programme support office.



01 Kumba is a leader in the development of women for core mining positions. With a giant Caterpillar haul truck are Boitumelo Mosala, assistant foreman, and Tshagofatso Loeto and Keimmetse Tsele, both haul truck operators, before starting their shift at Sishen mine.

VISION

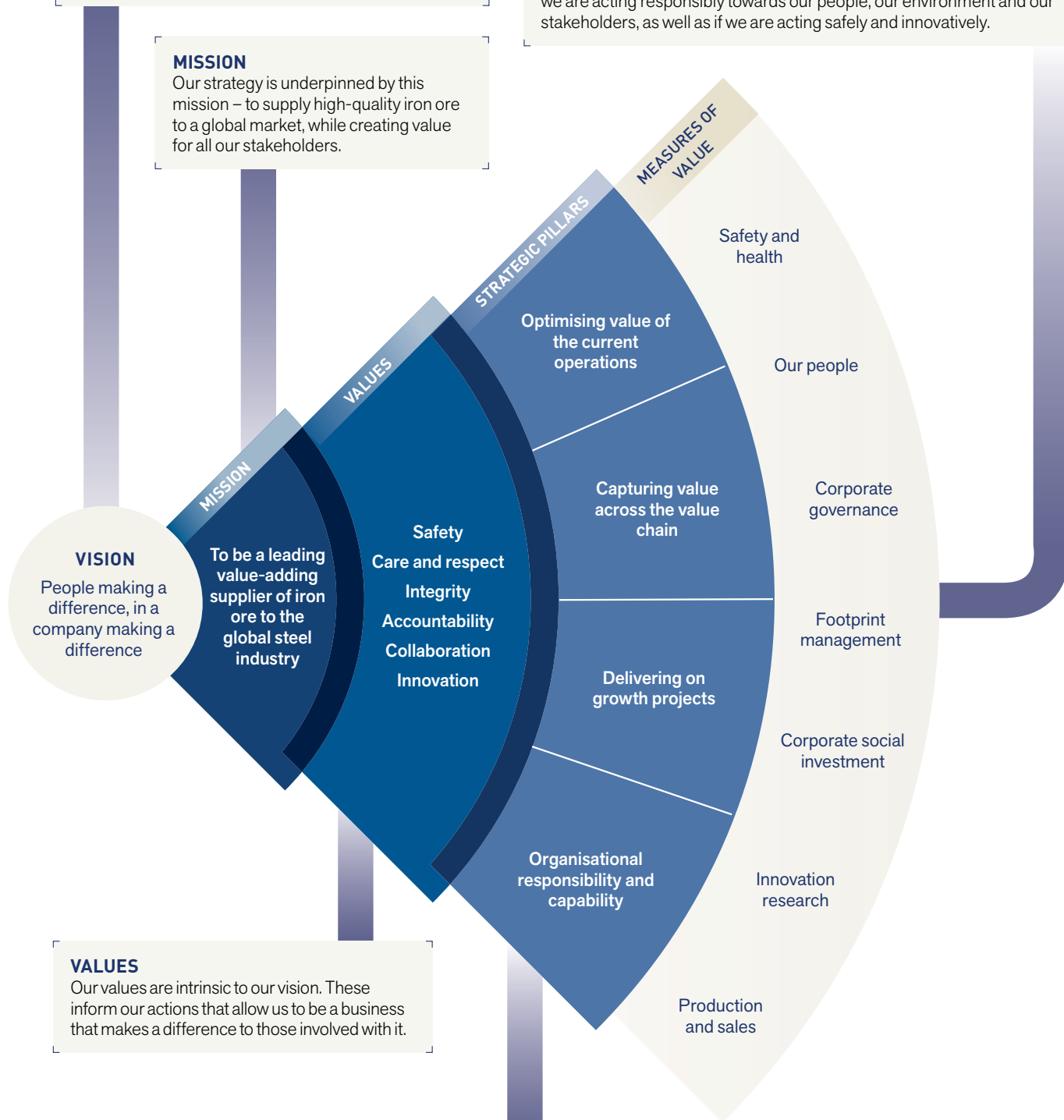
Our vision is what we hope to be as a company – we want to make a difference in the lives of all our stakeholders, in our industry and in South Africa.

MISSION

Our strategy is underpinned by this mission – to supply high-quality iron ore to a global market, while creating value for all our stakeholders.

MEASURES OF VALUE

We like to know, as a company, if we are performing as well as we can. To know this we need to measure ourselves. We do this against these seven measures, or KPIs. These are linked to our values and we consider whether we are acting responsibly towards our people, our environment and our stakeholders, as well as if we are acting safely and innovatively.



VALUES

Our values are intrinsic to our vision. These inform our actions that allow us to be a business that makes a difference to those involved with it.

STRATEGIC PILLARS

These are what support our strategy – the four things we consider when setting goals: are we using our operations to the best of our ability, are we creating value for all involved, are we able to grow the business and is this a responsible action? Most of what we do in Kumba comes back to these four things.

OUR FOUR STRATEGIC PILLARS

OPTIMISING VALUE OF THE CURRENT OPERATIONS

Pursuing a value-maximising product portfolio that seeks the best fit between market demand and our resources. Kumba seeks to contain unit costs, and improve productivity and operational efficiencies through its asset optimisation programme. The group aims to use its technical expertise and resources to drive a technology strategy that achieves a competitive advantage by increasing the exploitation of lower grade ore resources, securing growth from South African and future resources in west and central Africa.



Strategy in action 2013

- Asset optimisation
- Low-grade resource technology research and testing
- Continued success at Kolomela mine
- Driving Value*

* Driving Value is an Anglo American plc change programme which focuses on the immediate challenges of revitalising the business while laying the foundation for success over the longer term.

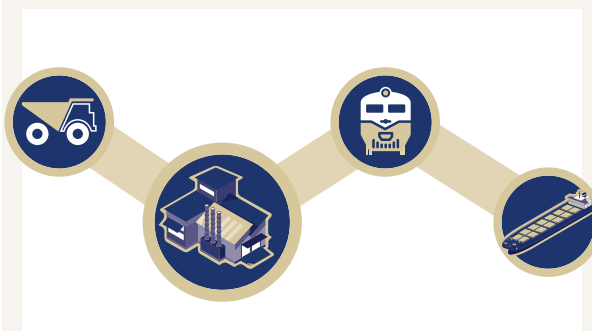
Planning for 2014

- Increase production at Sishen mine
- Meet contractual obligation for IOEC
- Roll-out of Driving Value
- Mining right in relation to the railway properties at Sishen mine was granted in February 2014

 For more information, turn to page 60

CAPTURING VALUE ACROSS THE VALUE CHAIN

Exploiting the physical properties of our ore to develop niche lump-sized products, pursuing an optimal iron ore pricing mechanism, and securing a balanced geographical spread of customers to maximise profits and minimise risk. The group's ocean freight management strategy will create value and protect free-on-board margins through the use of various long-term freight instruments and potential investment through port stockpiles. Kumba will investigate blending opportunities at its current operations, ports of origin and at ports of destination to enhance ore utilisation and achieve optimum product value.



Strategy in action 2013

- Relocation of commercial organisation to Singapore
- Introduction of triangular shipping
- Increase in total volumes shipped

Planning for 2014

- Anticipate decline in iron ore demand after first half and planning appropriately
- Roll-out of triangular shipping

 For more information, turn to page 84

DELIVERING ON GROWTH PROJECTS

The best way to deliver on growth projects is through their successful execution. In South Africa, Kumba aims to pursue greenfields and brownfields growth targets and seek to use its existing lower grade resources, as well as secure and protect the requisite logistical capacity in the short, medium and long term at economical tariffs. The group will seek value-enhancing volume growth in Africa, with a particular focus on west and central Africa in partnership with Anglo American plc.



Strategy in action 2013

- Change in growth strategy to suit changing needs of the business
- Continued exploration in Africa outside of South Africa

Planning for 2014

- Firming up revised growth portfolio
- Progressing studies in Liberia and Gabon
- Low-grade resource research for ore replacement and potential growth

 For more information, turn to page 78

ORGANISATIONAL RESPONSIBILITY AND CAPABILITY

Kumba will seek to create and leave a positive legacy in the communities in which it operates and, through its commitment to safety and health, environmental management and corporate social investment (CSI), become the partner of choice for the broadest range of stakeholders. Kumba's structure, resources and competencies will be aligned to ensure delivery of its current and emerging strategy of being a leading African growth company.



Strategy in action 2013

- Improved employee communication, after the unprotected strike at Sishen mine in 2012
- Concurrent rehabilitation project at Kolomela mine
- R253.7 million invested in CED
- Successful continuation of Kolomela housing project
- Supply agreement concluded with ArcelorMittal SA
- Constitutional Court judgment provides clarity on 21.4% Sishen mining right

Planning for 2014

- Improving safety performance at the mines
- Change-management in line with Driving Value
- Continue actively engaging with the DMR on 21.4% Sishen mining right
- Continue to nurture stakeholder relationships

 For more information, turn to page 64

MANAGING OUR RISKS AND OPPORTUNITIES

The board has delegated the oversight of risk management to the risk committee

RISK STRATEGY/AGENDA

Kumba's risk management objectives are intended to achieve the following:

- Foster a culture that is well informed, proactive, responsive and accountable in the delivery of the organisational goals
- Enhance decision making on the identification and management of risks and align this to the strategic, operational, reputational and compliance objectives
- Ensure that our desire to grow and sustain our business beyond our current operations is supported by an effective risk framework that promotes resilience under adverse and changing business conditions
- Assist in the design and enhancement of our policies and internal controls, thereby providing the necessary assurance to shareholders and other stakeholders on the management of significant and high risks that may impact the business

Our risk management maturity is independently assessed using the following drivers:

- **Governance** – meeting our purpose and mandate and considering whether we have adequate oversight for this process
- **People** – ensuring the adequacy of skills, resources and competencies to manage risk
- **Methods and practices** – using the right methodology, technology, integration, alignment, metrics and monitoring tools, as well as reporting frameworks

Highlights for 2013 and key themes for 2014

Additional work has been undertaken on our existing risk management practices to achieve a robust enterprise-wide approach to risk and performance, which includes:

- Consideration of how our key risks and opportunities are aligned to our key business and strategic objectives and alignment thereof
- Reviewing the accuracy of our inherent risks ratings and comparison with industry views, as well as considering both external and internal factors that may affect these
- Validation of the control effectiveness of each key risk, as well as the resultant residual risk ratings, and confirmation of actions to mitigate these risks
- Enhancement of our top-down and bottom-up reviews from members of management and members of the board in order to obtain the necessary evidence to support our views

Further to our governance improvements in 2013, management and the board has defined risk tolerance and appetite levels in order to build a stronger risk management culture and to drive risk governance from a holistic business perspective. In order to embrace this approach in 2014 these performance metrics will be guided by the following:

Risk tolerance – the boundaries of risk, outside of which the organisation is not prepared to venture in pursuit of its long-term objectives. This provides a context against which business performance can be evaluated, and ensures that the achievement of performance does not come at the cost of unacceptably high risk. Risk-tolerance levels are normally static with little expected variance over time and are to be set on an annual basis.

Risk appetite – the amount and type of risk an organisation is willing to pursue or retain. The setting of risk-appetite levels provides guidance to management and to the board about the risk in any given situation, and triggers the need for further mitigating actions if need be. Risk-appetite levels, which are evaluated against the tolerance levels set by the board, are context bound and are dependent on prevailing conditions based on the best available information at the time.

Our approach

The management of risks and opportunities remains a priority for Kumba, particularly in light of the changing and unpredictable environment we work in, as this will ensure that we adapt and improve our planning process, and performance, in a more proactive manner. Risk, the likelihood of experiencing loss, injury or damage, will always exist in any industrial environment, including mining. Specific risks may not be accurately predictable or entirely avoidable, but their incidence may be minimised and their outcomes mitigated.

Our approach is to anticipate risks to the fullest extent possible by achieving the right balance between identifying and understanding our key risks, allocating the right levels of resources to manage them, and aligning the risks we take and manage towards the achievement of business strategies and objectives, thereby achieving a competitive advantage.

Roles and responsibilities

Our risk-policy standard and procedures are supported by an integrated framework that regulates how Kumba manages risk across the company. The board has delegated the oversight of risk management to the risk committee, a subcommittee of the board, to which management reports on the entire risk management process on a regular basis.

Management takes responsibility for ensuring that internal controls are in place and operate effectively across the company in contributing to the delivery of business objectives. The coverage of our risk management activities covers all key operations and support functions and, in addition, ensures there are adequate monitoring and control functions responsible for the various lines of defence within the company's combined assurance framework. Our risk management champions are responsible for addressing business risks in a comprehensive manner; on-going monitoring and escalation of risk in order to provide greater clarity and guidance; enhanced consistency across functions; and better transparency in order to facilitate the decision making process.

Risk assessment

Our risk-assessment process is carried out through a structured risk management framework and methodology that is used to identify key risks at group business units, operations and projects. The risk management process includes risk workshops at least once a year at business units and sites, and at crucial stages of every project. A board risk workshop is also held annually to provide a top-down view of risks and align this to management views, taking into account internal and external factors. During this process each key risk is analysed in terms of likelihood and also in terms of consequence type (financial, safety, health, environment, legal/regulatory, social and reputational). Consideration of the efficiency and effectiveness of current controls to mitigate the risks identified is then undertaken in order to determine any additional controls that may need to be implemented.

Risk response and communication

A prioritised register of risks is drawn up from each assessment process. Records of risks assessments are maintained that form the basis for our reporting protocols. In line with our policies and methodology, our risks are then rated in order of importance, while on-going monitoring and escalation of key risks become more robust with greater clarity and enhanced consistency across all functions.

Enhanced reporting to the executive management team and to the board has become increasingly important and plays a major role in decision making across the organisation.

Overview of Kumba's risk management process

To summarise, our risk management process follows five methodical and integrated steps as summarised in the table below.

IDENTIFYING AND PURSUING OPPORTUNITIES

We also understand the careful balance between risks and opportunities, and try to use our management of risks to find insight into opportunities that allow us to develop as a company and achieve our strategic objectives. When considering opportunities, we look not only at current opportunities but also at future ones that can help strengthen our strategy in years to come. Kumba's management considers the company's key opportunities to be:

- Availability and reliability of **emerging technologies** that allow us to adapt to growth markets and allow for more efficient use of resources
- Ensuring our mining activities are conducted in an acceptable manner and excelling on social dividends provided to stakeholders so as to maintain and protect our **social licence to operate**
- Growing demand for iron ore in **emerging markets** supported by continued exploration activities to achieve volume growth
- **Improving the execution of strategy across the business functions** through the alignment of cultures/values, key business processes and the leadership/talent required to deal with challenges faced
- **Investment in information technology** that can drive analytical, functional and administrative processes and that provides an opportunity to enhance our business efficiency, without necessarily enhancing information privacy and other related risks
- Increasing open channels of communications and transparent reporting allowing us to easily tell our story as well as **strengthen our relationship with stakeholders** that will hopefully lead to a strong, sustained performance
- **Global optimisation** through the relocation of key functions. As Kumba executes an optimisation programme tailored to meet its needs, this is done in an efficient manner to derive critical benefits of scale

Summary of Kumba's risk-management process

Identifying principal risks and opportunities that significantly affect achievement of the company's strategic objectives

Assessing the likelihood of risks and opportunities materialising

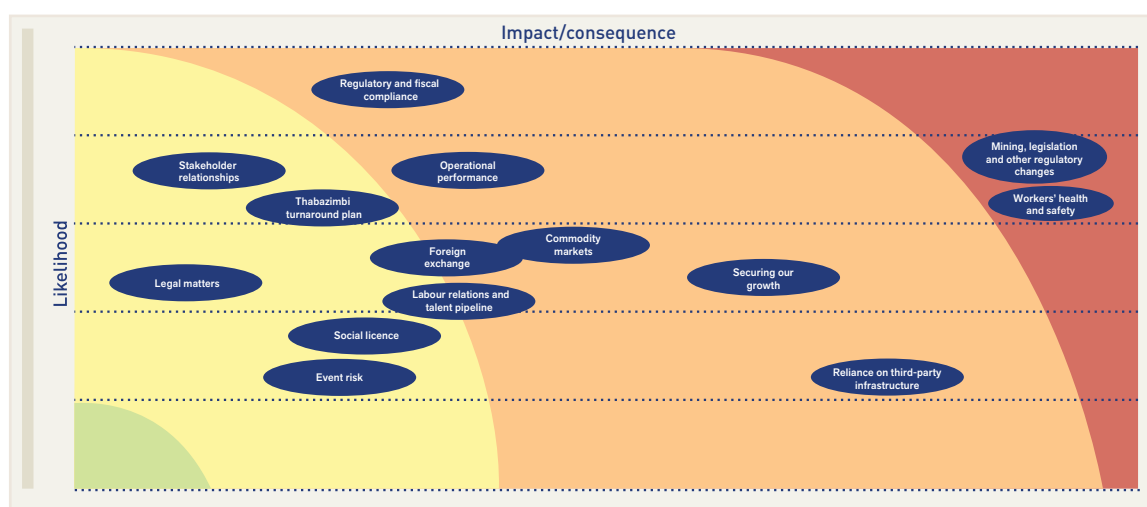
Ensuring that appropriate controls and responses are in place to mitigate the risks and to manage identified opportunities

Regularly analysing and monitoring the effectiveness of our current controls and introducing improvements

Regular and timely reporting to Exco, the risk committee and the board

Overview of key risk factors

An overview of our key risks and how these are aligned to Kumba's material issues and strategic objectives are outlined on pages 14 and 15, as well as in the heat map below.



GOVERNANCE IN ACTION

The board held its annual risk workshop in the third quarter of 2013. Here, it reviewed the global and domestic risk environment, re-evaluated the company's strategic risks, impact and probability of risks identified including controls and mitigating actions in place, and the application of risk and tolerance levels and risk appetite.

The following is a detailed outline of Kumba's key risks as identified during 2013, together with their potential impacts and mitigations in place. We have considered both internal and external risks. Our mitigation strategies are designed to be flexible and depend on the severity of impact and likelihood of occurrence of the risks we face.

MINING LEGISLATION AND OTHER REGULATORY CHANGES

Description of risk

Legislative interventions on matters such as changes to existing mining law and new requirements in terms of local supply and pricing of minerals are presented as risks that could have fundamental consequences for the sustained operation of our assets. Potential regulatory intervention in certain countries where Kumba operates could reduce growth prospects.

Impact

This could conceivably result in changes to existing mining legislation, conditions and partial price-control imposition.

In addition, the contravention of any new legislation could result in fines, imprisonment and/or suspension or withdrawal of mining and prospecting licences.

Mitigation of risk

As part of the process of managing and mitigating these risks, we monitor and report on our compliance with elements of the Mining Charter, as well as with any other important legislation and legislative changes. We continue to work in conjunction with other mining industry participants in engaging with the relevant authorities as a means of contributing to the ways in which legislation and regulations are constructed and implemented.

We continue to engage with government on the matter of changes to the MPRDA, principally through the Chamber of Mines' offices.

When considering opportunities, we look not only at current opportunities but also at future ones that can help strengthen our strategy in years to come

WORKERS' SAFETY AND HEALTH

Description of risk

Mining is inherently hazardous which means we operate in a sector subject to comprehensive health and safety regulations. A significant growth in mining and production volumes and a resulting increase in employee and contractor numbers across the group increases the risk of injuries and related consequences. Kumba continues to focus on meeting our commitment to achieve Zero Harm to our employees as a key to meeting our strategic performance objectives.

Exposure to noise and dust are our principal occupational health risks, while HIV/AIDS, tuberculosis (TB), and lifestyle diseases (obesity, hypertension and diabetes) are the main non-occupational risks faced by employees and the company. These non-occupational health risks extend to employees' dependants as well as to local communities. Health-related risks can be exacerbated by failure to comply with evolving health regulations.

Impact

Apart from the personal impacts of accidents or poor health, failure to deal with these risks range from damage to employee health and morale, reputational damage, a failure to meet production targets, regulatory fines, instructions and stoppages.

All our stakeholders have high expectations of Kumba achieving high standards of safety and healthcare. Any perceived failures or under-performance can affect our relationships and engagements with a wide range of stakeholders including unions, non-governmental organisations (NGOs), regulators and government, all of whom can be expected to demand more stringent health and safety rules and requirements.

Mitigation of risk

A number of safety initiatives have been embedded into our business processes that include investigation and analyses of incidents, reporting on near misses and actual incidents, front-line supervision and communication, visible felt leadership (VFL), fatigue management, drug and alcohol screening, and on-going collaboration with unions and the DMR.

In addition, Kumba places a high priority on safety and on the improvement of health and safety standards monitored by key indicators. Prevention being better than cure, we also provide comprehensive occupational hygiene facilities that include measuring and monitoring of occupational health exposures, controlling exposures at source where possible, and also by the use of personal protective equipment. A safety and health improvement plan is developed each year and has prioritised focus areas based on risk and performance.

Occupational health risks are managed through the following:

- Use of dust and noise suppression and extraction units
- Noise- and dust-awareness training programmes
- Proactive and detective medical surveillance and protection systems

Our employees undergo regular safety training and are reminded on a daily basis through a variety of means about the importance of safe working and healthy living. Our mines are equipped with adequate facilities to manage accidents and health issues, and part of our social and labour plan (SLP) expenditure is devoted to providing healthcare facilities to employees' families and our mines' neighbouring communities.

We provide disease management programmes to manage all non-occupational diseases. For more on our Safety initiatives see page 64.

We use our management of risks to find insight into opportunities that allow us to develop as a company and achieve our strategic objectives

OPERATIONAL PERFORMANCE

Description of risk

Kumba faces the typical range of challenges in meeting operational performance targets such as slope failure and pit constraints, waste backlog, clay content and contractor performance, while containing our costs to achieve profitable production levels.

Impact

If any of these risks should materialise, it could result in serious harm to employees and contractors, regulatory interventions, work stoppages, delays or losses in production, increased production costs and a possible increase in liabilities.

Failure to meet production targets could result in increased unit costs, reduced earnings and cash flows.

Significant increases in construction costs and/or delays in construction could materially and adversely affect the economic viability of projects and consequently affect the value of Kumba's assets, costs, earnings and cash flows.

Mitigation of risk

Kumba's drive for efficiency at all our operations is built on three pillars: efficiency, success and sustainability. Management therefore continues to focus on getting a better understanding of our operations – the related challenges as well as opportunities – as a way of meeting our objectives and developing a sustainable future. This is discussed in more detail on page 60.

Further mitigation is based on focused management oversight of KPIs with a specific focus on achieving waste removal and production targets while driving asset optimisation activities.

THABAZIMBI MINE TURNAROUND PLAN

Description of risk

Kumba continues to focus on guiding Thabazimbi mine from being a cost-constrained operation to one that is efficient and more commercially viable. Management's focus is therefore on ensuring its ability to effectively mine the remaining ore body of the original mine, as well as to successfully ramp up Project Infinity on time in order to meet the continued demand. Details on Thabazimbi mine's performance and outlook are included on page 62.

Impact

Challenges in the operational and commercial viability of the mine could impede the LoM plan and result in the loss of option to meet domestic supply obligations from the mine, increased liabilities and costs, risks of potential closure of the mine, reputational risk related to the need to reduce or close operations, as well as negative relations with the community, labour force and other stakeholders.

Mitigation of risk

With the completion of the conceptual study, management continues to focus on the low-grade project as well as on asset-optimisation processes to ensure the mine remains viable and also to ensure that production and growth targets for the mine are achieved.

One of our risk management objectives is to ensure that our desire to grow the business is supported by an effective risk framework that promotes resilience under adverse and changing business conditions

SECURING OUR GROWTH (FUNDING AND EXECUTION OF PROJECTS AND RESERVES AND RESOURCES)

Description of risk

Kumba's pipeline of projects is affected by capital-constrained environment exposures and by delivery complexities. This risk is further exacerbated by high delivery-cost inflation and macro-economic uncertainties.

Although Kumba's known resources and reserves are sufficient to sustain several decades of operations at current levels, these will have to be mined continuously and efficiently. For more details on growth projects see pages 78 to 81.

Impact

The inability to manage project delivery could result in cost escalations that may force the company to defer, cancel or revise project business cases and execution objectives, with a consequent impact on Kumba's strategic intent to deliver on growth projects.

Mitigation of risk

Significant progress has been made in respect of capital allocation plans by prioritising the investment pipeline, underpinned by the deployment of robust project controls, programme and portfolio delivery practices, as well as the enhancement of established stage gate processes and early intervention to ensure that project delivery is achieved.

Kumba carefully manages its capital allocation and related costs and applies robust project controls. Furthermore, co-ordinated programme and portfolio delivery practices and increased innovation allow for early intervention to ensure that project delivery milestones are achieved.

RELiance ON THIRD-PARTY INFRASTRUCTURE

Description of risk

Given that many aspects of the logistics chain are out of Kumba's control, the related risks require careful management as well as developed and trusted business partnerships. We export our ore to customers through a single-channel rail and port that is owned and operated by Transnet.

Furthermore, Kumba may be impacted by the inability to have access to adequate support installations such as power, water and roads infrastructure.

Impact

An adverse impact on logistical capabilities may pose a business continuity risk for Kumba. This, together with increased logistical costs as a result of inefficiencies in the use of infrastructure, may affect the sustainability or growth of the business, leading to the inability to meet our customer commitments, loss of market share and reputational risk.

Mitigation of risk

We promote the early development of integrated plans within our value chain, and also align our activities with various owners and operators in order to manage both risks and opportunities in a proactive manner. This includes the management of our relationship with Transnet on an on-going basis.

We continue to mitigate the risks related to our port and shipping activities by optimising our ship loading and vessel utilisation activities, as well as by the continued placement of stockpiles at ports close to major markets.

We prepare for power supply interruptions by carefully harnessing our operations' power usage; restricting, as far as possible, our reliance on the national grid; and putting in place alternative power supplies in case of catastrophic power outages.

Our approach to risk management is to anticipate risks to the fullest extent while allocating the right levels of resources to manage them and aligning this to our achievement of business strategies and objectives

LEGAL MATTERS

Description of risk

The prevailing legal and regulatory framework within which the mining industry operates places a responsibility on Kumba to ensure that all legal and/or contractual disputes are dealt with expeditiously and in a manner that ensures best outcomes for the company and its stakeholders.

For more on these specific legal issues see page 86, as well as the Material issues section on page 36.

Impact

The inability to resolve legal and contractual matters could result in the deterioration of existing relations with key stakeholders.

Legal disputes can also have a negative impact on Kumba's reputation.

Mitigation of risk

We endeavour to avoid litigation and legal disputes and also ensure that we enhance our dialogue and communication channels with all stakeholders in a proactive and timely manner.

LABOUR RELATIONS AND TALENT PIPELINE

Description of risk

Kumba relies on large numbers of variously skilled labour to sustain our mining operations. This is within the context of new mines coming on stream globally, which has been driven by strong commodities prices and which has heightened competition among employers for scarce skills.

Our relations with employees and their representative unions are generally sound and resilient. However, we remain at risk of strikes or other work disruptions, whether as a result of disputes between employer and workers or other factors, such as the inter-union rivalry experienced in the platinum sector.

Impact

Unorganised labour unrest and unprotected strikes could result in injuries or fatalities, inefficiencies in operation, loss of skilled staff, negative reputational impact on stakeholders, loss of revenue, as well as potential damage to infrastructure and assets. In addition, failure to retain skilled employees or to recruit appropriate staff as required could lead to increased costs and delays in the development of new projects.

Mitigation of risk

We focus on labour and stakeholder relations using innovative as well as conventional engagements. We aim to have broader constructive dialogue with employees and unions, ensuring that both sides understand and appreciate the other's position.

Demand for talent is likely to continue to grow and we strive to develop, recruit and retain talented employees. The long-term elements of this lies in our SLP commitment to education and training, and in providing the social environments that encourage employees and their dependants to remain with Kumba.

For more details on our employment and collective bargaining practices see page 68.

COMMODITY MARKETS

Description of risk

Our principal market and revenue risks are associated with fluctuating demand for our ore, iron ore prices, and the cost of delivering this ore to various markets.

Concentration risk as a result of Kumba's exposure to China's economic fortunes and end policies has increased. Like our competitors in the global iron ore market, Kumba has become increasingly reliant on China for its sales. As a result, any sharp or sudden reduction in Chinese ore imports could have a marked direct impact on our sales and revenues.

For more details on this see Accessing our markets on page 84.

Impact

Lower economic growth in China could have a negative impact on Kumba's revenues, cash flows, profitability and asset values. If commodity prices remain weak for a sustained period, Kumba's ability to deliver growth in future years may be adversely affected as growth projects may not be viable at lower prices.

Price and demand volatility can lead to sharp fluctuations in our revenues and, consequently, our ability to deliver on stakeholders' expectations and aspirations.

Mitigation of risk

We mitigate these risks by diversifying our markets and customers while carefully monitoring market trends to allow for prompt responses to changes. These responses are supported by carefully managing our production levels to match the availability of transport infrastructure.

FOREIGN EXCHANGE FLUCTUATIONS

Description of risk

Our revenues are largely determined in US\$ while our costs are incurred in Rand. Exchange rate movements can therefore present a risk to revenues and accounting losses. Furthermore, exchange rate movements can also have significant effects on the Rand costs of imported capital equipment.

Impact

In general terms, declines in the Rand's exchange rate against the US\$ can enhance our Rand revenues and, thereby, our operating profits. The opposite effect can be a lowering of Rand revenues and, consequently, our operating profits. Movements in the Rand costs of equipment can affect the rates of return on our operations.

Mitigation of risk

Given the diversified nature of our exposures to operating revenues and costs, it is not deemed appropriate to hedge. In respect of capital expenditure, currency risk is managed by ensuring that foreign exchange movements do not materially increase the budgeted foreign exchange capital cost.

REGULATORY AND FISCAL COMPLIANCE

Description of risk

We believe that our approach to fiscal compliance should reflect a balance of stakeholder expectations, from investors and governments to communities and NGOs. This, combined with our business principles and desire to be the development partner of choice, informs our group's tax strategy. Maintaining this balance can be challenging, particularly in a competitive and capital-constrained environment.

Impact

The effect on cash flow of higher taxes could limit future expansion and project plans and could restrict our ability to satisfy the expectations of our stakeholders.

Mitigation of risk

Adequate policies and procedures have been implemented by Kumba to ensure compliance with all relevant tax legislation. We are heartened to see that the Davis Tax Committee is evaluating the tax regime and will make recommendations for tax reform in the light of key considerations and challenges affecting the mining sector.

Opposite
One of Kumba's many women in core mining positions – Neo Seele, a drill assistant working in the drill and blast section at Sishen mine.

STAKEHOLDER RELATIONSHIPS

Description of risk

Varying demands from our stakeholders place an obligation on Kumba to ensure that its stakeholder engagement process is not only effective but also drives business value in the interest of the company's long-term sustainability and growth. Our Stakeholder engagement strategy and plan is included in more detail on pages 30 to 35.

Impact

Failure to appropriately manage these demands could lead to our inability to deliver on earlier promises aligned with stakeholder expectations.

Mitigation of risk

We have a comprehensive stakeholder engagement policy and framework in place. We prioritise stakeholder issues and carefully monitor, manage and refine our stakeholder engagement strategies.

Furthermore, in line with our strategic objective of organisational responsibility and capability, we continue to provide support to local communities and stakeholders by making good on our SLP commitments, and by building sustainable partnerships with relevant stakeholders.

EVENT RISK

Description of risk

Events such as port and shipping incidents, power disruptions, pit-wall collapses, natural disasters, environmental accidents and other catastrophes are risks that cannot be wholly anticipated.

Impact

Among the more obvious potential impacts are interruptions or closure of our mining operations that could affect our ability to serve our customers, to support our communities, and that could affect our revenues and cash flows.

Mitigation of risk

We cover these risks through contingent business-interruption insurance. We also ensure our business is sufficiently resilient, supported by business continuity plans, to ensure that we recover expeditiously from unforeseen events.

SOCIAL LICENCE TO OPERATE

Description of risk

External factors as diverse as rising community expectations, dewatering activities, or poor infrastructure development are risks that could impact our organisational capabilities. Proximity of communities to our operations could also pose safety and health risks.

Impact

The impact might be as disturbing as community unrest and deterioration in the quality of life, adverse effects on local farming, or heightened demands as a result of the need for further resources and infrastructure in the areas in which we operate.

Mitigation of risk

We mitigate these risks to our operational ability by carefully managing our relationships with our neighbours and resolving issues that might arise timeously and fairly. We have company-wide processes that govern these engagements.

In addition, Kumba seeks to achieve operational excellence by striving to comply with all regulations, conserving our resources, continually focusing on areas of risk, and putting in place measures to support sustainable communities in the longer term.

“AS A RESPONSIBLE
CORPORATE CITIZEN, WE
PROACTIVELY MANAGE
RELATIONSHIPS WITH
OUR STAKEHOLDERS”

STAKEHOLDER ENGAGEMENT

HIGHLIGHTS

- Agreement reached with ArcelorMittal SA over long-term ore sales supply and pricing arrangements, and settling all disputes with them
- Constitutional Court ruling in favour of Kumba and the DMR with respect to the 21.4% Sishen mining right
- Improving relations with the DMR
- Approval of the implementation of the Dingleton relocation project
- Labour disputes amicably resolved at operations

CHALLENGES

- Changes in the legislative framework in particular the MPRDA
- Relationship with the regulator, still needs further improvement
- Mine Health and Safety Act – Section 54 operational stoppages issued at Sishen and Thabazimbi mines
- MPRDA – Section 93 order issued to Sishen mine for contravention of the Act's environmental provisions
- Several mining right applications, SLP, mine work programmes and environmental amendments still pending
- 38 Dingleton residents refusing to sign relocation agreements, holding out for financial compensation
- Current labour unrest in the mining industry

At Kumba we understand that healthy stakeholder relations make business sense and are core to sustainable mining. As a responsible corporate citizen we proactively manage relationships with our stakeholders. Kumba's philosophy on stakeholder engagement is informed by our corporate values and requires the company to:

- Always demonstrate respect for stakeholders, no matter who they are
- Make a concerted effort to understand and recognise stakeholder needs, concerns and expectations
- Act with integrity, fairness and good faith
- Seek to always collaborate and to become a partner of choice
- Work to achieve mutually beneficial outcomes with stakeholders
- Act with considered intent, proactively planning engagements to meet specific objectives and evaluating results

Our stakeholder engagement is self-regulated at four levels. As a member of a multi-national company, we voluntarily subscribe to a number of international governance and industry standards. Our stakeholder relations strategy is also governed by a set of Anglo American plc policies and guidelines, as well as a number of Kumba policies affecting the way we engage.

All these principles, standards, rules and guidelines converge in the Kumba stakeholder management policy, providing focus and simplicity in describing the shared and standardised way Kumba engages with stakeholders and manages our relations with them.

Kumba's stakeholder engagement governance framework

Commitments, international standards, and other voluntary 'soft law' measures

- King III
- ISO 9001
- ISO 14001
- OHSAS 18001
- AA 1000 SES
- IFC environmental and social performance standards

Group policies and guidelines on stakeholder engagement

- Anglo citizenship and business principles
- Anglo social way
- Socio-economic assessment toolbox (SEAT)
- Business integrity policy
- Government relations handbook

Kumba policies with stipulations on stakeholder engagement

- Human rights policy
- Safety, health and environment (SHE) policy

Kumba stakeholder management policy

While this governance framework regulates how we interact with stakeholders, the Kumba stakeholder engagement strategy, developed at the end of 2012, spells out what we would like to achieve, how we will attain our goals, and the indicators we will use to annually measure our performance in terms of stakeholder engagement. We aspire to, plan for and use our resources appropriately to ensure our stakeholder management efforts achieve the following strategic goals:

- Be valued by the South African government as a partner in development, transformation, sustainable development, and growing the iron ore industry
- Have well-managed strategic business relationships
- Be environmentally compliant, and viewed as responsive to stakeholder environmental concerns by mitigating negative environmental impacts
- Inspire stakeholder confidence in Kumba's ability to execute its vision and strategy
- Ensure our effective participation in public policy development and excellence in compliance and reporting
- Be a preferred employer with an attractive employee value proposition

Our stakeholder landscape consists of stakeholder groups who are important to our organisation and its operations, as well as those impacted by the organisation, or with the potential to impact the organisation. We have divided our stakeholder landscape into six groups, namely: civil society, regulatory and political, business and industry, internal, investment community and the media. This landscape plays a part in shaping our stakeholder engagement strategy and is regularly reviewed to account for new stakeholders, as well as those with shifting interests or concerns related to our operations.

In 2013 we concentrated our efforts on the implementation of the stakeholder engagement strategy with particular focus on the management of the company's primary issues. This is an important element of the stakeholder engagement strategy as the prioritisation of top stakeholder issues aligns our engagement strategy with the company's business objectives. The main criterion used to identify these issues is the extent to which, if not properly managed and monitored, an issue would affect the achievement of the organisation's business objectives. Our primary issues were:

- The Dingleton relocation project
- Efficiencies and availability of the IOEC
- Obtaining and retaining our licence to operate
- Enabling legislation (amendments to the MPRDA)
- Implementation of South Africa's mineral beneficiation strategy
- Sishen mine's performance
- Post-strike labour relations at Sishen mine and the current levels of labour unrest in the industry

In addressing these issues Kumba also takes cognisance of the operating complexities and stakeholder concerns (see the Changing environment section and the Stakeholder needs and concerns table). The relevant stakeholders for each of these issues were identified and mapped to guide our engagement plans.

In addition, training interventions were developed to build the organisation's capacity for effective engagement with the relevant stakeholders, in order to manage these issues.

In 2014, we aim to:

- Continue with the management of the company's primary issues
- Refine our stakeholder management policy to strengthen the governance of stakeholder engagement in Kumba
- Continue with stakeholder engagement training interventions at all operations, as well as at our corporate office
- Continue monitoring emerging issues and their impact on the company, and develop plans to address these

THE CHANGING ENVIRONMENT

Globally, the mining industry operates in an increasingly complex environment with the industry's social issues, such as community and government relations, as well as environmental management, receiving more scrutiny from society. The South African mining industry, which is among the largest producers in the world, is no exception. The fact that the country faces social and economic development challenges of poverty, inequality and unemployment also contributes to the complexities that shape the content of our engagements. Principal among those operating complexities are:

- Increasing demands for changes in the sharing of the benefits mining delivers and for more societal inputs into how those benefits are distributed
- Rising demands for improvements in environmental management
- Evolving employee relations
- Constraints in essential infrastructure, particularly electricity and rail capacity
- Limits to municipalities' capacity to provide, maintain and manage infrastructure and other service delivery needs
- Changes in the legislative framework, in particular the MPRDA
- The distressed global economy, particularly its impact on the economies of our main export markets
- Escalating costs
- Changes required of our products

It is therefore important that we take these into consideration when planning stakeholder engagement interventions.

COMMUNICATION AUDIT

In addition to the management of our own performance against the goals and objectives in the stakeholder engagement strategy, we commissioned an independent communication audit to provide reliable confirmation of the effectiveness of our communication and engagement as experienced by stakeholders that are material to Kumba, seeking views on the following:

- The effectiveness of Kumba's communication
- The satisfaction with Kumba's communication
- The performance of specific engagement platforms and communication channels

The results of the survey indicated that, irrespective of the goodwill deficit suffered by the mining industry in South Africa, Kumba was viewed by most of its stakeholders as a responsible iron ore producer with a positive impact on a sustainable future. Stakeholders agreed

that Kumba deserves its right to mine based on adherence to our licence conditions, and on how we improve the lives of communities around our operations.

The results showed that our communication is most effective among suppliers, investors, and employees. However, significant differences of opinion were revealed by specific stakeholders such as some Sishen mine employees and Dingleton community members, who gave notably lower scores on Kumba being a partner of choice. We are particularly concerned about the low ratings received from Dingleton community members in view of their planned relocation. In this regard we have developed a number of action steps and interventions to address their negative sentiments, examples of which are to get a better understanding of their concerns prior to the relocation and to implement a social plan that will likely increase procurement opportunities and give them portable skills (skills that may be used outside the individual's current employ), which should make them employable. For more on our External environment see page 06.

STAKEHOLDERS - THEIR NEEDS AND CONCERNS

In order to understand and acknowledge our stakeholders' material concerns and to respond as best as we could, we tracked concerns raised during our interactions and through the socio-economic assessment toolbox (SEAT).

Stakeholder	Stakeholder concerns	Impact on Kumba	Impact on stakeholder	Kumba's response or action
Government, regulatory and political (national, including the DMR, DWA and DEA; provincial and local government, parliament, political role players)	Safety and environmental impacts	Safety-related operational stoppages and environmental compliance findings by the DMR impact negatively on production	Increasing safety and environmental investigations	Communicate Kumba's measures to mitigate environmental impacts Continue working on our technological innovations to enhance safety
	Compliance with regulatory requirements	Lack of compliance will result in loss or suspension of mining rights	Government unable to meet its transformation objectives by bringing entrants into the mining industry	Maintain compliance Continue demonstrating excellence in compliance and reporting.
	Domestic supply and pricing of iron ore and Kumba's support for government's beneficiation strategy	Kumba seen as a partner of choice in developing alternative beneficiation technology	Government unable to meet their industrialisation objectives	Demonstrate Kumba's role in local supply at a domestic price as in the ArcelorMittal SA supply agreement Partner with government in beneficiation technology and skills development Partner with the DMR to co-create investor-friendly legislation
	Kumba's role in community development projects Capability of municipalities to provide for the needs of the communities and the growing local industry	Unstable, undeveloped communities causing unrest Capacitated municipalities delivering service and enabling Kumba to deliver on its SLPs	Pressure exerted by local mining operations on basic infrastructure Lack of development Increased activism by communities and possible social instability	Demonstrate our commitment to developing communities Partner with municipalities to build capacity and assist with their delivery on developmental projects

Stakeholder	Stakeholder concerns	Impact on Kumba	Impact on stakeholder	Kumba's response or action
Civil society (impacted communities, farmers, development partners and unions)	Kumba not providing opportunities for employment and skills development	Low relationship satisfaction among these stakeholders affects the company's social licence to operate	Communities not benefitting from the mineral resources mined in their areas	Implement high-impact developmental projects identified
	The impact of mining operations on the environment	Potential for reputational damage	Potential impact on farming livelihood	Ensure responsiveness to stakeholder enquiries and concerns and effectively manage complaints and grievances through existing mechanisms Put mitigations in place
	Benefit sharing Financial compensation for the Dingleton community	Scrutiny by regulators and potential suspension of licences Some homeowners refusing to move Potential litigation	Prolonged exposure to dust, continued stay in a town with no service or municipal infrastructure Miss moving to new modern houses close to amenities Missed opportunities for skills development and employment	Demonstrate the benefit of moving to the new host side, such as new and modern houses, proximity to amenities and job opportunities Demonstrate that they received fair compensation
Business and industry (customers, suppliers, business partners, mining/ steel/ construction industry, local businesses)	Expansion of the Iron Ore Export Channel	Availability of rail to export ore through Saldanha port	Transnet achieving its strategic objectives	Continued engagements on achieving this expansion in an efficient manner
	Lack of procurement opportunities for local suppliers	Not giving local suppliers opportunity causes instability, which affects production	Additional revenue from the expanded rail infrastructure Local businesses not able to thrive Support by multinationals towards local supplier development	Approved BEE and local procurement policy and supplier-development programme
Customers	Product quality Pricing Security of supply	Retain customers Retain niche market	Loss of customers if not happy with price or product	Customers assurance of product profitability achieving their goals, business continuity
Investment community (analysts, financiers, shareholders including BEE shareholders)	Sishen mine constraints	Loss of confidence in the company	Loss of revenue	Initiatives for cost containment and asset optimisation
	Costs, growth and sustainability of the company	Good revenue from dividends	Investors choice	Implement growth strategy, Sishen mine turnaround plan
	Dividend cover Progress on mining rights Other regulatory issues Litigations and labour relations	Decline in investment, share price and market capitalisation	Value erosion	Continue improving stakeholder relations Stabilise labour relations
Employees	Post-strike labour relations at Sishen mine	Low productivity levels	Job dissatisfaction	Address identified issues
	Higher wages Progression opportunities Developments in the company	Safety compromised Labour unrest Strained relations	Injuries Loss of income during strikes	Demonstrate that they are remunerated appropriately Reassurance that safety is a priority Improve communication
Media	The company's operational and financial performances	Reputation and brand enhanced or negatively affected	Publishing of good or negative news depends on our performance against these concerns	Ensure communication of positive stories
	Good corporate citizenship		Transparent engagements	Ensure that our stakeholders become our ambassadors
	Labour relations Regulatory and legal issues Transparency			

KEY ENGAGEMENT PLATFORMS AND COMMUNICATION CHANNELS

The table below illustrates the most prominent engagement platforms and communication channels used for key strategic stakeholders.

Channel categories and specific channels	Employees				External stakeholders					
	Sishen mine	Kolomela mine	Thabazimbi mine	Corporate office	Communities	The media	Suppliers	Investment community	Government, regulatory and political	Customers
Leadership/management communication										
Face-to-face communication between employees and management focusing mostly on operational matters										
Operational leadership teams (GMs and HODs)	X	X	X							
Kumba executives (CEO and Exco)	X	X	X	X						
Direct manager/team leader/supervisor	X	X	X	X						
Visible felt leadership (VFL)	X	X	X	X						
Caucus meetings	X	X	X	X						
Sishen Safety Indaba	X									
Training shift meetings	X	X	X							
Newsletters										
Convey company-wide or operation-specific news, as well as human interest stories										
InSite	X	X	X	X						
Boswa Ba Rona	X	X	X	X	X	X				
Line of Site	X									
Dingleton Resettlement News					X (Sishen)					
Digging Deeper		X								
Thaba Junction			X							
Electronic communication channels										
Quick, paperless distribution of news and content can be tailor-made for specific employee subgroups										
Kumba website	X	X	X	X	X	X	X	X	X	
Electronic notice boards/public display screens	X	X		X						
The Source (Anglo American intranet/ My Workspace)	X	X	X	X						
Sishen Blitz	X									
Bulk email/communication mailboxes	X	X	X	X						

Channel categories and specific channels	Employees				External stakeholders					
	Sishen mine	Kolomela mine	Thabazimbi mine	Corporate office	Communities	The media	Suppliers	Investment community	Government, regulatory and political	Customers
Printed communication channels										
Reports focused on sharing details of Kumba's financial and social performance.										
Posters and flyers used to convey information to a broad base of employees in a concise and clear manner										
Integrated Report						X	X	X	X	X
Sustainable Development Report					X	X			X	X
Annual Financial Statements						X	X	X		
Let's Connect	X	X	X	X					X	
SEAT Report					X	X				
A Magazine				X						
Posters	X	X	X	X						
Flyers	X	X	X							
Mobile and social media										
Used to distribute information or to respond to issues or enquiries in a quick and efficient manner										
SMS	X	X								
Anglo American Facebook page	X	X	X	X	X	X	X	X	X	X
Anglo American Twitter feed	X	X	X	X	X	X	X	X	X	X
Other communication channels										
Special purpose events used as engagement platforms with key stakeholders										
Media lunch						X				
Stakeholder day	X		X		X					X
Results presentations						X		X		X
Mine visits						X		X	X	X
Workshops									X	
Presentations									X	X
Press releases and press conference	X	X	X	X	X	X	X	X	X	X

DETERMINING OUR MATERIAL ISSUES

For Kumba the process of determining materiality is not just about reporting, it is a fundamental part of our risk management process and our stakeholder engagement. We believe it is important to transparently report on our understanding of the way these issues impact the company, our stakeholders and our approach to reporting – both in our adoption of the IIRC's <IR> framework and the GRI's G4 guidelines. Given that a company may be faced with a myriad of topics on which to report, the materiality process aims to refine these.

WHAT DOES MATERIALITY MEAN FOR KUMBA?

For the purposes of defining our material issues for this report we adopted the IIRC definition of materiality, as set out in the IIRC Framework Consultation Draft, which was applicable at the time of our materiality workshop. This states that material issues are those that "in the view of senior management and those charged with governance, it is of such relevance and importance that it could substantively influence the assessments of the primary intended report users with regard to the organisation's ability to create value over the short, medium and long term."

This has been augmented by our approach in the Sustainable Development Report, in which we were guided by the GRI G4 guidelines definition of material issues as those that reflect an organisation's significant economic, environmental and social impacts; or those that substantially influence the assessments and decisions of stakeholders.

THE MATERIALITY DETERMINATION PROCESS

In 2013, as before, Kumba embarked on a rigorous and comprehensive process to determine our material issues.

This process involves Exco members and their teams engaging with our stakeholders throughout the year to understand stakeholders' most pertinent issues and expectations.

Once this had been done, a materiality assessment workshop was held by Exco (including the CEO, the chief financial officer, various discipline and operational heads and the external auditor of our Sustainable Development Report, PwC). The key inputs, received in advance from a cross-section of identified internal and external stakeholders, were used to guide a structured materiality assessment process. During the workshop Exco discussed, interrogated and prioritised the broader list of issues that directly or indirectly impacted the company and its stakeholders, which, in 2013, resulted in the identification of four material issue categories. These were submitted to the board for approval and form the basis of our reporting in 2013, being considered in both our Integrated Report 2013 and the Sustainable Development Report 2013.

Our material issues

ENHANCING VALUABLE PARTNERSHIPS



Kumba's business does not exist in isolation; rather it depends on a number of key partnerships, which influence good corporate citizenship, our licence to operate and performance optimisation. These include relationships with employees, contractors, unions, local communities, the South African government (including the regulator), customers, suppliers, the investment community, Transnet and Anglo American plc. These relationships are crucial to our ability to create value both now and in the future. As a company we want to ensure that our relations result in mutually beneficial partnerships. We acknowledge this might not always be the case, but dedicate ourselves to conducting all relationships in line with this objective.

Key features in 2013

Stable employee relations.
Dingleton relocation project approved by the board.
Direct social investment in surrounding communities: R253.7 million.
R8.3 billion paid to the South African government: R6.2 billion in income taxes and R2.1 billion in mineral royalties.

Key risk/opportunity

Risk: Poorly managed relationships can be detrimental to our long-term sustainability.

Opportunity: Well-managed relations add value not only to Kumba, but also allow us to add value to the lives of those impacted by our business.

PROACTIVELY ADAPTING TO A CHANGING LANDSCAPE



Kumba operates in an ever-changing landscape – from company management to changes within our mines and amendments to legislation. We need to understand and anticipate the changes we might face and adapt to them proactively.

Key features in 2013 The Sishen mine recovery and optimisation plan to address current pit constraints to improve flexibility and expose ore quicker for the future. Technical studies at Kolomela mine have confirmed its capacity to sustain production at 10Mtpa, 1Mtpa above its original design capacity.

Ensuring compliance with the Mining Charter.

Growth prospects into west and central Africa.

Key risk/opportunity **Risk:** If changes are not anticipated and prepared for they can destabilise the business.

Opportunity: To create a competitive advantage for Kumba by better understanding our challenges and facing them innovatively.

RESOLVING OUR LEGAL MATTERS



Every legal dispute has a potential negative impact on the business and we always work towards reaching the best possible resolutions as timeously as possible, with an outcome that is positive for both us and our stakeholders.

Key features in 2013 Conclusion of the supply agreement with ArcelorMittal SA in November 2013, settling all disputes between the two parties. Constitutional Court delivered its judgment in respect of the 21.4% Sishen mining right in December 2013, with a favourable outcome for Kumba and the DMR.

Key risk/opportunity **Risk:** The negative impact on-going legal issues can have on our reputation, as well as the financial impact of negative outcomes.

Opportunity: To continue to engage actively with the DMR in respect of the 21.4% Sishen mining right.

DELIVERING A SUSTAINABLE FUTURE



Delivering a sustainable future is fundamental to how we conduct our business and it therefore remains a material issue for the company. To ensure we can create shared value for years to come we need to safeguard our sustainability through growth, social investment and responsible resource stewardship.

This material issue covers:

- how we manage our resources, including LoM, replacement resources, and potential growth projects into west and central Africa
- what Kumba is doing about financial sustainability, including creating a sustainable margin, dealing with rising costs, Envision, and dividend cover policies
- how we contribute to South Africa and our local communities

Key features in 2013 Progress on research into low-grade resource technology.

Progress on our project pipeline.

Dividend of R40.04/share

Key risk/opportunity **Risk:** If a long-term view is not taken, the company may not be able to continue into the future. The licence to operate may be withdrawn, with permits and approvals getting more difficult to obtain.

Opportunity: To create a company that provides shareholders and other stakeholders benefits for decades to come.

CEO'S REVIEW



Norman Mbazima
CEO, Kumba

Looking back on 2013, my first full year as Kumba's CEO, it was a year spent reviewing and assessing our assets, our portfolio and resetting our strategy. It was a challenging year in many respects, but we are satisfied with the overall results which are presented in this report.

Our principal success was achieving a full year of operations without a single fatality – a further step on our road to attaining the goal of Zero Harm. This would not have been possible without the hard work of Kumba's people and I am confident this achievement will motivate every employee to continue to improve their safety record.

Our most significant challenge was Sishen mine where we faced on-going pit constraints that impacted our production. After extensive studies conducted in 2013, we are confident in the actions we developed and are implementing to put production at the mine back on track to ramp up to 37Mtpa in 2016. I commend the team for their hard work during a tough operational period. For more on this see page 61.

There were other key outcomes in 2013 that point towards a promising future: Kolomela mine achieving production levels that were greater than planned; reaching agreement on ore prices and tonnages with our domestic customer ArcelorMittal SA; and, as the year drew to a close, the Constitutional Court's judgment on Sishen mine's 21.4% mining right. In February 2014 we were also granted the mining right for the rail properties at Sishen mine.

A REVISION IN STRATEGY

In 2013 we found ourselves facing many changes – challenges which caused us, as a growing business, to revise our strategy. We believe a strategy needs to be flexible enough to meet the challenges of both today and the future, and that this flexibility is precisely what will enable us to continue to create value in years to come.

This revision in strategy, I believe, was a real opportunity for us at Kumba, as it allowed us to look at our company and understand where we are and where we hope to go. Through both internal work and in partnership with Anglo American plc, we are now more focused on our portfolio of operations and on understanding what each one requires to run efficiently, as well as how each one forms part of the whole. This will stand us in good stead as we go into a new year.

We have also defined where we want to take the company in the future: focusing immediately on optimising our current

assets; growing our local pipeline in the medium term; and in the long term, expanding into west and central Africa.

This revised strategy, however, is still very much tied to our values as a company and linked to the same strategic pillars that have guided us over the last few years: to optimise our operations, to be a responsible corporate citizen, to capture value, and deliver on growth. In 2014 we will focus on ensuring that all the people of Kumba live these values and fully appreciate the strategy and their role in it, because even the best strategy cannot succeed without the support and efforts of the employees who will carry it out.

LEADERSHIP CHANGES

During 2013 we restructured the executive team, appointing Andrew Loots as executive head of operations, to ensure a much tighter and streamlined working relationship with the operations teams.

We also appointed Billy Mawasha as our new executive head of technical services, who joins us from AngloGold Ashanti, following the retirement of Christo van Loggerenberg. We also appointed Johan van Schalkwyk as the new general manager of Sishen mine who joins us from Anglo American Thermal Coal.

These appointments allow us to enhance the execution of our strategy.

SAFETY

The most important aspect of our work is the safety and health of everyone in our organisation and ensuring they go home unharmed every day. It is pleasing that we had no loss of life during 2013 – each one of us returned home to our loved ones.

However, we were concerned that serious injuries, namely LTIs, increased to 33 from 20 in 2012. We saw improvement in the last quarter of 2013 and are working hard to sustain this in 2014.

We were issued with several Section 54 safety notices, mainly relating to the operation of heavy moving machinery. Of particular concern were a few incidents of runaway trucks in the pit. These notices resulted in the temporary closure of Sishen mine during August 2013 and impacted production, especially in September 2013.

We have therefore implemented additional safety initiatives to ensure our drivers remain alert when operating these vehicles. We are implementing automatic speed control and anti-roll back systems on certain trucks and this should contribute to preventing the most serious accidents.

We share a common objective with the regulator, that of Zero Harm. We will continue our efforts to collaborate with the DMR and to improve our safety performance to make Section 54s, which result in closure of our operations, unnecessary. For more on Safety see page 64.

HEALTH

Our principal focus areas in occupational health are noise and dust and we have implemented initiatives in 2013 to continue to reduce exposure to these hazards.

With regard to noise, currently none of our work areas has noise levels exceeding 110dBA and we have plans to reduce this further. While dust is always a problem for open-pit mines in arid areas, we monitor, control and contain the dust created by our operations.

Non-occupational diseases such as HIV/AIDS and TB are well managed using treatment and counselling, while management of lifestyle diseases, such as diabetes and high cholesterol, have been progressively extended to employees and local community members through our sponsored permanent and mobile clinics. For more on Health see page 65.

STAKEHOLDER RELATIONSHIPS

One of the material issues in this report is that of building mutually beneficial partnerships. We exist within the context of communities, the industry, and the country as a whole. As a result, understanding our business means understanding the people in and around it too, and that's what we aim to do as we work towards building true, lasting partnerships.

Our primary stakeholders are our employees, the South African government, our investors and our communities. To start with our employees; this is always a key relationship because people are central to what we do and I am grateful to the people of Kumba for their dedication to the company, particularly in the face of the challenges of the last year. In 2014 I hope to further develop and strengthen a common vision to ensure we can work together towards a future that benefits all our stakeholders. This means ensuring each employee fully appreciates our strategy and their role in it, as well as tightening our safety procedures.

2012 and 2013 were very difficult years for employee relations in the mining industry and this has continued into 2014. However, at Kumba, 2013 saw improved relations with no significant work stoppages, quite different from 2012 when we had a serious unprotected strike at Sishen mine. We negotiate wage increases every two years and will be starting these in the second quarter of 2014 to take effect on 1 July 2014.

In 2013 our employees benefited from substantial dividends through Envision, our employee share scheme. Part of our interaction with employees in 2014 will be looking forward to 2016 when the second stage of Envision matures. This will include managing employees' expectations and helping them manage the money they will receive from the scheme.

Another key stakeholder is government, which is integral to our licence to operate. We focus on building lasting relationships with government, in particular DMR representatives so as to understand what is expected from

us and proactively address any concerns they may have. We will continue to improve these relationships in 2014.

Our shareholders are also primary stakeholders – our largest being Anglo American plc and the IDC. At present Kumba is a significant contributor to Anglo American plc and the way in which we manage our operations is closely aligned with that of all business units in the Anglo American Group. There is an overarching group value system to which we subscribe and adhere. The change in leadership at Anglo American plc during 2013 has been smooth and I look forward to our first full year of working together. In addition to this we remain committed to protecting the interests of all our shareholders and to delivering value to them in 2014 and in years to come.

We recognise that the communities in which our mines operate play an important role in our success, especially as we draw the vast majority of our employees from them. Therefore we continue to nurture our relationship with our communities, who are also the company's key stakeholders. In 2013 we spent R254 million directly within our communities on education, skills, health and welfare, youth enterprise, and infrastructure development.

I should also mention our interaction with the Dingleton community, whose residents will be relocated to facilitate safer and more efficient operations at Sishen mine. Discussions with affected residents on the relocation to improved homes in the better-served Kathu municipality progressed well during the year.

Beyond the specifics of Dingleton, and in line with our objective of becoming a partner of choice to our stakeholders through our CSI, we continually engage with our local communities to address their concerns. This is the motivating force behind the SIOC-CDT, which owns 3% of SIOC, and is one of our BEE shareholders. In 2013 SIOC-CDT received R523 million in dividends from SIOC, which will be invested in community upliftment projects.

ENVIRONMENT

Our approach to environmental responsibility is founded on the premise that prevention is better than cure. We focus primarily on three environmental concerns: dust, water and our carbon footprint. In addition to these, much work is done at the operations on concurrent rehabilitation to mitigate the impact of our mining activities.

Dust is monitored and closely managed.

Water is a key environmental focal area for various reasons. The first reason is the potential impact of our dewatering activities on our neighbours. We are conscious of the importance of water availability and security in the arid areas in which we operate and work constantly to address matters of concern. We also work with local communities to assist them in gaining access to clean water. The second reason is the volume of water we consume in our business process. In relation to this, we recycled 53% of water used at our operations in 2013, which we then re-used in our mining processes.



01 Safety is our number one priority at all operations. Bennie van Wyk, haul truck operator, and Norman Setsinaise, haul and load safety officer, perform a pre-shift safety inspection on a Caterpillar haul truck.

Our carbon footprint is generated mostly by our electricity usage and diesel-powered machinery. We manage this footprint by constantly increasing the efficient usage of our machinery. For example, we have implemented an energy efficient diesel-management system that monitors all aspects of diesel usage and enables us to take corrective action should inefficient use of this fuel be detected. We are reliant on electricity provided by Eskom's coal-fired power stations. We try, as much as possible, to reduce our energy use and also seek to reduce our footprint by setting aside land for afforestation. This issue is comprehensively dealt with in our Sustainable Development Report 2013 on pages 86 to 89.

I am pleased to advise that all our mines are now ISO 14001 certified, as Kolomela, our newest mine, received its certification in 2013. We did not experience any serious environmental incident – one that would be classified as level three or higher – during 2013.

MARKETS

In a year of stability iron ore prices were strong and averaged 4% higher at \$135/tonne.

Stronger than expected growth in Chinese crude steel production, the sustained government infrastructure spend in China, as well as steel mill restocking prior to the winter season, supported prices during the year under review. Japan benefited from the introduction of Abenomics and its steel mills are operating close to full capacity. Europe started to arrest the declines recorded in previous years and signs of recovery are increasing in this region, supporting iron ore demand over the forecast horizon.

From mid-year lump premiums increased sharply as the Chinese government imposed restrictions on environmental emissions. Mills were forced to close sinter plants and increase usage of direct charge materials.

As a result, Kumba achieved significantly higher lump premiums in 2013, on average up US\$4/tonne.

Looking ahead, further increases in seaborne supplies in 2014, mainly from Australia and Brazil, are likely to outpace the more modest growth expected in crude steel production. Further pressure on iron ore prices is therefore inevitable, probably in the second half of 2014. We expect lump premiums to continue to be strong in 2014.

OPERATIONS

Success at bringing Kolomela mine to a production level that exceeded our original plans marked an exceptional year for the operation. Lower production at Sishen mine, due to mining constraints and safety stoppages, were the key operational features for the mine in 2013.

At the beginning of 2013 it became increasingly clear that our ambition of producing 41Mtpa at Sishen mine was unlikely to be achieved. This was mainly due to the effect of the reclassification of B-grade reserves reported in previous years, and the steep ramp-up of waste removal, which was still insufficient to maintain satisfactory levels of exposed ore. We therefore intensified and accelerated a number of studies, analyses, and reviews to clearly understand the issues and to determine the appropriate responses.

The main outcome of these studies was a LoM plan indicating that Sishen mine would produce 37Mtpa for the remainder of its life. However, production even at this level would be challenging in the short term while further ramp-up of waste removal was being undertaken.

A production recovery plan to address the current pit constraints, and a longer term mining strategy, were developed and are being implemented, and we have an excellent team to execute these. We will start seeing the benefits of our extensive planning and studies in 2014. For more on this see page 61.

At our new Kolomela mine technical studies have confirmed its capacity to sustain production at 10Mtpa, 1Mtpa above its original design capacity. I commend the Kolomela team for the excellent teamwork which resulted in waste removal and production being 39% and 27% above the previous year's levels respectively. We expect Kolomela mine to produce 10Mt in 2014 and will continue to optimise its production. For more on this see page 62.

Thabazimbi mine has become a more commercial mine in the Kumba portfolio, having changed from being an operation captive to ArcelorMittal SA, following the new supply agreement concluded in November 2013. Thabazimbi mine will be undergoing a major reconfiguration. Our intention is to harness all the remaining sources of ore, especially the low-grade ore and those previously included in Project Phoenix, to make a lower cost, and longer life mine producing about 2Mtpa in the medium term.

This requires us to prove the technology for processing low-grade reserves, to complete feasibility studies on the new project, and to physically reconfigure the mine and retrofit or rebuild the plants. Due to the introduction of new technology and the variety of different ores to be mined, this project carries some risks and progress will take some time.

BENEFICIATION

It is important to note that Kumba is the world's only major iron ore producer that beneficiates and upgrades its ore prior to sale.

We have overcome the problem of producing a saleable product from previously discarded B-grade ore from the deeper Sishen pit by building and operating the jig plant. Our next challenge is to extend this to the C-grade ore and we are currently testing ultra-high dense medium separation (UHDMS) technology at Sishen and Thabazimbi mines. Once the technology is proven we will be in a position to move forward to the project feasibility stage at both mines.

Most countries would like to nurture their steel and downstream industries as these have significant economic benefits including employment, technology development, skills development, and availability of a variety of locally produced goods supporting infrastructure development and consumers. South Africa is no exception and government is keen to encourage this industry. Through our supply agreement with ArcelorMittal SA, we will continue to contribute to sustaining and developing the local steel industry. In addition we will continue to carry out research and support other research activities aimed at economic utilisation of the various types of iron ore available in this country, using less electricity, and using the types of coal available here to make steel.

EXPLORATION

Exploration is core to any mining company's future. We will continue to explore within and close to our current mining rights areas as this allows us to leverage knowledge and infrastructure already available to us. Our work in the Limpopo province has enabled us to declare a further resource of 100Mt in 2013.

Our business development activities in west and central Africa continue. We are carrying out exploration activities in Liberia and have recently signed up to do so in Gabon. We continue to look for other exploration opportunities and for projects in which to invest in the iron ore endowed regions of west and central Africa. These initiatives will underpin our long-term growth. For more on this see Growing our business on page 78.

LEGAL MATTERS

Substantial progress was made on our key legal matters in 2013 through the signing of the agreement with ArcelorMittal SA in November, and the Constitutional Court ruling in December. We applied for the mining right for the rail properties at Sishen mine in October 2013, and we have re-applied for the 21.4% mining right for Sishen mine. We are pleased to report that in February 2014 we were granted the mining right for the rail properties at Sishen mine and will accordingly proceed with the implementation of our mining plan with waste stripping expected to commence in this area in the second half of 2014.

We will continue to actively engage with the DMR in respect of the 21.4% Sishen mining right. For more on legal matters see page 86.

APPRECIATION

I wish to express my appreciation to all those who have contributed to Kumba's progress during the past year. Thank you to the people of Kumba for your dedication to this company in the face of the challenges of the last year, and to the board for its on-going support and guidance. Kumba is fortunate in having a skilled and committed team that can take the company confidently into the future.

OUTLOOK

2014 will be all about the execution of the strategy we revised in 2013; improving both our safety and our production performance; optimising our portfolio of operations; and advancing our growth projects. December 2013 was our best operating month at Sishen mine in terms of both safety and production. We intend to carry this momentum into 2014 to produce 35Mt, and we expect to continue to do well at Kolomela mine. We seek to make substantial progress in the reconfiguration of Thabazimbi mine to extend its life.

Notwithstanding the recent pressure on iron ore prices, we believe prices will remain relatively strong on average in the first half of 2014, but further price pressure is expected in the second half of the year. These price pressures will come from slowing demand and increased supply pressures from Australia and Brazil.

We will be negotiating wages in 2014 and will work hard with our employees' representatives to reach an agreement that takes account of the needs of employees as well as those of the company. We will work with everyone to ensure we are aligned in achieving Kumba's goals and that everyone goes home safely every day.

We have delivered very good returns for all our stakeholders in a challenging year and we look forward to working closely with all stakeholders to take this company forward.

Norman Mbazima

Chief executive officer

FINANCIAL REVIEW



Frikkie Kotzee
Chief financial officer

Kumba has again recorded a solid set of annual financial results in spite of the challenges faced by ourselves and the mining industry globally. In 2013 we grew revenue and operating profit and, while production was marginally lower, we are confident that we are addressing our production concerns and are optimistic that 2014 will be a year of improvement in operational performance for Kumba.

In 2013 the increase in the average iron ore export prices achieved and the weakening of the Rand/US\$ exchange rate resulted in higher revenue for the group. This was partially offset by an increase in operating expenses, driven mostly by the increase in waste mined at Sishen and Kolomela mines, above inflationary cost escalations and higher logistics costs. Our operating profit margin was a healthy one, and a steady continuation of the 2012 performance, despite the production challenges faced at Sishen mine.

Kumba's headline earnings for 2013 of R15.4 billion were 24% higher than the R12.5 billion achieved in 2012. Attributable and headline earnings were R48.09 and R48.08 per share respectively. A final cash dividend of R19.94 per share has been declared, bringing the total dividend for 2013 to R40.04 per share (2012: R31.70 per share).

FINANCIAL PERFORMANCE

Revenue

The group's total revenue rose 20% to R54.5 billion (2012: R45.4 billion). The average Rand/US\$ exchange rate of R9.62 was 17% weaker than the R8.19 achieved in 2012, significantly increasing revenue by R6.98 billion when compared to the 2012 base, as all of our export sales are denominated in US\$. The improvement in revenue further reflected the 2% increase in the average iron ore export prices achieved, supported by stronger lump premiums, particularly in the second half of the year. Lump premiums were up US\$4/tonne on average for the year.

Iron ore prices remained strong throughout the year under review, with index prices peaking at US\$160/tonne in February 2013. Prices fell to a low of US\$110/tonne in May 2013, before stabilising at about US\$135/tonne in the second half of the year. Strong growth in Chinese crude steel output and demand due to sustained government infrastructure spend and steel mill restocking supported this price increase. Chinese environmental legislation also forced mills to close sinter plants, which boosted the use of direct charge material, including lump iron ore. For 2013, Platts 62% Fe CFR China index prices averaged US\$135/tonne – a 4% improvement on 2012. The higher iron ore prices achieved added R2.3 billion to our revenue line.

The group's total sales volumes were 2% lower at 43.7Mt (2012: 44.4Mt) as both export and domestic sales volumes decreased by 2% to 39.1Mt (2012: 39.7Mt) and 4.6Mt (2012: 4.7Mt) respectively. The lower export sales volumes were mainly impacted by the production shortfalls at Sishen mine, which reduced export stock levels across the value chain, mostly offset by the performance from Kolomela mine. Export sales volumes to China accounted for 68% of the company's total export volumes for the year, compared to 69% in 2012. Sales volumes to Japan and South Korea rose by 13% to 8.3Mt and represented 21% of the total export sales for the year; the remaining 11% went to Europe.

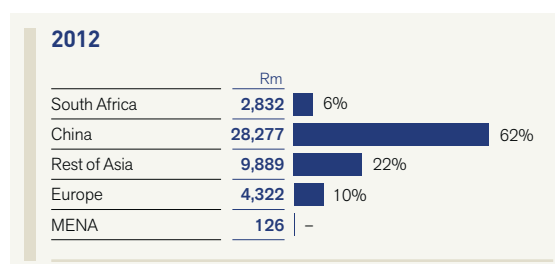
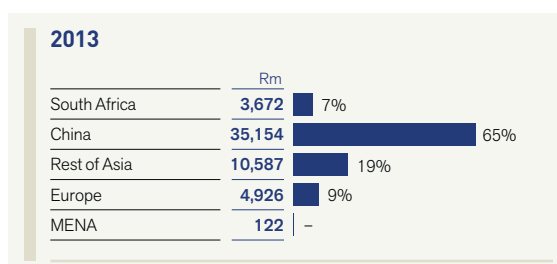
KEY INDICATORS OF FINANCIAL PERFORMANCE

Rand million	2013	Restated* 2012	% change Favourable/ (unfavourable)	2011	2010
Revenue	54,461	45,446	20%	48,553	38,704
Operating expenses	(26,076)	(21,800)	(20%)	(16,587)	(13,573)
Operating expenses	(24,742)	(21,191)	(17%)	(14,825)	(12,163)
Mineral royalty	(2,157)	(1,127)	(91%)	(1,762)	(1,410)
Deferred stripping capitalised	823	518	59%	–	–
Operating profit (EBIT)	28,385	23,646	20%	31,966	25,131
Operating margin (%)	52%	52%	–	66%	65%
Profit for period, attributable to:	20,300	16,455	23%	22,298	18,289
Equity holders of Kumba	15,446	12,486	24%	17,042	14,323
Non-controlling interest	4,854	3,969	22%	5,256	3,966
Headline earnings	15,443	12,472	24%	17,048	14,329
Effective tax rate (%)**	28%	25%	–	25%	24%
Cash generated from operations	29,354	24,688	19%	32,814	25,555
Capital expenditure	6,453	5,917	9%	5,849	4,723
Net debt/(cash)	1,796	4,342	59%	(1,551)	(1,670)
Equity	27,184	19,664	38%	20,592	13,376

* Restated as a result of the adoption of IFRIC 20 Stripping costs in the production phase of a surface mine.

** Excluding Secondary Taxation on Companies (STC), where applicable, and the mineral royalty.

REVENUE



In 2014 this spread is expected to shift slightly as more iron ore is shipped to China and less to Europe. ArcelorMittal SA remains the company's only domestic customer.

Operating expenses

Operating expenses increased by 20% year-on-year from R21.8 billion to R26.1 billion, driven primarily by above inflationary cost increases and the mining of 47.5Mt of additional waste at Sishen and Kolomela mines. Mining operating expenses increased by R1.4 billion or 23%. Of this, R996 million resulted from the 28% increase in production costs at Sishen mine as a direct result of the planned increase in mining activity. Total tonnes mined at Sishen mine rose by 22% to 208.8Mt (2012: 171.6Mt) with waste mined amounting to 167.8Mt, an increase of 26% (2012: 133.5Mt). The waste ramp-up is helping to alleviate the current pit constraints at the mine. Iron ore production at Sishen mine, however, decreased by 8% compared with 2012 to 30.9Mt.

Kolomela mine's production costs were 24% higher at R2.9 billion as the mine completed its first full year operating at full design capacity and continues to deliver above expectations. Production grew by 27% to 10.8Mt (2012: 8.5Mt). Technical studies have confirmed the mine's capacity to sustain production at 10 Mtpa, 1Mtpa above its original design capacity.

The group's total logistics costs were R998 million higher, with shipping costs contributing more than half of this amount. Selling and distribution costs of R4.5 billion (excluding shipping expenses) were 10% higher (2012: R4.1 billion) and were impacted by higher rail tariffs as well as the utilisation of 2.1Mt from Kolomela mine at a super tariff. This was partially offset as volumes railed on the IOEC remained steady at 39.7Mt (2012: 40.0Mt) and Kumba shipped 39.1Mt from the Saldanha Bay port, a 2% decrease on 39.7Mt of the previous financial year.

Our freight cost of R3.7 billion was impacted by volatile freight rates, which is expected to continue in the near future. The group's shipping business increased volumes shipped on behalf of customers from the Saldanha Bay port to 25.7Mt, 1.6Mt or 7% up over 2012.

Unit cash costs

Sishen mine

As a result of the planned increase in mining activity at Sishen mine, the production shortfalls and above inflationary input cost escalations, the mine's unit cash cost increased by 35% to R267/tonne compared to R198/tonne at the end of 2012.

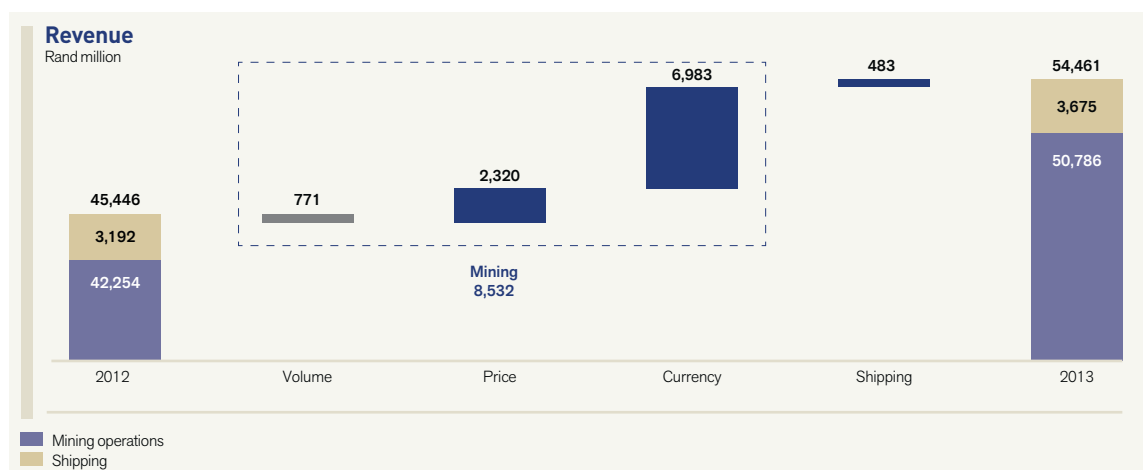
The R69/tonne increase in unit cash costs was driven by several key factors. Inflationary pressures pushed up costs by R15/tonne. Cost escalations in excess of inflation added a further R19/tonne after a number of cost items, including mining contractor rates, diesel, blasting material and haul truck tyres, rose well in excess of inflation. Growth in mining volumes as the ramp-up continued added R20/tonne. Lower iron ore production had a significant impact on Sishen mine's unit cash cost, a R22/tonne increase, due to a substantial fixed cost element. The increased deferral of waste stripping costs to the balance sheet decreased the cost by R7/tonne.

A production recovery plan to address the current pit constraints at Sishen mine and a longer term operational optimisation strategy has been implemented, which includes redesigning of waste mining push-backs to rotate mining direction in some areas through 90°, optimising smaller push-backs, and design changes to enable faster sink rates to expose ore. It is expected that the recovery plan will effectively allow us to get to the ore quicker and we are confident that within a year the mine will have turned the corner. The planned increase in production is expected to reduce the unit cost per tonne for Sishen mine.

Kolomela mine

Kolomela mine's cost performance was commendable as unit cash costs increased by a marginal R2/tonne to R182/tonne for 2013 (2012: R180/tonne). This was in line with our forecast unit cash costs for the mine. Production exceeded monthly design capacity for most of the year, reaching a new record level during October 2013.

Inflationary increases pushed up costs by R16/tonne, and above inflationary increases in mining contractor rates for drilling and blasting increased costs by an additional R7/tonne. Mining volumes grew to 16.4Mt, increasing costs by R34/tonne. This was all offset by a R48/tonne unit cost reduction resulting from the production volumes that increased by 27% to 10.8Mt. The increased deferral of waste stripping costs to the balance sheet decreased the cost by a further R7/tonne.



Thabazimbi mine

Thabazimbi mine, which operated on a cost-plus basis and was contractually dedicated to supplying ArcelorMittal SA until the end of 2013, became a more commercial operation from the start of 2014 subsequent to the new sales agreement concluded with ArcelorMittal SA in November 2013. This agreement provides security of supply and favourable pricing relative to the EPP of iron ore to the domestic market, and is an opportunity for the extension of the life of Thabazimbi mine beyond 2023 through mining out the remaining haemetite and through the introduction of low-grade beneficiation technologies. Thabazimbi mine's unit cash cost for 2013, excluding deferred stripping, was R662/tonne.

The mine is expected to ramp up to produce about 1Mt in 2014, and with a reconfiguration we expect to establish a lower cost, longer life mine producing approximately 2Mtpa.

Operating profit (EBIT)

The group's operating profit margin of 52% for the period under review remained a healthy one, despite the production challenges at Sishen mine. Our mining operating margin also remained steady at 56%.

These increases were partially offset by a R2.2 billion or 17% increase in operating expenses (excluding selling and distribution expenses, shipping expenses and the mineral royalty expense), driven mostly by the 53.6Mt increase in total tonnes mined at Sishen and Kolomela mines.

The mineral royalty expense for 2013 doubled to R2.2 billion (2012: R1.1 billion), principally as a result of higher revenue, as well as lower capital allowances related to Kolomela mine.

The group recorded a loss of R72 million from shipping operations on the back of higher volumes shipped on behalf of our customers, of which 6.7Mt were shipped under long-term contracts of affreightment (COAs) which were largely out of the money in 2013.

Taxation

The group's effective tax rate increased to 28% (2012: 25%). The effective tax rate is impacted by a number of factors, including the geographies in which we operate, the relative mix of profits across those geographies, the level of cash and gearing in each of those jurisdictions, the group's dividend and capital management programmes and a number of non-recurring adjustments, which will, by their very nature, fluctuate year-on-year.

Capital expenditure

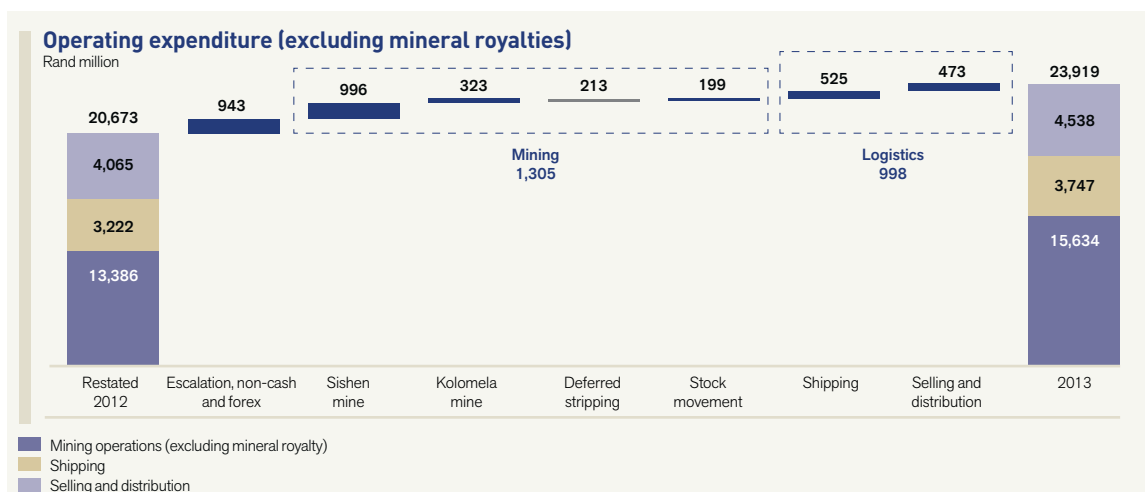
Kumba continues to invest in the development and expansion of our business to ensure future sustainability. We are continually reviewing our cost base to ensure we achieve an optimal return on capital. The SIB ramp-up capital requirements of the group are currently under review as a result of revised mining strategies for Sishen mine (see page 61 in this report).

In 2013 we spent R6.5 billion (2012: R5.9 billion) on capital, as follows:

Rand million	2013	Restated 2012
	6,453	5,917
Expansion capital	1,132	2,195
SIB capital	4,498	3,204
Deferred waste stripping cost	823	518

Expansion capital expenditure comprised the final expenditure on Kolomela mine and the first phase of Sishen Western Expansion Project (SWEP), both of which are being completed, as well as the upgrade of the group's financial systems. SWEP will provide access to an additional 283Mt of run of mine (ROM) ore, while total expenditure on this project is expected to be about R1 billion.

SIB capital expenditure to maintain operations was principally for the acquisition of heavy mining equipment, mainly haul trucks and shovels for Sishen and Kolomela mines in support of the waste mining ramp-up, as well as the completion of the Sishen workshop infrastructure and housing developments.



The group adopted a new accounting interpretation – IFRIC 20 *Stripping costs in the production phase of a surface mine* – during the year which resulted in a restatement of the 2012 capital expenditure. The application of this interpretation resulted in the deferral of R823 million (2012: R518 million) of waste-stripping costs to the balance sheet.

The board approved the plan to relocate the community of Dingleton to the town of Kathu in the Northern Cape province, which is expected to cost an estimated R4.2 billion over a four to six year period. Total capital expenditure is forecast to be between R7.5 billion and R8.2 billion in 2014.

Cash flow

Cash generated by the group's operations increased by 19% to R29.4 billion for the year (2012: R24.7 billion) in line with the iron ore price increase and a weakened Rand. These cash flows were after the payment of mineral royalties of R2.1 billion, and were used to pay income tax of R6.2 billion and dividends of R13.7 billion. Dividends paid to shareholders came to R10.5 billion while our empowerment partners received R3.2 billion in dividends.

Net debt and liquidity

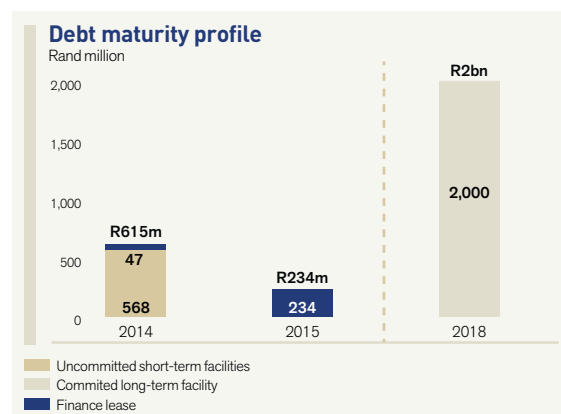
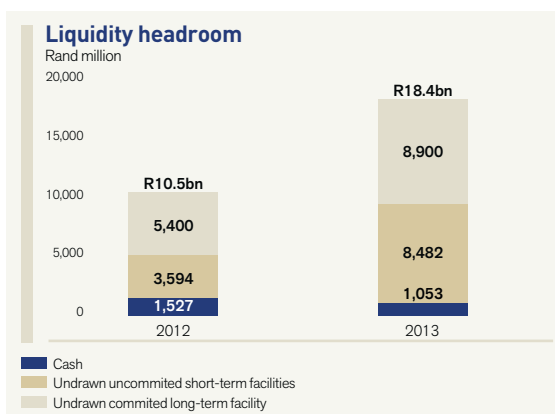
Kumba maintained its strong balance sheet in 2013.

At 31 December 2013, the group's net debt stood at R1.8 billion, which was 59% lower than its net debt of R4.3 billion at the end of 2012.

The group's R6 billion facility was renegotiated and the revised committed debt facility of R10.9 billion was effective 27 November 2013. Total debt facilities increased by 34% to R19.9 billion, made up of the R10.9 billion committed facility and further uncommitted facilities of R9 billion. The increase in debt facilities was secured to ensure an appropriately sized balance sheet for the group. R2.7 billion of these facilities was drawn down at 31 December 2013.

The group's gearing, however, remained low with the gross debt to equity ratio at 1:10 and the interest cover for the year at 102 times.

The group entered into a R312 million finance lease in respect of mining equipment during 2013.



SHAREHOLDER RETURNS

Total shareholder return

The total shareholder return for Kumba over the seven years since listing was 545% up to 31 December 2013, which is a reflection of the share's solid growth performance and the consistent cash dividend returns over the period.

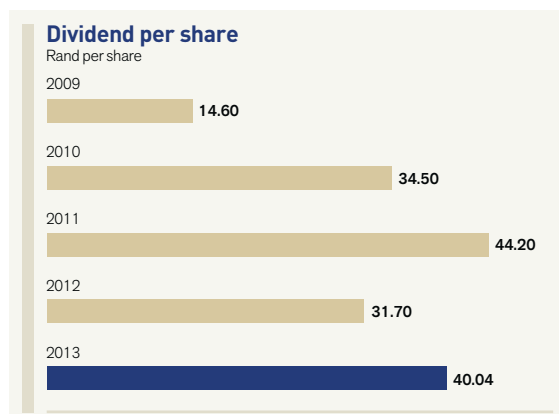
Share price

Kumba's share price declined during the year from R569 at 31 December 2012 to R443 at 31 December 2013. The share price has grown at a compound annual growth rate of 22% from the listing share price of R110 at the end of 2006.

The share price history since listing is presented at the bottom of this page.

Dividends

After reviewing the cash flow generation, growth plans and the capital structure, the board declared a final cash dividend of R19.94 per share. This, together with the interim cash dividend of R20.10 per share, brought the total dividend for 2013 to R40.04 per share (2012: R31.70 per share). The total dividend declared to shareholders since listing is therefore R194.34 per share.



GOVERNANCE IN ACTION

The board will continue to consider the group's position at each declaration date and reward shareholders after taking into account the financial position and growth requirements of the group. For more on this see the Report of the audit committee on page 138.

KEY FACTORS AFFECTING FUTURE OPERATING RESULTS

Export iron ore sales prices and volumes

It is anticipated that global crude steel demand in 2014 will grow by a further 3%, with China's production rising to about 806Mt, up 4%. Growth in production in other developing countries is expected to be countered by a reduction in output in some of the developed markets. It is anticipated, however, that the supply/demand balance will shift in the second half of 2014 due to more supply from Australia and Brazil, and slowing demand growth. This is expected to put some further pressure on iron ore prices in the second half of 2014. Although lump premiums declined slightly in January 2014, they continue to be strong, without any signs of significant weakening ahead.

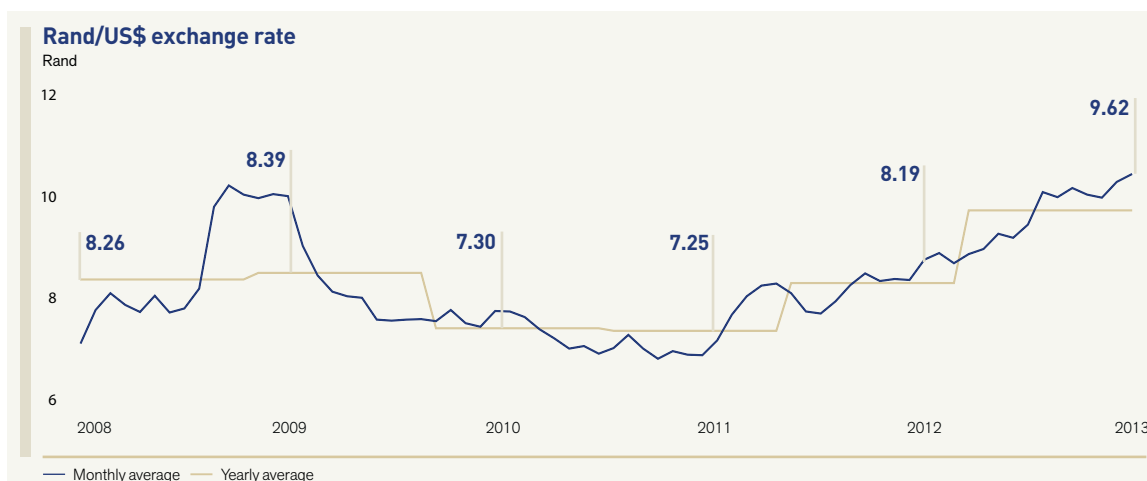
Export sales volumes are expected to remain at the 2013 level. Domestic sales volumes will be dictated by the off-take requirements of ArcelorMittal SA, in terms of which the company can acquire 6.25Mtpa from Kumba under the new supply agreement concluded in 2013.

Exchange rate

A significant proportion of our turnover and capital expenditure is affected by the Rand/US\$ exchange rate and, as such, Kumba's operating profit remains highly sensitive to fluctuations in it.

The average Rand/US\$ exchange rate weakened 17% during the year, and approximated lows last seen in November 2008. For the next period we do anticipate some stability. The five-year exchange rate history can be seen on the next page.





SIGNIFICANT ACCOUNTING MATTERS

Change to accounting estimates: environmental rehabilitation and decommissioning provisions

The LoM plan on which accounting estimates are based only includes proved and probable ore reserves as disclosed in Kumba's annual ore reserves and mineral resources statement. The estimated remaining LoM of Thabazimbi mine increased to 10 years, a seven-year increase from that previously reported. There has been no change to the LoM plans of the Sishen or Kolomela mines for the purpose of calculating the provisions for the year. Management has revised the estimated rehabilitation and decommissioning provisions for Thabazimbi mine.

Management has also revised the estimated rehabilitation and decommissioning provisions at Sishen, Kolomela and Thabazimbi mines as a result of changes in assumptions on the discount and inflation rates used to calculate the provisions for the three mines.

The change in estimate in the environmental rehabilitation provision was applied prospectively from 1 January 2013. The effect of this change is a net increase in the environmental rehabilitation provision of R261 million and an increase in the decommissioning provision of R8 million. The total rehabilitation and decommissioning provisions of the group were R1.8 billion at the end of 2013 (2012: R1.4 billion).

Change in accounting policy

The group adopted IFRIC 20 during the year. The interpretation clarifies that there can be benefits accruing to surface mining operations from the removal of mine waste materials to gain access to mineral ore deposits in the production phase of a mine (stripping activity). The two benefits being usable ore that can be used to produce inventory in the current period, and improved access to further quantities of material that will be mined in future periods. IFRIC 20 considers when and how to account for the benefits arising from stripping activity, as well as how to measure these benefits both initially and subsequent to the change in accounting policy.

The adoption of the IFRIC required the company to componentise each of its mines into geographically distinct ore bodies to which the stripping activities being undertaken within that component could be allocated. This has resulted in more stripping costs being deferred than under the previous accounting policy. The IFRIC has also resulted in the company depreciating the deferred costs capitalised on a unit of production method, with reference to the ex-pit ore production from a component.

The group has adopted the IFRIC for the year under review, which commenced on 1 January 2013, and applied the IFRIC to production stripping costs incurred on or after 1 January 2012, in line with the transitional guidance. A summary of the impact of this new accounting policy is provided on page 54 as well as in the principal accounting policies on page 26 of the Annual Financial Statements 2013.

The group adopted a number of accounting standards and amendments to published standards effective for the accounting period commencing 1 January 2013, which did not result in significant changes to the group's financial statements.

CONCLUSION

It was pleasing that we made constructive progress in 2013 on the resolution of key strategic issues facing the group, such as the Constitutional Court judgment, the new supply agreement with ArcelorMittal SA, and being awarded the mining right over the SWEP railway properties early in 2014.

As the group moves into the next financial year we are expecting to benefit from an improved performance at Sishen mine and sustained improvements in production at Kolomela and Thabazimbi mines. Notwithstanding the recent pressure on iron ore prices, we believe iron ore prices will remain relatively strong on average in the first half of 2014, but further price pressure is expected in the second half of the year. These price pressures will come from slowing demand and increased supply pressures from Australia and Brazil.

Frikkie Kotzee
Chief financial officer

SUMMARISED GROUP BALANCE SHEET

as at

Rand million	31 December 2013	Restated 31 December 2012	1 January 2012
Assets			
Property, plant and equipment	29,922	25,258	20,878
Biological assets	6	8	6
Investments in associate and joint ventures	–	47	33
Investments held by environmental trust	737	673	568
Long-term prepayments and other receivables	605	130	95
Deferred tax assets	920	842	658
Non-current assets	32,190	26,958	22,238
Inventories	5,171	4,136	3,864
Trade and other receivables	6,124	4,332	3,537
Current tax asset	–	76	32
Cash and cash equivalents	1,053	1,527	4,742
Current assets	12,348	10,071	12,175
TOTAL ASSETS	44,538	37,029	34,413
Equity			
Shareholders' equity	20,831	15,238	15,833
Non-controlling interest	6,353	4,426	4,759
Total equity	27,184	19,664	20,592
Liabilities			
Interest-bearing borrowings	2,234	3,200	–
Provisions	1,809	1,420	901
Deferred tax liabilities	7,888	6,835	4,942
Non-current liabilities	11,931	11,455	5,843
Short-term portion of interest-bearing borrowings	615	2,669	3,191
Short-term portion of provisions	355	26	11
Trade and other payables	3,888	3,012	4,556
Current tax liabilities	565	203	220
Current liabilities	5,423	5,910	7,978
Total liabilities	17,354	17,365	13,821
TOTAL EQUITY AND LIABILITIES	44,538	37,029	34,413

SUMMARISED GROUP INCOME STATEMENT

for the year ended 31 December

Rand million	2013	Restated 2012
Revenue	54,461	45,446
Operating expenses ¹	(26,076)	(21,800)
Operating profit²	28,385	23,646
Finance income	117	102
Finance costs	(396)	(405)
Loss from equity accounted joint venture	(46)	–
Profit before taxation	28,060	23,343
Taxation	(7,760)	(6,888)
PROFIT FOR THE YEAR	20,300	16,455
Attributable to:		
Owners of Kumba	15,446	12,486
Non-controlling interest	4,854	3,969
	20,300	16,455
Earnings per share for profit attributable to the owners of Kumba (Rand per share)		
Basic	48.09	38.87
Diluted	48.03	38.81

¹ Operating expenses are made up as follows:

Rand million	2013	Restated 2012
Production costs (net of finance gains and other)	15,411	13,339
Movement in inventories	257	59
Finished products	1,141	441
Work-in-progress	(884)	(382)
Cost of goods sold	15,668	13,398
Mineral royalty	2,157	1,127
Selling and distribution costs	4,538	4,065
Cost of services rendered – shipping	3,747	3,222
Sublease rent received	(34)	(12)
Operating expenses	26,076	21,800
² Operating profit has been derived after taking into account the following items:		
Employee expenses	3,039	2,710
Share-based payment expenses	635	756
Depreciation of property, plant and equipment	2,039	1,535
Deferred waste stripping costs capitalised (refer to note 3.1)	(823)	(518)
Net profit on disposal and scrapping of property, plant and equipment	(2)	(21)
Net profit on deconsolidation of investment	(5)	–
Finance gains	(830)	(148)
Operating expenses capitalised	(2)	(98)

Performance against objectives

SUMMARISED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

Rand million	2013	Restated 2012
Profit for the year	20,300	16,455
Other comprehensive income for the year, net of tax*	570	155
Exchange differences on translation of foreign operations	570	193
Net effect of cash flow hedges	–	(38)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	20,870	16,610
Attributable to:		
Owners of Kumba	15,917	12,615
Non-controlling interest	4,953	3,995
	20,870	16,610

* There is no tax attributable to items included in other comprehensive income.

SUMMARISED GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December

Rand million	2013	Restated 2012
Total equity at the beginning of the year ¹	19,664	20,592
Changes in share capital and premium		
Shares issued during the year	2	5
Treasury shares issued to employees under employee share incentive schemes	87	105
Purchase of treasury shares	(265)	(261)
Changes in reserves		
Equity-settled share-based payments	504	579
Vesting of shares under employee share incentive schemes	(91)	(123)
Total comprehensive income for the year	15,917	12,615
Dividends paid	(10,561)	(13,516)
Changes in non-controlling interest		
Total comprehensive income for the year	4,953	3,995
Dividends paid	(3,146)	(4,490)
Movement in non-controlling interest in reserves	120	163
TOTAL EQUITY AT THE END OF THE YEAR	27,184	19,664
Comprising		
Share capital and premium (net of treasury shares) ³	(297)	(121)
Equity-settled share-based payments reserve	1,236	822
Foreign currency translation reserve	1,010	571
Cash flow hedge reserve	8	(24)
Retained earnings	18,874	13,990
Shareholders' equity	20,831	15,238
Attributable to the owners of Kumba	19,977	14,663
Attributable to non-controlling interest	854	575
Non-controlling interest	6,353	4,426
Total equity	27,184	19,664
Dividend (Rand per share)		
Interim	20.10	19.20
Final ²	19.94	12.50

¹ The adoption of IFRIC 20 – *Stripping costs in the production phase of a surface mine*, did not impact the 2012 opening balance.

² The final dividend for 2013 was declared after 31 December 2013 and has not been recognised as a liability in this financial report. It will be recognised in shareholders' equity in the year ending 31 December 2014.

³ Reconciliations of the number of shares in issue and treasury shares held are provided below.

Number of shares	2013	2012
Reconciliation of number of shares in issue:		
Balance at beginning of year	322,058,624	322,058,624
Ordinary shares issued	27,350	–
Balance at end of year	322,085,974	322,058,624
Reconciliation of treasury shares held:		
Balance at beginning of year	1,064,531	1,075,970
Shares purchased	660,923	473,435
Shares issued to employees under the long-term incentive plan, Kumba bonus share plan and share appreciation rights scheme	(251,570)	(400,542)
Net movement in shares held by Kumba Iron Ore Management Share Trust	(29,358)	(84,332)
Balance at end of year	1,444,526	1,064,531

All treasury shares are held as conditional awards under the Kumba bonus share plan (2012: 1,035,173 shares).

SUMMARISED GROUP CASH FLOW STATEMENT

for the year ended 31 December

Rand million	2013	Restated 2012
Cash generated from operations	29,354	24,688
Net finance costs paid	(161)	(227)
Taxation paid	(6,171)	(5,215)
Cash flows from operating activities	23,022	19,246
Additions to property, plant and equipment	(6,453)	(5,917)
Investments in associate and joint ventures	(17)	(14)
Investments held by environmental trust	–	(45)
Proceeds from the disposal of property, plant and equipment	37	37
Deconsolidation of subsidiary	5	3
Cash flows from investing activities	(6,428)	(5,936)
Shares issued	2	5
Purchase of treasury shares	(265)	(261)
Vesting of Envision share scheme	–	(968)
Dividends paid to owners of Kumba	(10,500)	(13,428)
Dividends paid to non-controlling shareholders	(3,207)	(4,578)
Net interest-bearing borrowings (repaid)/raised	(3,332)	2,678
Cash flows from financing activities	(17,302)	(16,552)
Net decrease in cash and cash equivalents	(708)	(3,242)
Cash and cash equivalents at beginning of year	1,527	4,742
Exchange differences on translation of cash and cash equivalents	234	27
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,053	1,527

HEADLINE EARNINGS

for the year ended 31 December

Rand million	2013	Restated 2012
Reconciliation of headline earnings		
Profit attributable to owners of Kumba	15,446	12,486
Net profit on disposal and scrapping of property, plant and equipment	(2)	(21)
Net profit on disposal of investment	(5)	(3)
	15,439	12,462
Taxation effect of adjustments	3	6
Non-controlling interest in adjustments	1	4
Headline earnings	15,443	12,472
Headline earnings (Rand per share)		
Basic	48.08	38.83
Diluted	48.02	38.76
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	321,186,591	321,223,241
Diluted weighted average number of ordinary shares	321,595,563	321,753,827

The adjustment at 31 December 2013 of 408,972 (2012: 530,586) shares to the weighted average number of ordinary shares is as a result of the vesting of share options previously granted under the various employee share incentive schemes.

CHANGE IN ACCOUNTING POLICY

for the year ended 31 December 2013

The accounting policies applied in the preparation of the consolidated financial statements from which the summary of consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except as disclosed below.

One interpretation which became effective for the year commencing 1 January 2013 had a significant impact on the reported results and was adopted by the group.

IFRIC 20 – Stripping costs in the production phase of a surface mine (effective date: 1 January 2013)

In surface mining operations, entities may find it necessary to remove mine waste materials ('overburden') to gain access to mineral ore deposits in the production phase. This waste removal activity is known as 'stripping'. The interpretation clarifies that there can be benefits accruing to an entity from stripping activity: usable ore that can be used to produce inventory, and improved access to further quantities of material that will be mined in future periods. The interpretation considers when and how to account for the benefits arising from the stripping activity, as well as how to measure these benefits both initially and subsequent to the change in accounting policy.

The adoption of the IFRIC required the company to componentise each of its mines into geographically distinct ore bodies to which the stripping activities being undertaken within that component could be allocated. This is a change from the accounting policy previously applied, which had resulted in each mine being accounted for as a single component when calculating the value of waste stripping costs to be deferred. This has resulted in more stripping costs being deferred than under the previous accounting policy.

The IFRIC has also resulted in the company depreciating the deferred costs capitalised on a unit of production method, with reference to the ex-pit ore production from a component. Under the previous accounting policy adopted, deferred stripping costs were only reversed to the extent the actual stripping ratio achieved for the current period fell below the LoM stripping ratio. This has resulted in the deferred stripping assets created for each component being depreciated in earlier periods.

The transitional provisions of IFRIC 20 requires an entity to apply this IFRIC to production stripping costs incurred on or after the beginning of the earliest period presented. The group has adopted the IFRIC for the current accounting period, which commenced on 1 January 2013. The IFRIC is therefore applied to production stripping costs incurred on or after 1 January 2012.

A summary of the impact of the change in accounting policy on the results is set out below:

	2013 Impact of IFRIC 20	As previously reported	2012 Restated for IFRIC 20	As reported
Rand million				
Balance sheet impact				
Increase in assets				
Property, plant and equipment	706	24,765	493	25,258
Cost	823	30,603	504	31,107
Accumulated depreciation	(117)	(5,838)	(11)	(5,849)
Increase in equity and liabilities				
Retained earnings	391	13,716	274	13,990
Non-controlling interest	117	4,345	81	4,426
Deferred tax liabilities	198	6,697	138	6,835
Income statement impact				
Decrease in operating expenses	706	22,293	(493)	21,800
Increase in taxation – deferred tax	198	6,750	138	6,888
Increase in profit for the year	508	16,100	355	16,455
Attributable to owners of Kumba	391	12,212	274	12,486
Attributable to non-controlling interest	117	3,888	81	3,969
Earnings impact				
Basic earnings per share	1.22	38.02	0.85	38.87
Diluted earnings per share	1.22	37.95	0.85	38.81
Headline earnings per share	1.22	37.97	0.85	38.83

SUPPORTING NOTES

for the year ended 31 December 2013

1. CHANGE IN ESTIMATES

The LoM plan on which accounting estimates are based only includes proved and probable ore reserves as disclosed in Kumba's 2012 annual ore reserves and mineral resources statement. The estimated remaining LoM of Thabazimbi mine has been increased to 10 years, a seven-year increase from that previously reported. Management has revised the estimated rehabilitation and decommissioning provisions for Thabazimbi mine. There has been no change to the LoM plans of the Sishen or Kolomela mines for the year under review.

Management has also revised the estimated rehabilitation and decommissioning provisions at Sishen, Kolomela and Thabazimbi mines as a result of changes in assumptions on the discount rate and inflation rate used to calculate the provisions for the three mines.

The effect of this change is detailed below:

Rand million	2013
Increase in environmental rehabilitation provision	261
Increase in decommissioning provision	8

The change in estimate in the environmental rehabilitation provision was applied prospectively from 1 January 2013 and resulted in a decrease in attributable profit as well as basic, diluted and headline earnings per share for the year ended 31 December 2013 of R201 million and 63 cents, respectively. The change in estimate in the decommissioning provision has been capitalised to the related property, plant and equipment.

2. RELATED PARTY TRANSACTIONS

During the year Kumba, in the ordinary course of business, entered into various sale, purchase and service transactions with associates, joint ventures, fellow subsidiaries, its holding company and Exxaro. These transactions were subject to terms that are no less favourable than those offered by third parties.

No short-term deposit facilities were placed with Anglo American SA Finance Limited at 31 December 2013 (2012: R237 million). Interest earned on the facility during the year amounted to R96 million at a weighted average interest rate of 4.96% (2012: R83 million at a weighted average interest rate of 5.45%).

At 31 December 2013 a short-term deposit was held with Anglo American Capital of R572 million (2012: R nil). The interest earned on the deposit is based on prevailing market rates.

Interest-bearing borrowings drawn down at 31 December 2013 of R568 million was from facilities with Anglo American SA Finance Limited (2012: R5,869 million).

Interest paid on borrowings from AASAF during the year at a weighted average interest rate of 6.63% per annum (2012: 6.25%) was market related and amounted to R204 million (2012: R118 million).

3. GUARANTEES

During the year ended 31 December 2013, the group negotiated additional financial guarantee facilities, in respect of the group's environmental rehabilitation and decommissioning obligations to the DMR, with Lombard Insurance Group (one of the approved insurance providers by the DMR), Rand Merchant Bank and the Standard Bank of South Africa Limited to the total value of R1.2 billion.

Included in this amount are financial guarantees for the environmental rehabilitation and decommissioning obligations of the group to the DMR in respect of Thabazimbi mine of R331 million (2012: R nil). ArcelorMittal SA has guaranteed this full amount by means of bank guarantees issued in favour of SIOC.

The guarantees for the balance of the shortfall (R88 million) were issued subsequent to year end by both ArcelorMittal SA and SIOC.

The total guarantees issued for environmental closure liabilities at 31 December 2013 is R2.1 billion (2012: R874 million).

4. EVENTS AFTER THE REPORTING PERIOD

Refer to note 31 on page 60 of the Annual Financial Statements 2013 for the detail. No further material events have occurred between the end of the reporting period and the date of the release of these summarised consolidated financial statements.

SEGMENT REPORTING

for the year ended 31 December 2013

SEGMENT REPORTING

Exco considers the business principally according to the nature of the products and service provided, with the identified segments each representing a strategic business unit. 'Other segments' comprise corporate, administration and other expenditure not allocated to the reported segments.

The total reported segment revenue comprises revenue from external customers, and is measured in a manner consistent with that disclosed in the income statement. The performance of the operating segments are assessed based on earnings before interest and tax (EBIT), which is consistent with 'operating profit' in the financial statements. Finance income and finance costs are not allocated to segments as treasury activity is managed on a central group basis.

Total segment assets comprise finished goods inventory only, which is allocated based on the operations of the segment and the physical location of the asset.

Depreciation, staff costs and additions to property, plant and equipment are not reported to the chief operating decision maker (CODM) per segment, but are significant items which are included in EBIT and/or reported on for the group as a whole.

	Products				Services		
Rand million	Sishen mine	Kolomela mine	Thabazimbi mine	Logistics ¹	Shipping operations	Other	Total
2013							
Income statement:							
Revenue (from external customers)	36,685	13,022	1,079	–	3,675	–	54,461
EBIT	24,888	9,296	301	(4,538)	(72)	(1,490)	28,385
The following significant items are included in EBIT:							
Depreciation	1,441	570	1	5	–	22	2,039
Staff costs	2,121	482	364	20	5	682	3,674
Balance sheet:							
Total segment assets	177	66	75	398	–	478	1,194
Cash flow statement:							
Additions to property, plant and equipment							
Expansion capex	484	285	8	108	–	247 ²	1,132
Stay-in-business capex	3,933	564	1	–	–	–	4,498
Deferred stripping	637	186	–	–	–	–	823
Restated 2012							
Income statement:							
Revenue (from external customers)	33,001	8,239	1,014	–	3,192	–	45,446
EBIT	23,559	5,945	(25)	(4,065)	(30)	(1,738)	23,646
The following significant items are included in EBIT:							
Depreciation	1,033	471	3	–	–	27	1,534
Staff costs	2,000	495	345	–	8	618	3,466
Balance sheet:							
Total segment assets	168	153	130	491	–	244	1,186
Cash flow statement:							
Additions to property, plant and equipment							
Expansion capex	677	1,518	–	–	–	–	2,195
Stay-in-business capex	2,971	195	–	–	–	–	3,166
Deferred stripping	409	109	–	–	–	–	518

¹ Inter-segment revenue is no longer reported for the logistics segment as was the case for the year ended 31 December 2012 in the Annual Financial Statements 2012. The reason for this being that Exco, as the CODM, reviews the segment's performance with reference only to volumes railed and rail tariffs achieved.

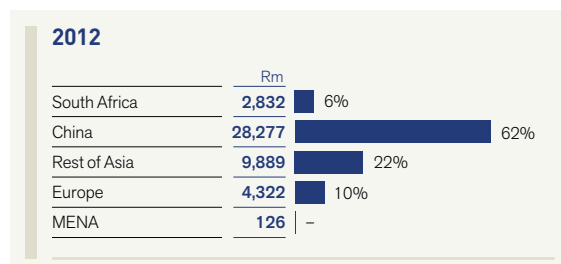
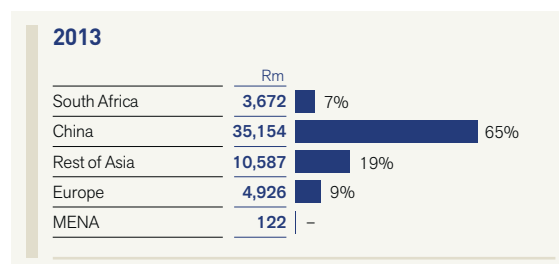
² The R247 million capital expenditure allocated to the other segment is in respect of an information management systems upgrade being rolled out group wide. This expenditure has not been allocated to the various segments.

Revenue from external customers analysed by goods and services

Rand million	2013	2012
Sale of products*	50,786	42,254
Shipping services	3,675	3,192
Revenue per the income statement	54,461	45,446
* Derived from extraction, production and selling of iron ore.		
Reconciliation of reportable segments' assets to total assets		
Segment assets	1,194	1,186
Work in progress inventory, plant spares and stores	3,977	2,950
Inventories per balance sheet	5,171	4,136

GEOGRAPHICAL ANALYSIS

Revenue from external customers:



Non-current assets

All non-current assets, excluding prepayments, investments in associate and joint ventures, and deferred tax assets, are located in South Africa, with the exception of R2 million located in Singapore (2012: R1 million in China).

This financial review and summarised financial statements are intended to provide you with a concise overview of Kumba's financial performance and key financial indicators for 2013.

The audited 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 2013, is to be found in the Annual Financial Statements 2013. The Annual Financial Statements 2013 were prepared under the supervision of the chief financial officer, Mr FT Kotzee, CA(SA), and were audited by Deloitte & Touche. The full annual financial statements can be downloaded from our website : http://www.angloamericankumba.com/investor_fin_reports.php or a copy can be requested from our investor relations department.



Andrew Loots
Executive head of operations

“2014 WILL BE ABOUT THE EXECUTION OF OUR STRATEGY WE REVISED IN 2013. WE ARE FOCUSED ON OPTIMISING OUR PORTFOLIO OF OPERATIONS”

Andrew Loots, executive head of operations

We will pursue a value-maximising product portfolio that seeks the best fit between market demand and our resources. Kumba will seek to contain unit costs, and improve productivity and operational efficiencies through its asset-optimisation programme.

The group will use its technical expertise and resources to drive a technology strategy aimed at achieving a competitive advantage by extracting value from lower grade ore resources and securing growth from South African and potential future resources in west and central Africa.

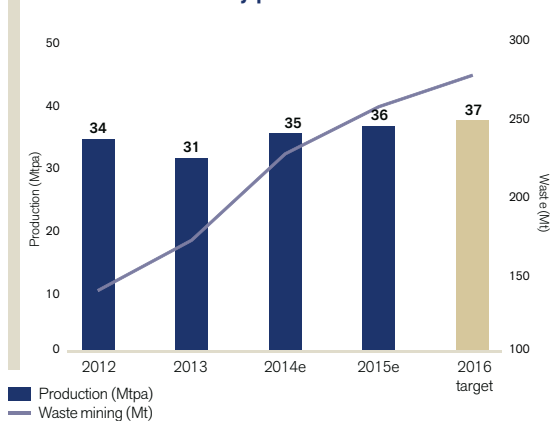
We seek to achieve this by pursuing low-grade resource research, ensuring continued success at Kolomela mine, and driving value across the business.

Main
Hauling operations underway in the Leeuwfontein pit at Kolomela mine following shift change. The mine has a production capacity of 10Mtpa.



SUSTAINING OUR BUSINESS

Sishen mine recovery plan



SUPPLY AGREEMENT CONCLUDED WITH ARCELORMITTAL SA PROVIDES SECURITY OF SUPPLY AND FAVOURABLE PRICING OF IRON ORE RELATIVE TO EPP TO THE DOMESTIC MARKET

CONSTITUTIONAL COURT JUDGMENT PROVIDES CLARITY



SUSTAINING OUR BUSINESS

Continued success is, for us, about balance. While we strive to have efficient, productive operations we also focus on keeping our employees safe and helping them grow and develop on the job. We understand the impact our operations have on both the communities around them and on the environment, and we work to ensure this impact is a positive one. By understanding and finding a balance between these issues we are able to meet our strategic objective of delivering a sustainable future.

OPERATIONAL REVIEW – OPTIMISING OUR ASSETS

In 2013 our focus was to enhance our understanding of our operations – their challenges, their successes and their opportunities – and use this knowledge to build a coherent, sustainable portfolio of efficient operations.

During 2013 we continued our drive for efficiency at and across our operations. We introduced an executive head of operations to oversee the three operations and ensure they are run in the most effective and efficient manner in terms of both current cash optimisation and long-term sustainability. The introduction of this role has provided a platform allowing our operations to learn from each other, and from which we can leverage success across all operations.

This operational optimisation is built on three pillars: efficiency, success and sustainability. Efficiency refers to how our mines are run – that they are technically sound and that we are able to extract maximum value from them. Success links our operations back to strategy – that we have the correct strategy in place at each mine to meet our goals and that this strategy is executed correctly. Success also encompasses the issues of cost by ensuring that the strategy in place allows the mine to produce within budgeted costs, and deliver both financial and production results that ensure each mine can continue for years to come. Finally, our focus on sustainability takes into account the balance we need to maintain to ensure our mines can continue into the future. This means exploiting our resources appropriately, protecting our people, and understanding our environmental and social impacts.

This balance relates directly to a number of key aspects on which our operations consistently focus which are integral to maintaining our social licence to operate. These include sound safety and health practices, respect and care for our employees, mitigating any environmental impact, and creating a positive effect on the communities around our operations. These remain priorities at our operations and are discussed in more detail on pages 64 to 74.

KEY PERFORMANCE INDICATORS (KPIs)

ZERO HARM

No fatalities or LTIs. Safety is paramount to how we work and we want to ensure each and every Kumba employee returns home safely at the end of every day. *Measured through: LTIs and fatalities*

PRODUCE ACCORDING TO PLAN

Our aim is not to produce as much as possible, but rather to produce optimally each year so we can maintain a solid performance while protecting the future of our assets. *Measured through: Mtpa, against targets*

MINE WASTE EFFECTIVELY

Mining waste is part of our strategy, to alleviate pit constraints at our operations in the longer term. *Measured through: waste mined and stripping ratio*

CONTAINING OUR COSTS

In line with our attempts to optimise our operations, it is essential that we manage costs across the operations in such a way that allows our production to be profitable. *Measured through: unit cash costs (R/tonne)*

SECURING OUR LOGISTICS

Our logistics are the link between our operations and our customers and so are integral to our business model. We need to ensure that the appropriate infrastructure remains available to us and meets our needs through a combination of planned production, contracts, and maintenance of key relationships. *Measured through: tonnes railed and tonnes shipped*

► Read about our KPIs on pages 14 and 15

01 The UHDS pilot plant at Sishen mine was commissioned in the fourth quarter of 2013. Early results from the testing of technologies to beneficiate production from low-grade ore are encouraging.



SISHEN MINE

At a glance

- 28.6Mt railed on the IOEC
- ISO 14001, ISO 9001, OHSAS 18001 certified
- Number of staff: 5,104 permanent full-time employees and 3,099 full-time contractors
- Total tonnage produced: 30.9Mt final product and 167.8Mt waste
- Total investment in social and community projects: R105.3 million
- Safety record: Lost-time injury frequency rate (LTIFR) of 0.21, with 0 fatalities
- Unit cash cost: R266.9/tonne

The bulk of our iron ore production comes from Sishen mine, located in the Northern Cape province near the mining town of Kathu. Producing since 1953, Sishen mine is our flagship operation and one of the largest open-pit mines in the world.

Sishen mine has sufficient reserves to sustain a 19-year LoM. Most of the iron ore mined here was exported, with about 3.9Mt of its production being supplied to ArcelorMittal SA in 2013. All mining is done by opencast methods with ore transported to the beneficiation plant where it is crushed, screened and beneficiated. We are the only haematite ore producer in the world to fully beneficiate its product, made possible through DMS and jig technology.

The jig plant at Sishen mine is the largest of its type in the world. Iron ore products, conforming to different chemical and physical specifications, are produced at this mine.

A NEW MINE PLAN

Sishen mine faced a trying year in 2013 as we sought to fully understand the mine's challenges and address them. The mine began the year on the back foot as a result of the unprotected strike toward the end of 2012 that had weakened both production and employee morale. As the mine ramped up, in recovery from the strike, it became clear that previous production targets were unattainable. We accelerated our diagnostic work and finalised a new production strategy to keep Sishen mine producing sustainably.

We undertook and concluded various analyses and geological studies, which allowed us to better understand the ore body at Sishen mine, and how best to mine it sustainably and successfully. These included a geological confidence study, which related to the reclassification of the B-grade material; work on the waste stripping strategy; and an asset review.

This knowledge informed our new mine plan, which is built on efficient, sustainable production and will be implemented by an operations support office. This new mine plan meant reducing our annual production target from 41 Mtpa to a target that is achievable in the long run and in line with the studies done in 2013 and is predicated on two pillars – redesigning waste mining and improving operational efficiencies. Currently, we aim to mine 37Mtpa at Sishen mine and are on track to achieve this by 2016.

GOVERNANCE IN ACTION

During the second quarter of 2013 the board held its annual strategy workshop at which it considered and revised the company's strategy, including the new Sishen mine plan.

01



01 SHERQ officers Judge Thhaolagomo and Lantley Willemse at the primary crusher at Kolomela mine.

KOLOMELA MINE

At a glance

- 11.1Mt railed on the IOEC, all of which was exported
- ISO 14001 certified
- Number of staff: 1,065 permanent full-time employees and 1,649 full-time contractors
- Total tonnage produced: 10.8Mt of final product and 46.7Mt of waste
- Total investment in social and community projects: R51.7 million
- Safety record: LTIFR of 0.20, with 0 fatalities
- Unit cash cost: R181.81/tonne

Kolomela mine is situated in the town of Postmasburg in the Northern Cape province. Its name, Kolomela, means "to dig deeper or further" or "to persevere", and the mine was a great success story during its first three years. It was completed on time, on budget, at the end of 2011, and has ramped up beyond expectations over the last two years, producing 10.8Mt in 2013. Kolomela mine produces lump ore with excellent physical strength that allows us to meet a niche demand (for more on this see page 84).

Producing sustainably

The team at Kolomela mine has done an excellent job of ramping the mine up and sustaining its production over the last few years. During 2013 Kolomela mine produced 10.8Mt, almost 2Mt above the original target of 9Mt. A fundamental part of this success is the flexibility built into the mine plan, including the decision to open two additional pits. These give us the opportunity to push Kolomela harder without compromising the future of the mine, as well as keeping waste mining in line with the ore produced – an objective that is crucial to the mine's success. The extra production at Kolomela mine in 2013 allowed us to make up some of the shortfall in production at Sishen mine, which went a long way to addressing logistics concerns (for more on this see page 84).

THABAZIMBI MINE

At a glance

- Supplied 0.7Mt to ArcelorMittal SA
- ISO 14001 and OHSAS 18001 certified
- Number of staff: 791 permanent full-time employees and 269 full-time contractors
- Total tonnage produced: 0.6Mt of final product and 26.5Mt of waste
- Total investment in social and community projects: R8.9 million
- Safety record: LTIFR of 0.14, with 0 fatalities
- Unit cash cost: R662/tonne

Thabazimbi mine has been operating since 1931 and is situated approximately 250km north of Johannesburg in the Limpopo province. Current mining activities take place in three pits using conventional opencast methods (including blasting, drilling, loading and hauling), and ore is processed through a single processing facility.

Thabazimbi mine produces primarily high-grade haematite ore (more than 62% iron (Fe) content), which is particularly low in contaminants and is currently sold exclusively to ArcelorMittal SA. A new agreement was signed with ArcelorMittal SA during 2013 which has taken the mine from being captive to being more commercial. Currently, low-grade technology is being tested at Project Infinity which, if proven, could extend Thabazimbi's LoM beyond 2023.

A new deal

On 5 November 2013 we signed a new supply agreement with ArcelorMittal SA (for more on this see Legal matters on page 86). As a result of this deal our primary focus at Thabazimbi mine, as we move into the new financial year, is on change management – to guide the mine from a cash-constrained environment to a more efficient commercial operation. The plan involves both a human and an operational element. We are working to train our employees at Thabazimbi mine to meet the new challenges they will face as the mine develops. Operationally, the plan has two steps. The first is to effectively mine the remaining ore body of the original mine; and the second is to successfully ramp up Project Infinity to meet continued demand (for more on this project see page 78). The timing of this plan is crucial and we are managing this risk in line with our risk management strategy (see page 20).

GOVERNANCE IN ACTION

During the second quarter of 2013 the board conducted a site visit to Thabazimbi mine and debated the strategy of the mine moving forward.

OUTLOOK

2013 saw us increasing our understanding of the technical nature of our operations and putting better plans in place to suit each operation. 2014 is set to be about the implementation of these new plans. At Kolomela mine we need to ensure that the successful strategy in place continues to meet the needs of the mine in terms of both production and waste. At Sishen and Thabazimbi mines we need to execute the new plans effectively. While this requires skill and dedication, we believe that all three mines have excellent teams in place to ensure a successful, sustainable execution of their specific plans.

As well as meeting individual goals, we will also continue to focus on overall efficiency, particularly operational synergies, in 2014. As we saw in 2013, through the relationship between Sishen and Kolomela mines, having more than one commercial mine allows us to optimally integrate our product portfolio to meet changing market demand and challenges. Being able to use different products from different mines allows us to meet customers' needs, and allows us to leverage the strengths of each mine which, we hope, will allow each one to flourish in the future.

Safety will remain a priority at all three mines in 2014. While we had no fatalities in 2013, we cannot ignore the increase LTIs across our operations. This worries us immensely, as our aim at Kumba is to ensure that everyone who works for us returns home safely at the end of the day. In the year ahead our integrated safety plan will focus on effective risk management, leadership and behaviour, and operating discipline, that is doing things right, with the right people,

02



using the right plant and equipment and following the right procedures. For more on safety see page 64 of this report and pages 54 to 56 of the Sustainable Development Report 2013.

2014 will see us enter into bi-annual wage agreements and so another focus at our operations will be, as it always is, ensuring open and mutually beneficial labour relations. We understand that we currently face a difficult labour relations climate in South Africa and we will strive to work with the unions to meet an agreement that suits both their and our needs.

02 The new UHDMS pilot plant at Thabazimbi mine is used to test new technologies for beneficiating production from low-grade ore.

03 Samuel Legoale, plant operator, and Judas Magoeni, metallurgical assistant, inspect some of the product from the new UHDMS pilot plant.

03



SAFETY AND HEALTH - PROTECTING OUR PEOPLE

The safety of our employees is a value embedded in our ethos and strategy. We aim to ensure that each day every one of us is able to return home unharmed. Apart from being a company value, safety forms part of our strategic pillars as our people are our greatest asset and their protection is key to our success. We have comprehensive safety systems and initiatives in place. The measurement of these is a KPI that drives our strategic performance.

As our operations continue to expand – Kolomela mine continues to ramp up production; Sishen mine develops into progressively deeper ore and new areas; and Thabazimbi mine embarks on projects to extend its life – taking up the challenge to reinforce commitment to achieve Zero Harm becomes even more important.

In addition to complying with safety regulations and putting the necessary systems and standards in place, we also promote individual responsibility for safety throughout the organisation. Externally, our engagement with both the unions and the DMR is a key factor that underpins our collaboration to improve our safety performance.

Safety performance

The 'real safety begins with me' theme continued through 2013 and was expanded towards the end of the year to 'Plan to be safe. Plan to deliver. Plan together'. With a focus on the importance of everyone's contribution to team effort, this places the responsibility on each employee to ensure they and their colleagues return home safely at the end of each day/shift.

We are pleased to note there were no fatalities at our operations during 2013 (2012: 2).

2013 saw a disappointing increase in LTIs in comparison to 2012. While the increase in injuries is a concern, it should be noted that the bulk of these were of low severity and presented minimum risk to the lives of our employees.

However, in keeping with our Zero Harm philosophy, all injuries are subject to investigation with the objective of eliminating the causes. Efforts to prevent repeats and improve overall safety culture continue.

Materials-handling incidents resulting in injury to fingers and hands contributed 45% of total injuries. 2013 also saw a rise in back and neck injuries arising from truck and shovel loading activities. This challenge has been flagged as an emerging health risk.

Reporting of high potential incidents (HPIs) has been entrenched. In 2013 64% of HPIs arose from transportation-related incidents. In response, the company is working on improving engineering controls on haul trucks. This includes speed control and anti-roll back technologies.

The DMR has increased its mine inspections with a view to increasing safety and awareness. In 2013 we received 12 Section 54 safety notices with the most significant relating to the operation of heavy moving machinery at Sishen mine resulting in total closure of the mine and lost production of 7.5 days (15 shifts) in February and August 2013. Five Section 54 notices were issued to Thabazimbi mine, several of them also relating to specific heavy moving machinery incidents and one relating to

Fatalities

2013	0
2012	2
2011	0
2010	3
2009	1
2008	1

LTIFR

(per 200,000 hours worked)

2013	0.18
2012	0.10
2011	0.08
2010	0.12
2009	0.07
2008	0.12

Safety performance 2013

	HPIs	LTIFR	LTISR*	LTIs	Fatalities	TRCFR**	Shifts lost due to injury (days)
Sishen mine	42	0.21	81	20	–	1.03	924
Kolomela mine	10	0.20	37	6	–	0.65	143
Thabazimbi mine	14	0.14	17	3	–	0.61	46
Group****	74	0.18	49	33***	–	0.82	1,134

* Lost-time injury severity rate.

** Total recordable case frequency rate.

*** Includes one LTI at corporate office and three LTIs at projects.

**** Includes corporate office, projects, geosciences and Saldanha Bay.

energy isolation of equipment in the plant. These only affected parts of the mine and the most serious production impact was five days (10 shifts) at one of the pits. Sishen mine had no Section 54 stoppages in 2012, but Kolomela mine was stopped for seven days early in 2012.

Analysis of high-potential incidents in 2013

	Analysis of HPIs (%)	Number
Transportation	64	47
Falling objects	14	10
Falling	1	1
Materials handling	–	–
Fire/explosion	5	4
Electricity	5	4
Pneumatic energy	1	1
Moving machinery	1	1
Other energy sources	5	4
Other causes (fall of ground)	3	2

With a large percentage of our potentially fatal incidents relating to haul trucks and other mobile equipment, technological improvements continue to be sought to prevent similar future incidents. The anti-roll back and speed-governing technology being developed at Sishen mine are exciting improvements we are particularly proud of.

Safety initiatives

We have established that one of the most effective ways of improving safety performance is thorough investigation and analysis of incidents. In contrast to the increase seen in injuries, the number of HPIs improved from 2012. Efforts have been directed at encouraging the reporting of both actual incidents and situations or conditions that could lead to incidents. We have also decided that the reporting and management of high-potential hazards would be introduced as a leading indicator to form part of our 2014 incentive scheme as these can be reported by all employees at all levels.

The undesirable rise in injuries early in the year called for concerted action and led to the holding of a Safety Indaba in June 2013. The Indaba brought together all the relevant safety and operational individuals as well as union and contractor representatives.

Following careful appraisal of the safety trends at this multi-stakeholder event it was established that 'business as usual' would not lead to safety improvements. A holistic approach was called for, including near- and longer term interventions.

To deal with the near-term challenges we introduced appropriate, narrowly focused safety campaigns directed towards safe materials handling and on minimising hand injuries.

Safety messages are deliberately kept simple and are reinforced by VFL interventions that have the double benefit

of contributing to enhancing trust. VFL encourages safe production, placing the value on the individual, and is considered a critical illustration of management's commitment to safety. Leaders at all levels regularly undertake site visits to observe people at work, as well as to discuss operational and safety issues.

At each mine we have joint management-worker health and safety committees in which the entire workforce is represented. We engage in meetings with union representatives monthly to discuss concerns and to develop joint health and safety solutions and interventions. We also participate in tripartite forums that include representatives of the company, the unions and the DMR.

For more on our approach to safety see pages 54 to 56 in the Sustainable Development Report 2013.

Occupational health

Protecting our employees is not just about keeping them safe at work, it is also about helping them remain healthy. The primary occupational health risks associated with our business are noise and dust, but our health initiatives also cover fatigue management, HIV/AIDS, TB and a range of chronic diseases. The exposure of mobile machinery operators to whole-body vibration was identified as an emerging health risk and work is to be done to address this during 2014.

Our approach to noise and dust:

- Reduce emissions at source
- Inspect and, if necessary, reject equipment before using it
- Schedule preventative maintenance of moving and fixed equipment
- Engage with contractors on noise- and dust-control measures
- Ensure new equipment is 'quiet' and generates less dust through our procurement criteria
- Ensure the reporting of workplace environmental incidents specifically related to noise and dust at our sites

Health performance

During 2013 we received three Section 55 notices relating to dust levels and hygiene standard surveillance from the DMR; one at Sishen mine and two at Thabazimbi mine. Corrective actions are being driven through implementation of the HealthSource database which integrates hygiene monitoring and medical surveillance.

Noise

There are no employees exposed to personal noise levels above 110dBA.

We have identified 1,275 employees exposed to noise levels of between 85dBA and 105dBA and the majority of these have been issued with customised hearing protection devices (HPDs).

In 2013 Sishen mine identified six new cases of noise-induced hearing loss (NIHL) while Kolomela mine reported one. All cases have been investigated and corrective action implemented as appropriate measures are in place to ensure critical controls are implemented.

Kolomela mine selected a supplier of customised HPDs in October 2013, who will commence rolling these out to employees early in 2014.

By year-end our programme of labelling all noisy equipment was nearing completion. Unlike fixed equipment signage, for which zoning the area is adequate, mobile equipment ensures that operators in close proximity to this equipment are adequately warned. At Kolomela mine a plant noise survey was in progress for noise zoning purposes at the end of 2013, using the noise level of 85dBA as a base. This noise zoning was completed at Thabazimbi mine during the year, while it remains a work in progress at Sishen mine.

Although it is too early to demonstrate the effects of recent interventions on health outcomes, improvements in the intensity of exposure are being recorded for specific processes and focal areas.

01 The health care centre operated by Kumba in Thabazimbi does not only service employees and their families, but the broader community as well.



	2011	2012	2013	
			Men	Women
New cases of NIHL identified	17	3	7	–
New cases of OLD*	2	3	–	–
New cases of TB identified	16	19	27	–

* Occupational lung disease

Dust

Although dust is one of our primary health risks, silicosis is not a health risk factor at Kumba's operational sites, with no history of reported cases. This does not, however, detract from our strategies for controlling dust, medical surveillance for silicosis and implementation roll-out. Results from on-going monitoring during 2013 indicated significant reductions in dust levels in the sample homogenous exposure groups.

Additional preventative measures were being installed or were completed by the end of 2013.

Fatigue management

Fatigue impairs the effective execution of physical and/or mental activities. The inherent risks associated with mining, such as the use of surface mobile equipment, escalate the risk of serious injury and equipment damage. To minimise safety incidents related to transportation, Kumba focuses on collision avoidance, people/vehicle separation and fatigue management.

Kumba follows a programmatic approach to the management of fatigue which covers risk-assessment, controls, education and training, monitoring and evaluation, and continual improvement. To implement a successful programme requires a multi-disciplinary team and approach, as well as individual ownership on the part of every employee. In 2013 Kumba's operations continued to implement interventions aimed at enhancing fatigue management and the site-specific plans focused on people, systems and technology.

Fatigue management was one of our most successful occupational health initiatives during the year. Operators of moving machinery are monitored in their vehicle cabins using the advisory system for tired drivers detection and vigilance technology for signs of fatigue, and were encouraged to spend brief periods at resting stations.

Monitoring equipment has been installed on all haul trucks at all three mines. Our approach to managing fatigue

HIV/AIDS performance in 2013

	Estimated HIV prevalence (%)	Number of HCT on mine	HCT as % of workforce	Number of AIDS related deaths	Number of employees on disease management programme	% of HIV+ employees on disease management programme	Number of employees on ART	% of disease management programme participants on ART
Sishen mine	7	5,268	93	–	363	99	113	31
Thabazimbi mine	16	622	77	–	66	52	12	18
Kolomela mine	5	729	64	–	43	74	–	–
Group*	7	6,966	86	–	478	86	127	26

* Includes corporate office, Saldanha Bay and other small sites.

	2013	2012	2011
HIV counselling and testing (HCT)	6,966	6,546	6,856
Antiretroviral treatment (ART)	127	177	178
Disease-management programme	478	432	273

among shift workers is holistic and includes the fatigue-indication technology roll-out at Kolomela mine, as well as training on the importance of eating and sleeping well.

So successful was Kolomela mine's fatigue-management programme, it has been replicated at other mines in the area. The Kolomela mine fatigue-management team continues to pursue ways in which to improve fatigue management and reduce risks on all shifts.

HIV/AIDS and TB

HIV/AIDS and TB are the main public health challenges in South Africa. Reports on the burden of diseases are also pointing to a rise in lifestyle diseases. Kumba is noticing the same trend among its employees and contractors. The focus on health promotion, health-risk screening, and treatment and care remains a priority for Kumba and the company will continue to pursue innovative ways of improving participation in prevention, treatment and care, and support programmes.

By the end of the year, 6,966 employees (86% of the workforce) and 8,413 contractors had participated in our HCT programme. During 2013 93% of Sishen mine's employees had participated in the HCT service, 76% at Thabazimbi mine and 64% at Kolomela mine. Overall, 109 new cases of HIV among employees were identified. Among contractors 435 new cases of HIV were diagnosed.

At the end of 2013 478 employees (2012: 432) were enrolled in our HIV disease-management programme with 127 people (including exploration) receiving ART (2012: 177). Employee enrolment in our disease-management

programme and numbers registered for ART throughout 2013 are a tribute to the awareness campaigns carried out at all our sites. It should be noted that these numbers exclude employees who access ART and HIV disease management assistance through their private medical aid providers. A total of 360 contractors were enrolled on the company's HIV disease-management programme at the end of the year, of whom 255 were on ART.

Given the close relationship between HIV/AIDS and TB, we integrated the management of TB into our HIV/AIDS programme. Insofar as TB is concerned, we have been challenged by employees' reluctance to participate in TB testing and treatment. There were 27 new cases of non-work related TB recorded in 2013; 25 pulmonary and two non-pulmonary.

Other lifestyle diseases managed at our site and local clinics during 2013 include diabetes, obesity, hypertension, fatigue and stress (work and non-work related).

Drugs and alcohol

Alcohol screening at Kumba sites continued in 2013 and included all employees involved in serious incidents undergoing drug and alcohol testing. Our contractor companies have similar alcohol- and drug-abuse policies. No entry is allowed to any individual testing positive for alcohol and, in the case of employees and contractors, disciplinary action is taken. All employees have access to counselling through our independent counselling service. For more on our approach to health see pages 57 to 61 in the Sustainable Development Report 2013.



01 Virginia Tyobeka,
Executive head of
human resources

EMPLOYMENT AND EMPLOYEES – DEVELOPING OUR PEOPLE

We believe our employees are at the heart of our success and, as such, our employment practices prioritise the attraction, retention and development of our people. These priorities determine our approach for ensuring competitive remuneration, offering sound living conditions, offering accredited training and development opportunities, fairness in our dealings with each other, and offering opportunities for personal growth and development.

In 2013 Kumba operated under challenging conditions, externally in our marketplace and the regulatory environment, and internally in the areas of labour relations and safety. Labour relations are evolving rapidly in South Africa and we appreciate that we need to anticipate changes before they affect us. Our internal challenges were dominated by compliance issues and the need to mobilise our workforce to contribute to the safe delivery of the expectations of all our stakeholders. During the year we increased our emphasis on improving the safety attitudes of our people with a focus on individual responsibilities for personal safety, for the safety of one's colleagues, and on reporting and responding to working conditions deemed to be unsafe.

Employment

Kumba employed a total of 13,305 people at the end of 2013 (2012: 11,773): 7,433 full-time, permanent employees (2012: 6,878), 5,037 full-time contractors (2012: 4,193), and 835 people in learnerships (2012: 702). In addition 3,492 fixed-term project contractors were employed at Kumba's construction projects (2012: 8,806).

Breakdown of employees and contractors

	Full-time, permanent		Full-time, contractors	
	2013	2012	2013	2012
Corporate office	146	125	1	–
Sishen mine	5,104	5,303	3,099	2,910
Kolomela mine	1,065	1,030	1,649	811
Thabazimbi mine	791	852	269	470
Technical services	115	120	10	–
Projects	113	45	9	2
Saldanha Bay and other	99	105	–	–
Total	7,433	7,580	5,037	4,193

Employee turnover

Kumba's turnover rate in 2013 decreased slightly to 4.2% from 4.4% in 2012 (2011: 3%); this is well below the industry benchmark of 8.2% as reported by the PwC Remchannel.

Absenteeism

Absenteeism is defined as both approved and unapproved absences that have an impact on productivity. Benchmarks are normally done per industry segment due to the specific working conditions in each industry sector. Kumba's absenteeism rate was 11% for the year. A study was carried out during 2013 to determine why absenteeism was significantly higher at Sishen and Kolomela mines than at Thabazimbi mine, and to help provide guidance on formulating ways of reducing it.

Absenteeism tends to peak in the months of July and August when people are more affected by winter illnesses such as colds and influenza. The study identified that high absenteeism is experienced in areas where the working conditions are difficult (that is, with excessive heat, dust and noise), such as loading, hauling and mining. The study recommended supervision, consequence management, wellness training, and incentives to better manage absenteeism.

Absenteeism

(%)	2013
Corporate office	6
Sishen mine	12
Thabazimbi mine	10
Kolomela mine	12
Group	11

Among issues reported were alcohol and substance abuse. Intoxicated employees are not allowed into the mine property. Appropriate interventions specifically aimed at addressing operator absenteeism are being implemented. Another unexpected reason for some cases of absenteeism was a shortage of doctors around Kathu

with people needing to travel relatively long distances for medical care taking more time off work.

There are on-going engagements with private medical care providers in the Northern Cape to ensure that adequate services are provided.

Employment practices

Short-term bonuses and share incentives supported by growth and development programmes are part of Kumba's remuneration practices. Full-time employees receive various benefits such as a medical aid subsidy, study assistance, pension fund membership and housing allowances.

By the long-term developmental nature of our business, Kumba relies on the services of fixed-term contractors, particularly for projects. This delivers operational skills-deployment flexibility that is not feasible with the exclusive use of permanent employees. However, it has become increasingly apparent that anomalous remuneration packages exist between contractors and permanent employees. Kumba has therefore introduced its own framework for contractor remuneration aligned to the company's framework for permanent employees.

Envision, the long-term incentive scheme for employees below senior management, continued in 2013. We believe it is vital for employees to feel they reap the benefits of their hard work. We will continue to engage with employees to ensure Envision fulfils this aim.

During 2013 employees were paid R144 million in dividends; R49.4 million in March and R94.6 million in August. We continued with our financial-fitness educational initiative and, during 2013, particularly directed financial training towards the union representatives and the Envision trustees, both of whom communicate with the employees they represent. A communication and trustee training programme that will last through 2015 was initiated in May 2013 for the union trustees elected to the Envision board in the first quarter of the year. The programme will cover topics such as the structure of the scheme; how Envision works and is managed; termination of service with specific focus on deceased estates; dividend payments; and the contribution employees make towards the success of the scheme. For more detail see the Remuneration report on page 129.

Collective bargaining

We recognise and uphold the right to freedom of association and collective bargaining. Collective bargaining with representatives of recognised unions regulates conditions of employment for most employees. Recognition agreements with certain unions govern relations with employees and organised labour.

About 84% of employees were represented by unions or were party to the agency shop agreement (2012: 85.2%). In 2013 this included all employees catered for by an agency shop agreement (an agency shop agreement is a type of collective agreement that requires employers to deduct an agreed agency fee from the wages of employees who are not members of a trade union, but who benefit from collective bargaining).

There were no changes to the agreements governing the company's relations with trade unions during 2013. However, during the year management was approached by AMCU for recognition at Sishen mine.

Wage agreements are negotiated with representative unions once every two years. The last agreement, reached in 2012, governed wages and increases during 2013. The 2012 agreement awarded a total cost-to-company increase of 9% for the period 1 July 2012 to 30 June 2013 and a 9% increase for the 12 months beginning 1 July 2013.

Union representation as at 31 December 2013

Total employees	%	
NUM	47.4	
Solidarity	21.4	
BAMCWWU	6.1	
Agency shop	9.2	
No union	15.7	

GOVERNANCE IN ACTION

Effective interaction between leadership, management and employees is a cornerstone of our business. Examples of this interaction during 2013 include board site visits; lunches at the company's head office hosted by the CEO, Norman Mbazima, in which he makes himself available to staff; the work being done through VFL; and Norman's bi-annual roadshows to the operations following results, where he talks to employees about the company's performance and hands out Employee Reports with key messages.



01 Gladwill Gaitswe, Godfrey Montsha and Issac Mongale take ore grade – control samples in the Leeuwfontein pit at Kolomela mine.

Employee relations

The effects of the October 2012 unprotected strike at Sishen mine persisted into 2013, most notably in strained relations with some employees. A review of the dissatisfaction factors giving rise to the strike indicated that very few related to wages, but rather disparate concerns such as garnishee orders – due to employee indebtedness – and alleged racism. Action plans to remedy the situation were introduced in 2013 and, while some were completed by the end of the year, some are scheduled to continue to the end of 2015.

The remedial activities include:

- An appropriate motivational intervention was identified and a programme of motivational talks were carried out and completed by December 2013
- Focused team building aimed at restoring relationships in the mining department progressed through 2013. This intervention is expected to be completed by March 2014
- A recreational engagement strategy aimed at building team spirit across our operations was implemented during 2013 that involved all operations participating in events such as the Kalahari Challenge Mountain Bike Race and Kumba Golf day hosted in Kathu
- Tenders have been invited for a pilot service to address racism and to develop a plan that can be rolled out across the group

- In July 2013 an external company was awarded a contract to investigate unwritten discriminatory practices inadvertently resulting from the group's human resources (HR) policies
- Guidelines and discussion topics for quarterly dialogue sessions have been finalised and will be rolled out top-down commencing February 2014. The dialogue sessions will evolve around five different themes enabling management to improve relationships with workers and restore trust following the strike at Sishen mine
- First-line management training forums to motivate and resolve production and safety issues are being implemented across all departments
- An educational intervention to develop employees' understanding of business drivers has been initiated and is being fast tracked

Training and development

The Mining Charter, together with our own programmes, inform Kumba's wide variety of training initiatives. These include legislative training, such as health and safety; learnership development; youth development; mentorships; portable skills training; career progression plans; study assistance and bursaries; adult basic education and training (ABET) and professionals in training (PIT).

In 2013 each of our employees received 72 hours of training (2012: 81 hours) on average, with R276.7 million spent on training (2012: R224.2 million), equivalent to 8.1% of the total wage bill (2012: 5.8%). Of the total number of employees who were trained, 86% were historically disadvantaged South African (HDSAs) (2012: 89%) and 29% women (2012: 33.5%).

Training was also provided to employees nearing the end of their careers, through normal or medical retirement. A total of 317 people received portable skills training in 2013 (2012: 299).

Adult basic education and training

Illiteracy remains widespread in South Africa. From assessments it is estimated that 95% of employees are functionally literate at Sishen mine and 88% at Thabazimbi mine. All employees at Kolomela mine are literate as this was a standard set for selection. To further literacy and numeracy skills, ABET continues to be made available to all employees and to some community members on a part-time, voluntary basis. In 2013 44 employees participated in ABET (2012: 72), 31 at Sishen mine and 13 at Thabazimbi mine. A further 52 ABET learners were trained in 2013 (2012: 93) of whom three were contractors and 49 were community members.

For more on this see page 64 of the Sustainable Development Report 2013.

Learnerships, bridging school, bursaries and scholarships

As well as internal training we also aim to provide community members with the opportunity to study further in fields that relate to our business. This goes a long way to helping individuals strive to meet goals and also helps us address certain skills scarcities facing our business.

Learnerships are offered to our employees and can lead to qualifications recognised by the Sector Education Training Authority and the Department of Labour through a combination of formal study and practical training. In 2013 we spent R83.1 million on learnerships (2012: R53 million). A total of 557 learnerships were offered, distributed as follows: 194 (35%) in mechanical engineering, 123 (22%) in electrical engineering, 41 (7%) in civil engineering and 199 (36%) in mining metallurgy. All participants were acknowledged as proficient in the skills acquired (2012: 450) and 114 artisans (2012: 138) were trained.

Bridging school is offered to students from the community who have not received the appropriate maths and sciences marks, after completing secondary school, for entry into a tertiary institution. During 2013 Kumba sponsored 10 learners (2012: 12), of whom all improved their marks enough to be accepted into higher education.

Promising employees and learners from labour-sending areas are able to study core mining disciplines at tertiary institutions through our bursaries and scholarships. These programmes are in line with our employment equity plan and have been running for eight years. In 2013 65 students (2012: 69) were sponsored at a cost of R9.8 million (2012: R9.4 million). Each year the achievements of these students are recognised at an annual function, attended by Exco.

Community training and development

We value the opportunity to improve the lives of the communities around our operations and believe education and training is a lasting way to do this. Community members are able to take short courses at the Kathu and Thabazimbi training centres. In 2013 427 people attended these courses (2012: 299) – 132 in welding, 89 in bricklaying, 68 in plumbing, 72 in carpentry, 52 in sewing and 10 in upholstery.

Transformation

Kumba is a company of equal opportunity and has a non-negotiable non-discriminatory employment policy, which encourages racial and gender diversity and which aligns with the employment requirements of the Mining Charter.

Though occasional, informal mentions of discrimination incidents arose in 2013, no official complaints were received and investigations to verify these incidents did not establish any evidence to substantiate them. Diversity workshops continued during 2013 and we also initiated a sexual harassment awareness campaign.

Kumba also supports the implementation of affirmative action and focuses on recruiting above the Mining Charter minimum requirements of 40% for HDSAs in management positions and 10% for women in mining. In 2013 HDSA employees made up 84% of our workforce and 55% of management (2012: 52%). Women made up 18% of all employees and 13% of core mining positions. Women made up 20% of management in 2013 (2012: 19%).

We strive to recruit locally unless a specific skill is not available in the area. We have committed to ensuring at least 84% of our employees are local to the Northern Cape (2012: 73%). As the Northern Cape is sparsely populated with communities widely scattered, we define local as someone living within a 50km radius of our mines. Of the new employees recruited in 2013, 55% were local.

Training and development statistics

Programme	Number of participants		HDSAs (%)		Women (%)		Expenditure (R million)	
	2013	2012	2013	2012	2013	2012	2013	2012
ABET	52	72	100	100	48	43	5.7	1.0
PIT	46	48	76	72	32	35	37.7	31.5
Engineering learnerships	358	261	84	76	15	21	40.9	32.57
Other learnerships	244	189	96	96	30	24	42.2	21.09
Bridging school	10	12	100	100	60	25	0.8	0.91
Bursaries and scholarships	65	69	80	78	57	49	9.8	9.41
Community training and development	427	299	100	100	44	24	5.5	4.58
Total	1,202	950	91	89	41	32	142.7	101.1

HDSAs and women in management in 2013

	Total management		% HDSAs in management		% Women in management		% Management who are local	
	2013	2012	2013	2012	2013	2012	2013	2012
Corporate office	327	246	60	54	35	36	81	98
Sishen mine	875	692	53	50	15	14	97	100
Kolomela mine	208	146	63	49	16	17	93	99
Thabazimbi mine	159	145	50	61	18	16	84	100
Group	1,569	1229	55	52	20	19	89	99

Women in mining in 2013 (%)

	Women employed	Women in core mining
Corporate office	45	29
Sishen mine	15	11
Kolomela mine	23	21
Thabazimbi mine	16	13
Group	18	13

Housing and living conditions

Kumba's housing strategy is based on three pillars:

- The promotion of home ownership
- The provision of company housing to facilitate the attraction and retention of critical staff
- The facilitation of access to accommodation

There will also be a shift to accelerate home ownership using all available resources including government programmes. We hope this will help achieve our goal of making all Kumba employees home owners by 2019.

In 2013 Kumba built 413 additional homes for employees, bringing the total number of houses built by the company since listing to 3,401 houses.

Community engagement and development expenditure

Rand million	2013	2012	2011	2010
Corporate office	87.8	110.5	71.2	6.2
Sishen mine	105.3	72.3	73.6	72.1
Kolomela mine	51.7	77.9	30.9	38.9
Thabazimbi mine	8.9	14.9	9.2	16.8
Group	253.7	275.6	184.9	134.0

SUPPORTING SUSTAINABLE COMMUNITIES

Our communities remain one of our key stakeholders and we continue to prioritise our relationships with them. We aim for these relationships to be honest and mutually beneficial, in line with objectives explained in our material issues (see page 36). Sound and respectful relations with local communities are important as they reinforce our continued social and legal licences to operate. Though these interactions have many facets they are fundamentally underpinned by long-term considerations about the prosperity of each community.

In all our interactions with communities we aim to respect them, reach a consensus in addressing concerns, and show an understanding of their traditional rights, cultural heritage, local customs. Furthermore, we hope to be sensitive to the nature of our social impact and to ensure it is positive. We consult with communities about their needs prior to embarking on projects so as to identify norms that may be affected by operations.

Every three years our operations compile community development reports that address:

- Which communities have been considered
- Who the credible leaders are within these communities
- Which of these leaders have been consulted prior to the implementation of projects
- The needs of each community and which of these needs have been prioritised
- The relevant ward or municipality consulted to determine the possibility of partnerships for identified projects, as well as the local authority's integrated development plan (IDP)
- The skills and capacity building that will be addressed within the relevant community



01 Some of the houses built in Postmasburg for employees working at the Kolomela mine. These award-winning houses set new accommodation standards for workers at South African mines.

Each operation has a specific SLP, which is aligned with local municipality IDPs. These plans solidify our commitments to government and the communities.

In 2012 Thabazimbi mine submitted a new five-year SLP to the DMR and, with a plan supported by the DMR, started its execution in 2013. Sishen mine continued with their current SLP and Kolomela mine's came to an end. Identified focus areas for community development interventions, as laid out in the SLPs, are health and welfare, education, skills development and capacity building, small-, medium- and micro-enterprise development, infrastructure development, and agriculture.

In addition, we use Anglo American's SEAT process in our community engagement. This enables each mine to identify and manage the socio-economic impact of their activities on local communities, to find ways to improve performance on key social issues, and to select the best CSI initiatives to mitigate negative impacts and develop positive interventions.

In 2013 we spent R253.7 million on CED projects.

THE DINGLETON RELOCATION

We continue to engage with the Dingleton community on the subject of relocation due to the planned expansion of Sishen mine.

The company will help move the residents to modern houses in the Kathu urban area which offers better public amenities, such as schools, churches, clinics, sewerage, and water reticulation. The company will pay for the difference in municipal rates for 25 years as well as all capital gains tax that home owners might incur as a result of the relocation.

86% of Dingleton's households have agreed to the move.

The company has aimed to adhere to IFC guidance in its dealings with the community, which require that no one will be worse off and ensuring that everyone will, in fact, be materially better off. In addition to this we engaged extensively with the community and will continue to seek solutions that would be to the mutual benefit of the company and all residents, in a suitable and sensitive manner.

Dingleton, too, came in for special attention in terms of our portable skills training and assistance to small- and medium-enterprises initiatives.

01



01 Abraham Nakana (front), a member of the organic farming co-operative assisted by Thabazimbi mine, and fellow members busy producing the worm tea used in the cultivation of vegetables.

02 Kolomela mine was awarded ISO 14001 certification in 2013. The mine's war room (pictured) is used by multi-functional teams to integrate all essential processes at the mine and keep track of crucial operational issues such as environmental monitoring.

ENVIRONMENT – MINIMISING OUR IMPACT

Kumba recognises that, by their very nature, mining operations affect the environment, locally and globally. Our approach to minimising our impact is based on prevention and mitigation: prevention through ensuring that our operations are efficient and frugal users of input resources; and mitigation by ensuring that rehabilitation and restoration of our environmental surrounds are performed regularly throughout our mines' lives and after their closures.

In January 2013 comprehensive environmental improvement plans were established for each of our three mines focusing on three areas and strategic objectives within them:

- Operational excellence and risk management
- Climate-change, energy and resource management
- Land management: biodiversity, land use and rehabilitation

We strive to comply fully with all local environmental regulations and report fully and voluntarily on the environmental impacts of our operations.

Management and compliance

Environmental compliance is material to Kumba and we have Environmental management plans (EMPs) approved by the DMR at all our operations. integrated water use licences (IWULs) are in place at all of our operations and all of them are in the process of being amended to include new activities or those that were initially excluded. As part of these EMPs we carry out several internal audit processes on a continual basis to ensure our compliance with all relevant legislation and regulations.

At the end of 2013 21 business-critical environmental and renewal authorisations, were awaiting approval by the DMR. We continue to engage positively with the DMR and other government departments in the regard.

02



Kumba received two environmental directives during 2013, but no fines for non-compliance were issued. At Thabazimbi mine the DMR asked for an increase in financial provisions for pit slope failure, necessitating a reduction in the slope angles of the pit wall. The ultimate result is an increase in the ratio of waste to ore mined and a related increase in mine operating costs. Sishen mine was also issued with a Section 93 environmental directive in Q4 of 2013. The mine has responded to the DMR and addressed the issues raised.

Kolomela mine was awarded its ISO 14001 certification in July 2013, while Sishen and Thabazimbi mines retained their ISO 14001 certification. We aim to retain our certification and better manage our environment for on-going improvement.

There were no level 3 to 5 incidents at Kumba's mines in 2013. There were, however, six level 2 incidents – five at Sishen Mine and one at Thabazimbi mine.

For further details, see our Sustainable Development Report 2013, page 84.

Conserving our resources

Though extensive, our principal resource, the ore we mine, is not unlimited. Apart from the absolute physical limits to our ore bodies, there are also environmental and financial limits. We cannot continue to mine if our costs exceed our revenues, but we obviously cannot continue to mine if our

operations contribute to excessive environmental degradation.

Conserving and optimising the use of our primary process materials is, therefore, an essential component of our operations. These are the materials consumed in the production process that do not constitute part of our final product.

While we seek to minimise the absolute size of our environmental footprint we are engaged in expansion of our ore production – an expansion into deeper extensions of our ore bodies that calls for an increasing ratio of waste stripped to ore produced. More overburden or waste has to be removed for every tonne of ore mined with a concomitant increase in the intensity of usage of process materials. Their careful and frugal use therefore forms part of our operating strategy as well as being one of the measures used in setting performance contracts and in determining responsible employees' and managers' remuneration.

Key environmental statistics

Water:

9,596 million m³ of water from boreholes

1,000m³ per tonne produced

Total water used for primary activities: 8.590 million m³

Energy:

Energy consumed from fossil fuels (direct):

7.54 million GJ

Energy consumed from electricity purchased (indirect):

1.8 million GJ

Total energy consumed (direct and indirect):

9.34 million GJ

Greenhouse gases (GHG) Scope 1 and Scope 2:

1.08Mt CO₂e

03



03 Dorah Mothupi and Ivan Mphela planting bamboo shoots. To help offset the mine's carbon footprint, Thabazimbi mine is assisting a small organic cooperative to grow bamboo that will be used to manufacture a variety of household products.



Francois Louw
Executive head of projects

“KOLOMELA WILL SUSTAIN PRODUCTION OF ABOUT 10Mtpa; POTENTIAL FOR ADDITIONAL PRODUCTION OF ABOUT 5Mtpa IS UNDER INVESTIGATION”

Francios Louw, executive head of projects

We will successfully execute our growth projects.

In South Africa we will pursue greenfields and brownfields growth targets and seek to beneficiate our existing lower grade resources, as well as secure and protect the requisite logistical capacity in the short, medium and long term at economical tariffs. We will seek value-enhancing volume growth in Africa with a particular focus on west and central Africa in partnership with Anglo American plc.

Main

Another train being loaded at Kolomela mine with ore for the export market. Each train consists of 340 wagons, with each wagon carrying 100 tonnes of iron ore.

GROWING OUR BUSINESS

Forecast 2014 capex: R7.5bn to R8.2bn

	R million (nominal terms)	
Sishen mine sustainability SIB	1,350 to 1,550	
Kolomela mine sustainability SIB	650 to 750	
Sishen ramp-up SIB	2,650 to 2,750	
Deferred stripping*	1,350 to 1,500	
Expansion	1,500 to 1,650	

* includes Thabazimbi mine

KOLOMELA MINE

TOTAL TONNES MINED

(2012: 43.5Mt)

59.9Mt

STRIPPING RATIO

(2012: 3.3)

3.5



GROWING OUR BUSINESS

OUR GROWTH STRATEGY

Delivering on growth projects is one of our four strategic pillars, making growth – and the ability to secure our future sustainability – one of the key priorities of our business. Growth is also vital to our ability to deliver a sustainable future to our stakeholders.

Our strategy for growth comprises two parts. First, in South Africa, we aim to leverage our current mining rights holdings and other opportunities near our mines, as well as existing infrastructure, to develop a project pipeline that enables a return to optimal levels of production; and to grow to meet the needs of the market. While this strategy remains intact, there have been a number of changes in the phasing of projects and specific deliverables of various components of this pipeline. Second, in regards to potential expansion into west and central Africa, Kumba is working in partnership with Anglo American plc to explore the development of a second footprint.

RESOURCE REPLACEMENT TO PROTECT PRODUCTION

Developments at Sishen, Kolomela and Thabazimbi mines in 2013 have resulted in a revision of our saleable product output targets and plans, while optimising the use of capital and assets.

The agreement signed with ArcelorMittal SA in November 2013 could enable the possible extension of Thabazimbi's LoM beyond 2023, effectively changing the ore reserve needs of the company in the short to medium term. As a result, Project Phoenix, a ring-fenced development within the Thabazimbi mining right area, which was pursued over the past five years, was rescoped to include additional sources of lower grade iron ore material outside of the project area. This consolidated initiative, Project Infinity, aims to add to the capacity of Thabazimbi by processing lower grade materials currently excluded from the LoM. The technology to potentially beneficiate this lower grade material is under development.

Combined with the production challenges faced at Sishen mine, we have revised this growth strategy to include interim South African growth of about 5Mtpa. Simply put, our revised growth strategy is to maintain current ore reserves to fulfil contractual obligations, and to pursue interim growth opportunities as presented by expansion on the IOEC.

The pursuit and achievement of growth relies on various factors, many of which are often outside of our control. This strategy allows for a flexible approach for growth in South Africa.

Kumba's project pipeline

An update on our projects

PROJECT INFINITY (replaces Project Phoenix)

Location	Thabazimbi mine, Limpopo province
Product	Product from low-grade ROM material producing similar products to the current Thabazimbi mine.
Stage of project	Feasibility phase
Potential production	Increasing Thabazimbi mine's production to ± 2.0 Mtpa
Project Infinity is the integration of Project Phoenix into Thabazimbi mine.	

JIG -1MM

Location	Sishen mine, Northern Cape province
Product	Fine ore – 0.2mm to 1mm
Stage of project	Feasibility phase
Potential production	0.8Mtpa

JIG DISCARD

Location	Sishen mine, Northern Cape province
Product	Fine ore
Stage of project	Pre-feasibility
Potential production	± 2.0 Mtpa

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

KOLOMELA EXPANSION

Location	Kolomela mine, Northern Cape province
Product	Similar product quality to that currently produced by Kolomela mine
Stage of project	Phase 1 in pre-feasibility study phase
	Feasibility study phase planned to start in 2015
Potential production	± 5.0 Mtpa

A brownfield expansion of the current Kolomela mine to support a sustainable production throughput to the maximum potential of the current LoM direct shipping ore resources. Incremental expansion progressing well through pre-feasibility study with potential production of approximately 5Mtpa. 1Mtpa expansion to nameplate capacity of Kolomela mine already incorporated into LoM.



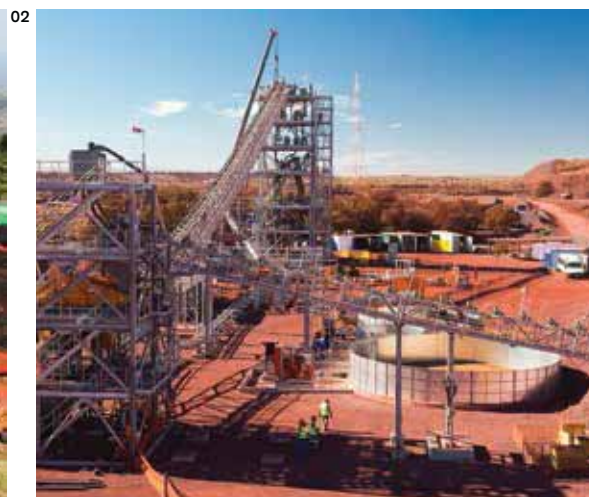
01 An exploration team at work in the mountains of Thabazimbi.

02 The UHDS pilot plant at Sishen mine was commissioned in the fourth quarter of 2013. Early results from the testing of technologies to beneficiate production from low grade ore are encouraging.

SISHEN LOW GRADE

Location	Sishen mine, Northern Cape province
Product	Fine ore, concentrate
Stage of project	Exploration, opportunity development
Potential production	Under review

The Sishen lower grade project is expected to produce additional fine product from the significant amount of lower grade iron ore material available following testing and confirmation of new beneficiation technology. Lower grade material previously classified as waste may be reclassified as resources/reserves depending on the economic viability of the beneficiation technology. Further work is required to metallurgically characterise the ore and to develop an appropriate beneficiation/processing technology to enable the integration of this potential product into Sishen mine's product suite. Work continues in parallel to upgrade the geological confidence classification of the lower grade material.



SISHEN CONCENTRATE

Location	Sishen mine, Northern Cape province
Product	High-grade iron ore -200micron fraction or pellet feed
Stage of project	Concept stage
Potential production	±1.0Mtpa

This brownfield expansion project could produce high-grade iron ore concentrate from the DMS and jig plants' tailings. Approximately 1.0Mtpa of -200 micron fraction product could be produced by 2018. This project is being re-aligned according to strategic intent.

ZANDRIERSPOORT – Polokwane Iron Ore Company (under review)

Location	Near Polokwane, Limpopo province
Product	Concentrate or blast-furnace pellets, high-quality product (69% Fe)
Stage of project	Concept
Potential production	±6.0Mtpa

KOLOMELA MINE: A GREAT EXAMPLE OF OPTIMISATION

When considering new projects the successful ramp-up of Kolomela mine is proving to be a useful example and guide to our project team. Kolomela mine has shown the importance of asset optimisation and mining efficiently. Lessons were learnt in each area of the project and at many different levels within the project and corporate organisations. These include:

- The choice of contracting model is an important decision for the project team. However, the critical consideration is not choosing either one or other 'pure' model, but ensuring that the chosen set-up is appropriate to the unique circumstances of the project, and that any gaps in capabilities are identified and the skills and systems within the owner's team are adapted to suit the project. In the case of Kolomela mine, Kumba chose to use a mixed model, with a Tier 1 engineering, procurement and construction management (EPCM) (Hatch) supporting the development of the core beneficiation of the core plant area, and Kumba playing owner-executor role for the rest of the project. This arrangement required Kumba to employ a significant owner's team and to use its own comprehensive

systems and procedures in areas where the consultants and contractors did not have the systems or skills.

- A successful project requires the best skills and a comprehensive set of detailed supporting processes.
- Successful projects require an exhaustive focus on set-up. However, the key to this is not creating additional reviews and oversight mechanisms, but bringing in skills with the right experience – including focused, early involvement of operational staff to ensure that suitable policies, processes and procedures are in place, and that roles and responsibilities are comprehensively clarified. In addition, project set-up needs to give attention to the facilities that are critical to enabling overall project success, such as early establishment of mine workshops and the timeous availability of accommodation for employees.

At first read many of the lessons learnt from Kolomela mine may seem obvious and some will sound very similar to those learnt from other large projects. The Kumba team are building deliberately and systematically on the good performance of the Kolomela project.

01 Employees coming off shift at Kolomela mine. To help shift workers cope with their demanding routine, a fatigue centre has been opened at the mine.



02



02 A block being prepared for blasting in the Leeuwfontein pit at Kolomela mine.

AFRICAN GROWTH

Developing a second footprint in west and central Africa remains part of Kumba's long-term growth strategy. During 2013, in a joint venture with Anglo American plc, exploration continued and assessment of various options in several target countries was done.

Exploration in Liberia and Gabon is currently being undertaken. During 2013 the prioritisation process for choosing targets was refined and in 2014 Kumba will explore options according to the priorities set out.

INCREASED INNOVATION

As well as expansion through additional ore reserves we are investigating beneficiation technology to enable the conversion of low-grade iron ore occurrences to mineral resources and subsequent ore reserves to increase production and reduce waste. Significant progress has been made in improving the geological confidence of the low-grade material.

SIOC has significant low-grade iron ore material available within its existing mining right areas, especially at Sishen

mine. Solutions are actively pursued to beneficiate this material into saleable product in an economically viable way. The potential for growth through this avenue is significant.

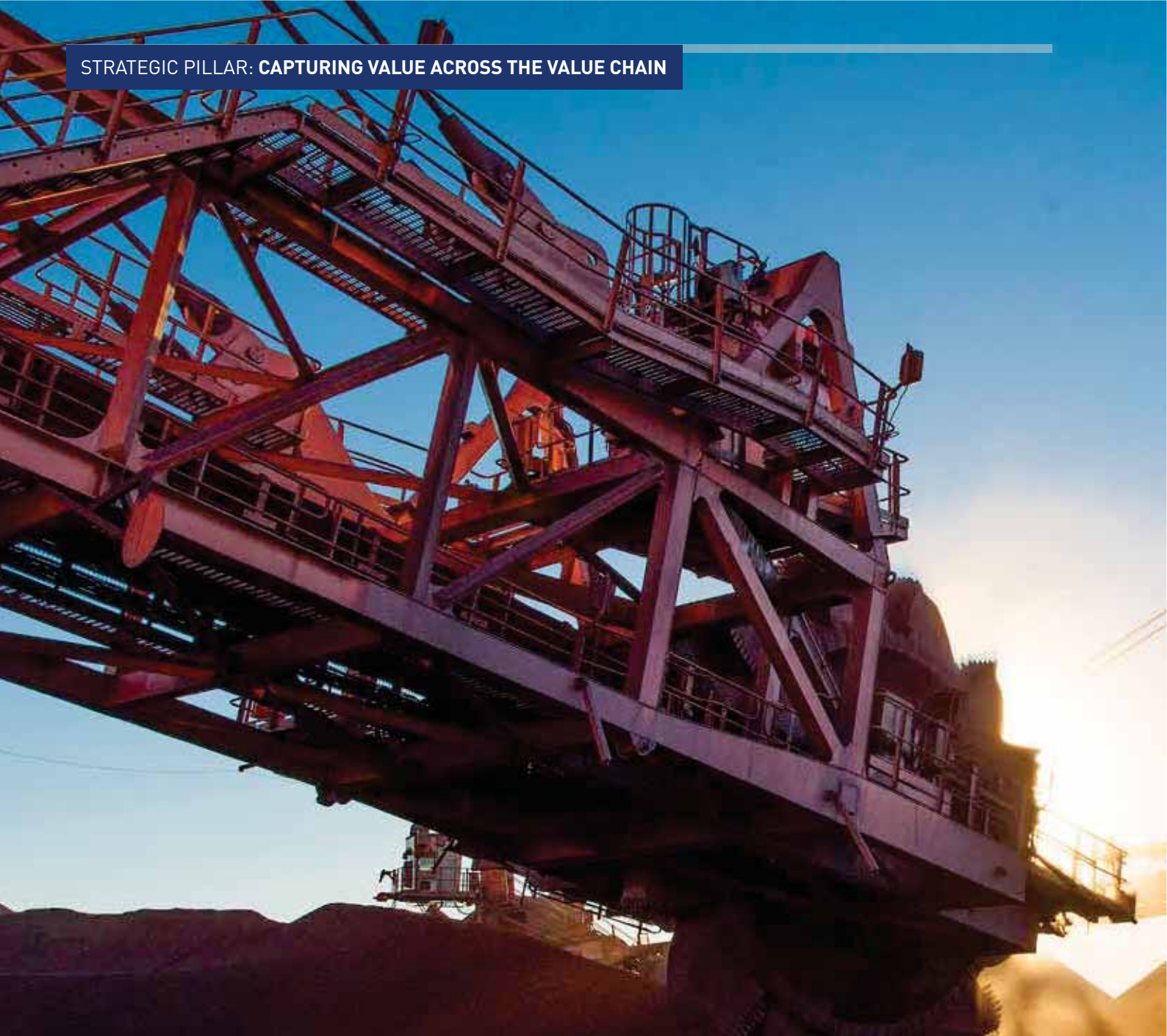
This focus on innovation goes hand-in-hand with our growth strategy, with both running concurrently in the next few years. A pilot plant to test the viability of lower grade iron ore beneficiation technology was successfully commissioned at the end of 2013.

PLANNING FOR 2014

Our revised growth strategy focuses on short-, medium- and long-term goals in order to achieve steady growth and to develop both expansions and innovation plans.

Some of our goals for 2014 include:

- Advancing studies on our proposed projects
- Capitalising on the opportunity presented by the current IOEC allocation
- Advancing our timeline for long-term growth
- Advancing our projects in line with the company's asset review



Timo Smit
Executive head of marketing and seaborne logistics

“OUR LOGISTICS ARE THE CRITICAL LINK BETWEEN OUR OPERATIONS AND OUR CUSTOMERS”

Timo Smit, executive head of marketing and seaborne logistics

Main

Ore stockpiles await shipment at the deep-water port of Saldanha on South Africa's west coast. In 2013 the company exported 39.1Mt of seaborne iron ore to its customers in China, South Korea, Japan, Europe and MENA.

We will exploit the physical properties of our ore to develop niche lump-sized products pursuing an optimal iron ore pricing mechanism, and securing a balanced geographical spread of customers to maximise profits and minimise risk.

The group's ocean freight management strategy will create value and protect free-on-board (FOB) margins through the use of various long-term freight instruments and potential investment through port stockpiles. We will investigate blending opportunities at current operations, ports of origin and/or destination to enhance ore utilisation and achieve optimum product value.

ACCESSING OUR MARKETS

Global seaborne iron ore exports 2013

	Est Mt	
Australia	609	
Brazil	321	
South Africa	58	
India	15	
Rest of the world	321	

TOTAL VOLUMES LOADED AT SALDANHA BAY
(2012: 38.5Mt)

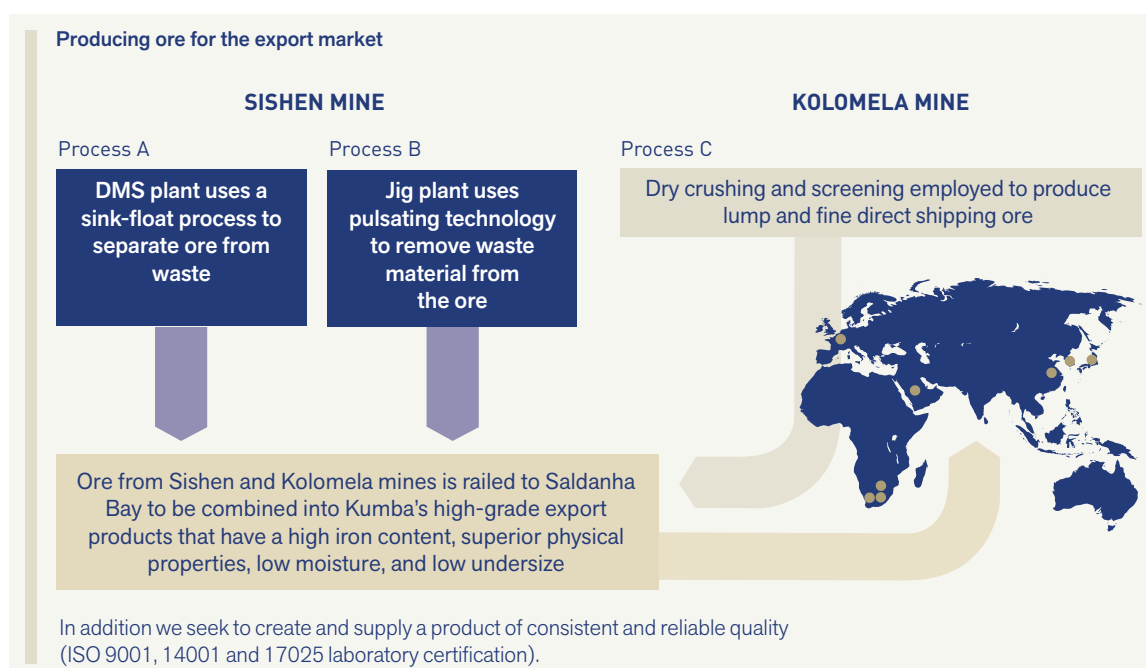
39.3Mt

ACCESSING OUR MARKETS

OUR PRODUCTS

Our marketing strategy strives to match our products with our customers' needs. By understanding what our clients require we are able to develop and deliver the appropriate, high-quality products, which allow us to strengthen our relationships with clients and cement our place in the competitive global market.

We produce ore for the export market at our Sishen and Kolomela mines in the following way:



Our lump to fine ratio for 2013 was high at 63:37, which allowed us to benefit from the stronger lump premium towards the end of 2013. Also, the superior physical characteristics of our lump ore, particularly the hardness, allow us to produce niche lump products with very specific sizing, commanding an additional premium in the market.

Domestic demand is partially met through production at Thabazimbi mine, which has a DMS process that produces both fine and lump ore, which was supplied exclusively to ArcelorMittal SA. The balance of the domestic demand from ArcelorMittal SA is supplied by Sishen mine.

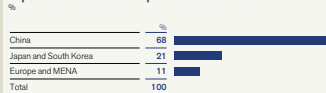
LOGISTICS

Our logistics processes and infrastructure serve as the link between our operations and our clients; they are a crucial part of our business model, ensuring our product is able to reach customers around the world.

Given that many aspects of the logistics chain are out of Kumba's control, it requires careful management and well-developed, trusted business partnerships.

	Units	2013	2012	2011	2010	2009
Total volumes railed to Saldanha Bay (including Saldanha Steel)	Mt	39.7	40.0	39.1	36.5	34.6
Total volumes loaded at Saldanha Bay	Mt	39.3	38.5	37.9	36.7	34.6
Export sales	Mt	39.1	39.7	37.1	36.1	34.2
Domestic sales	Mt	4.6	4.7	6.4	7.0	5.8
Total volumes shipped by Kumba	Mt	25.7	24.1	21.7	18.7	21.5
Shipping profit/loss	Rand million	(72)	(30)	337	319	675

Export destinations and export volumes 2013



Rail

Transnet continued its solid performance in 2013, meeting all contractual commitments. We experienced one derailment, but this was recovered by Transnet at no cost to Kumba.

A total of 39.7Mt (2012: 40Mt) was railed via the IOEC during 2013. Of this 11.1Mt came from Kolomela mine and 28.6Mt from Sishen mine. We exported 39.3Mt (export sales were 39.1Mt), while 1.4Mt was supplied to ArcelorMittal SA's Saldanha Bay steel plant. ArcelorMittal SA's inland plants received a total of 4.6Mt (2012: 4.7Mt), of which 0.7Mt came from Thabazimbi mine.

Kumba and Transnet agree on a tariff increase annually for Sishen and Kolomela mines, which is based on a basket of indices consisting of the producer price index, labour costs and electricity, among others. During 2013 we made use of the super tariff – a tariff for tonnes above contractual volumes for the period 2009 to 2011 – for Kolomela mine as we exceeded the contractual volume of 9Mt.

Ports and shipping

During the year under review our shipping operations faced a number of challenges as a result of our constrained production. While it was not always easy, we were able to meet all our contractual obligations and worked with our clients to ensure we met their needs with the stock available. One of the ways we achieved this was to significantly reduce our spot sales in the second half of 2013, giving priority to our contractual obligations.

Overall we shipped 39.3Mt (2012: 38.5Mt) from Saldanha Bay in 2013. At 31 December 2013, Kumba's stockpiles were 1.1Mt (2012: 1.7Mt) at Saldanha Bay and 0.8Mt (2012: 0.5Mt) at Qingdao, China, including ore in transit from Saldanha Bay to Qingdao.

Our four key markets remain China, Europe, Japan and South Korea to which about 99% of our product was shipped in 2013. We arranged shipping for a total of 25.7Mt (2012: 24.1Mt) in 2013, mostly to China. Long-term contracts of affreightment with Oldendorff GMBH in Germany and NYK in Japan accounted for 6.7Mt, or 27%, of the total volume of 25.7Mt for which Kumba arranged shipping.

Optimisation continues to be a focal point of our shipping and logistics team. In 2013, for example, we managed to

combine some iron ore shipments to China with third-party coal shipments from Indonesia to India, thus increasing average vessel utilisation and resulting in a saving of well over \$2 per dry metric tonne on these shipments. We also continued work on our port optimisation, focusing on improving equipment reliability. This has resulted in a pleasing improvement in our ship loading rates.

Our shipping team moved from Hong Kong to Singapore in 2013. By working in conjunction with the Anglo American plc team in Singapore, Kumba has been able to reap the benefits of scale. Anglo American plc has Commercial Competence Centres (CCCs) for a number of fields, including market intelligence, shipping, and risk and performance management to which the Kumba team has access in Singapore. Due to the size of the operations in this area these CCCs are cutting-edge and allow for higher standards and more synergy among the business units. While the shipping team has been improving efficiency for a few years now, these initiatives are in line with Anglo American plc's Driving Value campaign.

The placement of stockpiles at ports close to major markets remains critical to our business. In 2012 these stockpiles were depleted significantly as a result of the unprotected strike at Sishen mine and we sought to replenish these to normal operating levels of about 0.8Mt.

MARKET REVIEW AND OUTLOOK

The market in 2013 was generally stable and better than anticipated. An increase in steel production led to increased demand for iron ore and stronger than expected prices, averaging \$135/tonne (62% Fe Platts CFR China).

Looking at worldwide demand, China – the main producer of steel globally – increased its production by an unexpectedly strong 7% in 2013. Growth in Japan and South Korea was also above expectations, and Europe stabilised during the year, which all added to global demand. In 2013 we supplied about 68% of our ore to China, 21% to Japan and South Korea, and the remaining 11% to Europe. In 2014 this spread is expected to shift slightly as more ore is shipped to China and less to Europe.

Our pricing mechanism continued to evolve with prices in China now mostly based on index values around the discharge date. In other markets we largely continue to use the quarterly mechanism, which is index linked.

Notwithstanding the recent pressure on iron ore prices, we believe prices will remain relatively strong on average in the first half of 2014, but further price pressure is expected in the second half of the year. These price pressures will come from slowing demand and increased supply pressures from Australia and Brazil.

GOVERNANCE IN ACTION

During 2013 the chairman of the board and the chairman of the audit committee visited the company's key customers in Seoul, as well as the company's Singapore offices as part of the board's stakeholder engagement activities.

SECURING OUR FUTURE

REGULATORY COMPLIANCE

Kumba did not incur any fines in respect of non-compliance with laws or regulations in 2013, neither was the company involved in any legal action relating to anti-competitive behaviour, anti-trust or monopolistic practices.

We continued to perform ahead of the targets of the Mining Charter, and compliance with the MPRDA continued. For further detail see Sustaining our business on page 60.

LEGAL MATTERS

We endeavour to avoid litigation and legal disputes, but when they do arise we aim to resolve them in a timely manner that results in the best long-term outcomes for the company and our stakeholders. Pleasingly, the two most important – and related – legal and contractual issues facing us were resolved in late 2013.

Supply agreement dispute with ArcelorMittal SA

The dispute between SIOC and ArcelorMittal SA regarding the contract mining agreement had been referred to arbitration in 2010. In December 2011 the parties agreed to delay the arbitration proceedings until the final resolution of the mining rights dispute.

Interim pricing agreements were implemented to 31 December 2013.

In November 2013, SIOC and ArcelorMittal SA entered into a new supply agreement regulating the sale and purchase of iron ore between the parties, which became effective on 1 January 2014. This agreement, subject to certain express conditions, is expected to endure until the end of LoM for Sishen mine, and provides security of supply and favourable pricing relative to EPP of iron ore to the domestic market.

The parties agreed that the price for up to 6.25Mtpa of iron ore will be determined with reference to the total mining cost of the production of iron ore and the processing thereof through the DMS plant at Sishen mine, plus a margin of 20%, and subject to a ceiling price associated with the Sishen EPP at the mine gate. The product will comply with agreed specifications from both Sishen and Thabazimbi mines. The parties further agreed the price for predetermined quantities of iron ore from Thabazimbi mine for the first two years of the agreement.

The conclusion of this agreement settled the arbitration and the various other disputes between the companies.

The new agreement was subject to a number of resolute conditions, including that SIOC retains the entire Sishen mining right and is not required to account to any third party

(excluding ArcelorMittal SA). In addition, it is assumed that amendments to existing legislation or new legislation will not have a material effect on the terms of supply.

The terms of the Constitutional Court judgment issued on 12 December 2013 do not, at this time, activate these resolute conditions.

Mining rights dispute with DMR and ICT

We reported in our 2012 Integrated Report that the DMR and ICT had lodged an appeal against the December 2011 North Gauteng High Court decision that SIOC was the exclusive holder of the converted mining right at Sishen mine.

On 28 March 2013 the Supreme Court of Appeal (SCA) dismissed the appeals of the DMR and ICT after which the matter was referred to the Constitutional Court.

On 12 December 2013 the Constitutional Court ruled that SIOC had a 78.6% undivided share of the Sishen mining right.

The Constitutional Court ruled further that, based on the provisions of the MPRDA, only SIOC can apply for and be granted the residual 21.4% undivided share of the Sishen mining right. The grant of the mining right may be made subject to such conditions considered by the minister to be appropriate, provided that the proposed conditions are permissible under the MPRDA. SIOC had previously applied for this 21.4%, and continues to account for 100% of what is mined from the reserve at Sishen mine. SIOC has, however, in compliance with the Constitutional Court order, submitted a further application to be granted this right.

The findings made by the Constitutional Court are highly favourable to both SIOC and the DMR. SIOC's position as the only competent applicant for the residual right protects SIOC's interests. The DMR's position as custodian of the mineral resources on behalf of the nation, and the authority of the DMR to allocate rights, has also been confirmed by the Constitutional Court.

Based on the Constitutional Court ruling, the sale of iron ore from SIOC to ArcelorMittal SA will remain regulated by the recently concluded supply agreement.

Effects of the 2012 strike

The unprocedural strike in October 2012 continued to have an effect during the course of 2013.

Proper eviction proceedings from company accommodation had to be carried out in respect of 61 employees dismissed for their participation in the industrial action. All except four departed before action by the sheriff had to be taken.



01 Macdonald Mbonani, a millwright at Sishen mine, working in a lube station in the new workshop for mega-class equipment.

Sishen Western Expansion Project

Significant progress has been made in the progression of SWEP. Project development remains within budget and construction activities have been completed. A major milestone in the development of the project was the relocation of the Transnet railway line from its previous position west of the current Sishen pit to the far western extent of the SIOC property. The relocation of the railway line was completed in May 2013.

As a consequence of historical reasons prior to the promulgation of the MPRDA, the rail properties were excluded from the Sishen mining right area. SIOC had applied to the DMR for the mining right in relation to the rail properties. On 11 February 2014 the mining right to these properties were granted to SIOC.

Dingleton relocation project

Our board approved the plan to relocate the Dingleton community to Kathu to facilitate the expansion of Sishen mine to the west.

This follows the completion of a comprehensive feasibility study and an extensive consultation process with interested and affected parties including the community and the relevant government departments.

The vast majority of Dingleton residents have already indicated their support for the relocation, which will be carried out in accordance with IFC standards.

A small proportion of the population has so far declined to agree to the relocation, however, we are engaging with these individuals to prevent their resistance becoming a legal issue and will report back on this in 2014. For more on the work being done on the Dingleton relocation project see page 73.

Lithos

During 2013 the Lithos dispute was concluded in Kumba's favour when the SCA dismissed an application by Lithos to be granted leave to appeal an earlier judgment which had dismissed the damages claim lodged against Kumba.

GOVERNANCE IN ACTION

During the fourth quarter of 2013 the board approved the conclusion of the supply agreement with ArcelorMittal SA, as well as the Dingleton relocation project proposal.

ORE RESERVES AND MINERAL RESOURCES

TRANSPARENCY, COMPETENCY AND MATERIALITY

Introduction and scope

Kumba's 2013 Ore Reserves and Mineral Resources Statement is reported in accordance with the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC Code – 2007 edition; July 2009 amended version), incorporated in the company's business processes via a Reserve and Resource Reporting policy (http://www.angloamericankumba.com/sd_policies.php), to ensure that Kumba, listed as a minerals company on the JSE, meets the necessary listing requirements.

The figures quoted in this document, reported on a 100% basis irrespective of attributable shareholding that is separately indicated in this statement per site, serves as an indication of Kumba's ore reserve and mineral resource status at 31 December 2013*. It is not an inventory of all mineral occurrences identified, but is a realistic estimate of those which, under assumed and justifiable technical, legal and economic conditions, may be economically extractable currently (ore reserves) and in the future (mineral resources). The term 'ore reserves' in the context of this report has the same meaning as mineral reserves, as defined by the SAMREC Code. In the case of Kumba, the term 'ore reserves' is preferred because it emphasises the difference between these and mineral resources.

This statement is a condensed version of the full 2013 in-house Kumba Resource and Reserve Statement and Audit Committee Report, derived from detailed site Ore Reserves and Mineral Resources Statements, the latter structured to address all aspects listed in the checklist and guideline of reporting and assessment criteria table of the SAMREC Code.

The declaration of ore reserves in this document is derived from indicated and measured mineral resources only, that is those modified or converted into proved or probable ore reserves or ROM, which in turn have been scheduled for processing.

Mineral resources are declared in addition to ore reserves.

Commodity prices and exchange rates used to estimate the economic viability of ore reserves and reasonable prospects for eventual economic extraction (RPEEE) of mineral resources are based on Anglo American plc's long-term forecasts for iron ore, adjusted to what is referred to as 'effective market prices – free-on-rail' for each Kumba site. The costs are based on site-specific budget figures. Both long-term prices and costs are used to derive an optimal pit shell, which after being engineered into a pit design, define a specific Kumba site's ore reserves, as well as a resource shell that spatially envelopes that portion of the iron ore considered to have RPEEE.

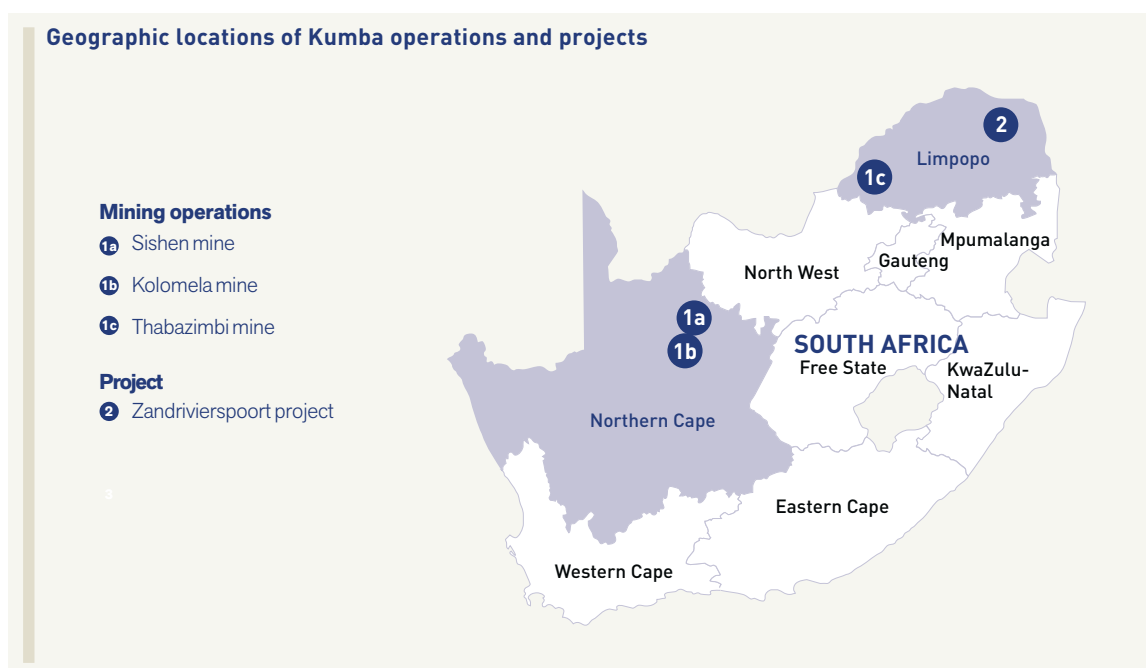


Figure 1: Geographic locations of Kumba operations and projects for which ore reserves and mineral resources have been declared.

* At the date of reporting (31 December 2013) SIOC was awaiting the grant of the mining right of the rail properties at Sishen mine. In order to highlight and account for the tenure risk, 128Mt of proved ore reserves situated beneath and to the west of the rail properties were reclassified as probable ore reserves in the 2013 Ore Reserves and Mineral Resources Statement.

The DMR has, subsequent to the date of reporting, on 11 February 2014, granted SIOC the mining right for the rail properties in question. The risk associated with the reserves has therefore not materialised and the affected 128Mt of probable ore reserves will be reclassified as proved ore reserves in the 2014 Ore Reserves and Mineral Resources Statement.

The latter, in combination with cut-off grades, which consider existing beneficiation capabilities to meet product quality specifications, define that portion of the iron ore which is currently (ore reserves) and eventually economically extractable (mineral resources).

The optimal and resource shells applied at each site in 2013 are referenced to prices and exchange rates dated September 2011. These will be reviewed again in 2014 using prices stipulated by Anglo American plc.

Ore reserve estimates for the mining operations were updated within six months before the end of the 2013 financial year; while mineral resource estimates, reported in addition to ore reserves, were estimated according to the latest available geological models. Typically, these are updated eight months before the end of the year of reporting.

This estimate of Kumba's ore reserves and mineral resources as portrayed in this statement, starts with a broad overview and is followed by a more detailed description of the ore reserves and mineral resources of the relevant Kumba sites (operations and projects).

These operations and projects (**Figure 1**) are:

- Sishen mine in the Northern Cape province near the town of Kathu, which accounts for the bulk of Kumba's production
- Kolomela mine in the Northern Cape province near the town of Postmasburg
- Thabazimbi mine in Limpopo province near the town of Thabazimbi
- the Zandriverspoort project, approximately 25km northeast of Polokwane in Limpopo province

ATTRIBUTABLE REPORTING

For this statement, all ore reserve, saleable product and mineral resource (in addition to ore reserves) estimates, whether Kumba's attributable ownership in the specific mineral asset is less than 50% or not, are reported as 100% in **Table 5**, **Table 6** and **Table 7** respectively, with the percentages attributable to Kumba indicated in the relevant tables. The overall proportion attributable to SIOC and Kumba is also summarised in **Table 1**.

Table 1: Kumba and Anglo American plc attributable percentages for mineral assets held by SIOC

Mineral asset	% attributable to SIOC ¹		% attributable to Kumba		% attributable to other	
	2013	2012	2013	2012	2013	2012
Kolomela mine	100.0	100.0	73.9	73.9	26.1	26.1
Sishen mine ²	78.6	100.0	58.1	73.9	41.9	26.1
Thabazimbi mine	100.0	100.0	73.9	73.9	26.1	26.1
Zandriverspoort project ³	50.0	50.0	37.0	37.0	63.0	63.0

1) The holding company SIOC is 73.9% owned by Kumba (as at 31 December 2013).

2) On 21 December 2011, the South African High Court ruled that SIOC, the operating company of Kumba, was the exclusive holder of mineral rights for iron ore and quartzite on the mining rights area where the Sishen mine is situated. The High Court accordingly set aside the grant of the prospecting right granted by the DMR to ICT. Following an unsuccessful appeal to the SCA, the matter was referred to the Constitutional Court.

On 12 December 2013, the Constitutional Court granted the DMR's appeal in part against the SCA judgment. In a detailed judgment the Constitutional Court clarified that SIOC, when it lodged its application for conversion of its old order right, converted only the right it held at that time (being a 78.6% undivided share in the Sishen mining right). The Constitutional Court further held that ArcelorMittal SA retained the right to lodge its old order right (21.4% undivided share) for conversion before midnight on 30 April 2009, but failed to do so. As a consequence of such failure by ArcelorMittal SA, the 21.4% undivided right remained available for allocation by the DMR. The Constitutional Court ruled further that, based on the provisions of the MPRDA, SIOC is the only party competent to apply for and be granted the residual (21.4%) mining right. The grant of the mining right may be made subject to such conditions considered by the minister to be appropriate, provided that the proposed conditions are permissible under the MPRDA.

Based on the outcome of the Constitutional Court ruling, SIOC has a reasonable expectation for the grant of the 21.4% mining right and therefore declares 100% of the Sishen ore reserves and mineral resources in terms of the provisions of the SAMREC Code. In 2014 SIOC applied to be granted the 21.4% undivided right at Sishen mine. At the time of reporting, the right had not yet been granted, resulting in the reduction in SIOC's attributable shareholding from 100% to 78.6%. On grant of the application, SIOC's attributable shareholding in Sishen mine will revert to 100%.

3) Zandriverspoort is a 50/50 joint venture between ArcelorMittal SA and SIOC.

COMPETENCE

All competent persons have been duly appointed and made aware of their responsibility to undertake unbiased ore reserve and/or mineral resource estimation at company, 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.

All competent persons informing the 2013 Ore Reserves and Mineral Resources Statement are employed by Kumba and assumed responsibility by means of signing a competent person appointment letter, kept by the company's principal of mineral resources, at Kumba Centurion Gate office in Pretoria, South Africa.

Table 2: Corporate Responsibility

Operation	Field	Name	Years relevant experience	Designation	Professional organisation	Registration number
Kumba	Mineral resources	Jean Britz	9	Principal, mineral resources	SACNASP	400423/04
Kumba	Ore reserves	Theunis Otto	9	Head, mining processes	ECSA	990072

Table 3: Mining Operation Responsibility

Operation	Field	Name	Years relevant experience	Designation	Professional organisation	Registration number
Sishen mine	Mineral resources	Johan J Pretorius	19	Chief resource geologist	SACNASP	400100/2000
Thabazimbi mine	Mineral resources	Venter J Combrink	14	Senior resource geologist	SACNASP	400053/08
Kolomela mine	Mineral resources	Mike D Carney	16	Mineral resource manager	SACNASP	400096/99
Sishen mine	Ore reserves	Jaco F van Graan	9	Planning manager	ECSA	20100342
Thabazimbi mine	Ore reserves	Grant Crawley	5	Senior mining engineer	ECSA	20130120
Kolomela mine	Ore reserves	Terence Jordaan	9	Manager, mining (Kolomela)	ECSA	20110246

Table 4: Project Responsibility

Operation	Field	Name	Years relevant experience	Designation	Professional organisation	Registration number
Zandrivierspoort project	Mineral resources	Stuart MacGregor	7	Principal, mineral resources	SACNASP	400029/09
Zandrivierspoort project	No ore reserve declared in 2013					

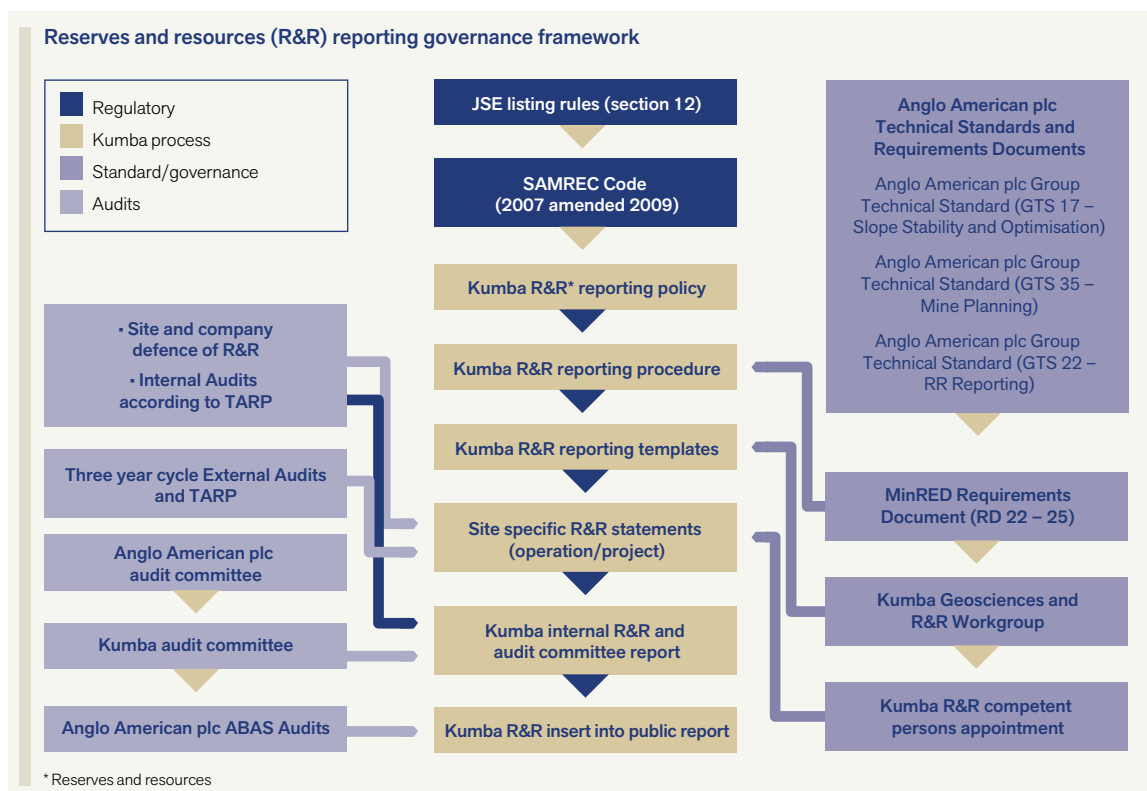


Figure 2: Kumba mineral resource and ore reserve reporting framework

GOVERNANCE

Applicable codes and policies are uniformly applied throughout Anglo American plc via a governance document, that is the Anglo American plc technical standard (AA_GTS_22), which holistically governs resource and reserve reporting for all Anglo American plc business units, of which Kumba forms part.

Kumba internalised the SAMREC Code and its policy and the Anglo American Group standards by deriving a reporting procedure (Kumba mineral resource and ore reserve reporting procedures) applicable to iron ore as a commodity and the opencast mining thereof, that stipulates adherence to the former. The procedure is revised annually, with refinements proposed by an official resource and reserve reporting work group, with changes communicated to the executive management of Kumba annually.

The Kumba reserve and resource reporting governance framework is summarised in **Figure 2**.

RISK LIABILITY AND ASSURANCE

Kumba provides assurance for the quoted reserve and resource estimates through a rolling external audit schedule,

mandatory independent internal reviews such as those required to pass feasibility stage gates, as well as independent internal reviews triggered by material (>10%) year-on-year reserve and resource changes. Apart from validating adherence to the SAMREC Code as far as reporting practices and actual reported figures are concerned, the scope of each external audit also includes an evaluation of the:

- Mineral resource estimation processes (borehole database, wireframes, block models, classification, reporting)
- Ore reserve estimation and LoM planning processes (mining block modelling, pit optimisation, pit design, scheduling, geotechnical input and assessments and geohydrological input)

Site visits by the external auditors are compulsory. At present Xstract Mining Consultants (Australia), a Calibre Group company, has been appointed to independently review mineral resources and ore reserves.

Sishen mine's mineral resources, ore reserves and LoM plan together with the Zandriverspoort project (concept phase) mineral resources, were externally audited in 2013.

MINERAL RIGHTS AND SECURITY OF TENURE

Save for two exceptions, all ore reserves and mineral resources (in addition to ore reserves) quoted in this document for the Kumba mining operations are contained within granted new-order mining and prospecting rights, the latter located immediately adjacent to the mining rights. These rights are held by SIOC, in which Kumba holds a 73.9% share with BEE partnership being divided between Exxaro (19.98%), the SIOC-CDT (3.0%) and Envision (3.09%).

The first exception (at the time of reporting) involved an area at Sishen mine where the old railway line properties (30m wide zone) had been situated, which was previously owned by Transnet. The area traversed the current Sishen mining right area from north to south for 14km west of the current pit layout ('the railway properties'). SIOC applied for the right to mine the railway properties in October 2013, which application could only be submitted after the relocation of the railway was completed. Subsequent to the date of reporting, on 11 February 2014, the mining rights to the railway properties were granted to SIOC.

The second exception involves the undivided 21.4% share of the mining rights at the Sishen mine, which was previously held by ArcelorMittal SA. In terms of a detailed judgment issued by the Constitutional Court on 12 December 2013, the Constitutional Court clarified that SIOC, when it lodged its application for conversion of its old order right, converted only the right it held at that time (being a 78.6% undivided share in the Sishen mining right). The Constitutional Court further held that ArcelorMittal SA retained the right to lodge its old order right (21.4% undivided share) for conversion before midnight on 30 April 2009, but failed to do so. As a consequence of such failure by ArcelorMittal SA, the 21.4% share of the undivided right remained available for allocation by the DMR. The Constitutional Court ruled further that, based on the provisions of the MPRDA, SIOC is the only party competent to apply for and be granted the residual (21.4%) share of the mining right. SIOC thus has a legitimate expectation of the grant of the residual 21.4% share of the mining right to SIOC. The grant of the mining right may be made subject to such conditions considered by the minister to be appropriate, provided that the proposed conditions are permissible under the MPRDA. In 2014, SIOC applied to be granted the 21.4% undivided right at Sishen mine.

Kumba has always endeavoured to ensure that the life of granted (executed) new-order mining rights is of sufficient duration to support the LoM years as indicated by the production schedules from which the ore reserves and subsequent saleable product figures have been derived for its Sishen, Kolomela and Thabazimbi mining operations. Sishen mine is, however, exposed in this regard as the 2013 LoM schedule is dependent on the grant and subsequent execution of:

- The railway properties' mining right application by the first half of 2014, failing which 30% (262Mt) of the Sishen ore reserves (those occurring underneath and west of the railway properties mining right area) will be affected*

- The Sishen mine complex (including the Dingleton prospecting right area) mining right application (accepted by the DMR on 22 November 2010) before the second half of 2015, affecting 6% or 53Mt of the Sishen ore reserves (also affected by the railway properties application and not in addition thereto)

The existing new-order mining rights were respectively executed for:

- Sishen mine on 11 November 2009, granting a 30-year mining period
- Kolomela mine on 18 September 2008, granting a 30-year mining period
- Thabazimbi mine (Kwaggashoek) on 5 October 2009, granting a 30-year mining period and Thabazimbi mine (Donkerpoort) on 21 October 2009, granting a 30-year mining period

The mining rights are of sufficient duration to enable complete execution of the LoM plans from which the ore reserves have been derived for the Kolomela, Sishen and Thabazimbi mining operations.

The only mineral resources declared outside mining right areas are those of:

- The Dingleton prospecting right area and Sishen Farm prospecting right area located immediately adjacent to the Sishen mining right area, which comprise 1% of Kumba's total exclusive mineral resource
- The Zandriverspoort exploration project, which comprises 40% of Kumba's total exclusive mineral resource

The DMR has issued a Section 93 notice on the Sishen Farm prospecting right for not achieving drilling targets as communicated in the prospecting work programme, with all exploration being halted. Kumba appealed this Section 93 notice through a Section 96 application in 2011.

In the case of the Zandriverspoort project, the only other area in addition to the mining operations for which mineral resources are declared, Kumba holds a 37% share via SIOC, which in turn has entered into a 50/50 joint venture with ArcelorMittal SA, to form the Polokwane Iron Ore Company, funding the exploration conducted within the Zandriverspoort prospecting right area. The prospecting right was applied for and granted to SIOC on 17 November 2006. SIOC applied for a renewal on 16 September 2011 and is awaiting a decision by the DMR regarding the granting of the renewal application.

* At the date of reporting (31 December 2013) SIOC was awaiting the grant of the mining right of the rail properties at Sishen mine. In order to highlight and account for the tenure risk, 128Mt of proved ore reserves situated beneath and to the west of the rail properties were reclassified as probable ore reserves in the 2013 Ore Reserves and Mineral Resources Statement.

The DMR has, subsequent to the date of reporting, on 11 February 2014, granted SIOC the mining right for the rail properties in question. The risk associated with the reserves has therefore not materialised and the affected 128Mt of probable ore reserves will be reclassified as proved ore reserves in the 2014 Ore Reserves and Mineral Resources Statement.

SUMMARY OF 2013 RESERVE AND RESOURCE ESTIMATES

Ore reserves

The grades and tonnages estimated and classified from the geological block models are initially discounted by converting the geological block models into mining block models, considering aspects such as the smallest mining unit and open-pit bench definitions. From the mining block model, modifying factors such as dilution and mining losses are realised while other factors such as geological losses and mining recovery efficiencies, determined via reconciliation, are applied.

The resultant mining block model is then constrained via pit optimisation to spatially distinguish between ore material which is currently and eventually economically extractable. The long-term price as input into the pit optimisation process is obtained from the commodities research division at Anglo American plc annually (after appropriate approval processes). It represents the long-term outlook of the iron ore price stated in real terms. The long-term price is adjusted to convert it from a market figure to a site-specific figure used to define current and eventual economic extractability:

- The first adjustment made to the price is the sea freight adjustment and is done to reflect the long-term price at Saldanha Bay (Kumba's export harbour) in US\$/tonne free on board (FOB) terms at a 62% Fe grade
- Higher Fe content, as well as lump ore, gains a premium in the market. This is the second adjustment, considering site-specific planned lump to fine ratios and average Fe contents, in other words prices are derived for the lump and fine products from each of the processing streams (for example the DMS and jig processing streams at Sishen mine or direct shipping ore at Kolomela mine). Thereafter price averaging is applied based on a mass weighted average calculation
- Once the average product prices are calculated in US\$/tonne FOB terms, the long-term real exchange rate is applied to convert the price to a R/tonne FOB Saldanha base
- To calculate the R/tonne FOR price for the products, the long-term rail cost is subtracted for each of the sites. The rail cost includes related logistics and marketing costs
- As a final adjustment, contractual obligations are considered. This completes the long-term adjustment process

The site-specific long-term price and costs (representing the mining value chain as used for budgeting purposes) are then used to derive an optimal and resource pit shell.

This optimal pit is engineered or designed into a safe practical pit layout that envelopes the current economically extractable ore volume, and forms the basis for the LoM scheduling and resultant ore reserve and saleable product estimates.

The SAMREC Code approach is adopted for ore reserve classification, whereby measured mineral resources occurring within the optimised pit are converted to either proved or probable ore reserves and indicated mineral resources are converted to probable ore reserves. The competent person may reclassify the ore reserves and even re-allocate ore reserves back to mineral resources 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 plan and not as ore reserves and have not been adjusted to consider modifying factors. The term mineral resources considered for LoM plan is preferred as it implies that modifying factors have not been applied to the *in situ* mineral resources, whereas the term inferred in the LoM plan implies that modifying factors have been applied to the inferred mineral resources.

As at 31 December 2013 Kumba, from a 100% reporting perspective, had access to an estimated haematite ore reserve of 1.1 billion tonnes at an average unbeneficiated or feed grade of 60.1% Fe at its three mining operations (**Figure 3**):

- Sishen mine (864.1Mt @ 59.1% Fe)
- Kolomela mine (200.0Mt @ 64.4% Fe)
- Thabazimbi mine (11.3Mt @ 60.5% Fe)

A 5% net decrease of 62.5Mt is noted for the total 2013 Kumba ore reserve compared to 2012 (**Figure 4**). A 49.7Mt annual ROM ore reserve production (excluding 2.5Mt inferred mineral resource depletion but including 5.1Mt production from ROM buffer stockpiles), accounts for the majority of the annual decrease.

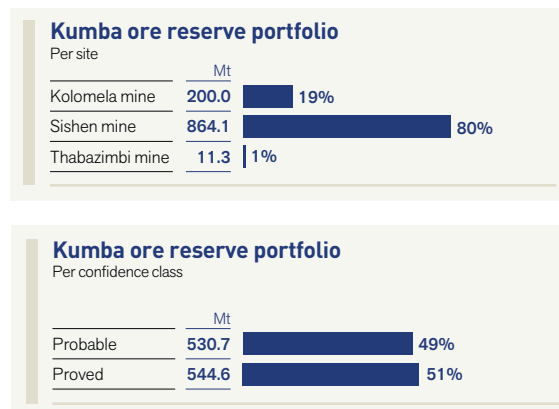


Figure 3: 2013 Kumba ore reserve portfolio – reported as 100% (per site and per ore reserve class)

The marked deterioration in the proved to probable ratio of the ore reserves from 66:34 in 2012 to 49:51 in 2013, is primarily the result of 30% of the proved Sishen ore reserves, positioned directly underneath and west of the railway properties traversing the Sishen mining right from north to south, located west of the current pit position,

being reclassified as probable ore reserves, awaiting the grant of the mining right application for these railway properties.*

Table 5 gives a full account of the 2013 Kumba ore reserves.

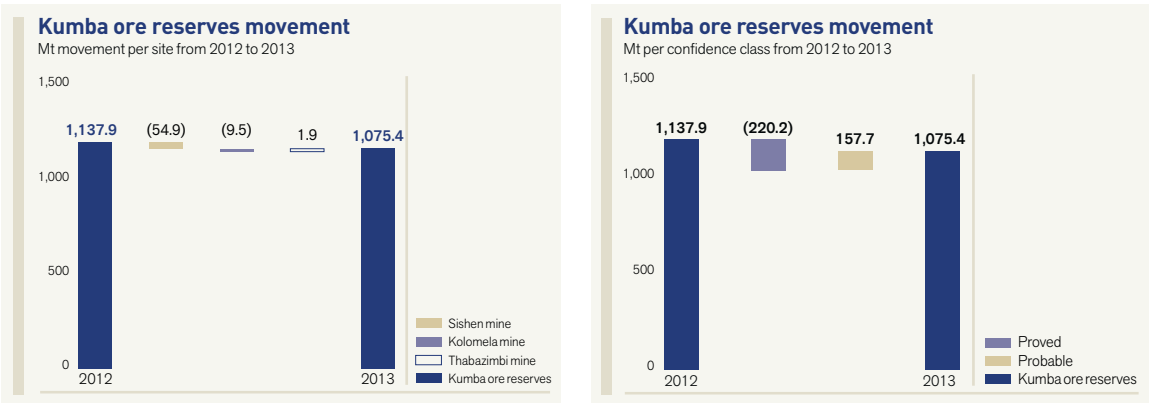


Figure 4: Kumba 2013 ore reserves reconciled against 2012 ore reserves (per site and per ore reserve class)

* At the date of reporting (31 December 2013) SIOC was awaiting the grant of the mining right of the rail properties at Sishen mine. In order to highlight and account for the tenure risk, 128Mt of proved ore reserves situated beneath and to the west of the rail properties were reclassified as probable ore reserves in the 2013 Ore Reserves and Mineral Resources Statement. The DMR has, subsequent to the date of reporting, on 11 February 2014, granted SIOC the mining right for the rail properties in question. The risk associated with the reserves has therefore not materialised and the affected 128Mt of probable ore reserves will be reclassified as proved ore reserves in the 2014 Ore Reserves and Mineral Resources Statement.

01 Load and haul operations around the Western ramp area of the Leeuwfontein pit at Kolomela mine.



Table 5: Kumba's ore reserve statement for 2013 (referenced against 2012)

		2013							2012				
		% attributable to Kumba	Reserve category	Ore Reserves					Ore Reserves				
Operation/project				Tonnage (Mt)	Average grade (% Fe)	Cut-off** grade (% Fe)	Reserve life** (years)	LoM** (years)	Tonnage (Mt)	Average grade (% Fe)	Cut-off** grade (% Fe)	Reserve life** (years)	LoM** (years)
Mining operations	Kolomela mine ¹	73.9	Proved	101.3	64.4				107.6	64.8			
			Probable	98.7	64.5				102.0	64.0			
			Sub total	200.0	64.4	42	20	25	209.5	64.4	42	24	29
	Sishen mine ²	58.1	Proved	428.9	59.2				642.9	59.4			
			Probable	435.1	59.1				276.0	58.8			
			Sub total	864.1	59.1	40	19	19	918.9	59.2	40	17	18
	Thabazimbi mine ³	73.9	Proved	0.5	62.2				0.4	61.1			
			Probable	10.8	60.4				9.0	60.6			
			Sub total	11.3	60.5	54	9	10	9.5	60.6	55	6	6
	Kumba – Mining operations		Proved	530.7	60.2				751.0	60.2			
Company			Probable	544.6	60.1				386.9	60.2			
			Total	1,075.4	60.1				1,137.9	60.2			
	Kumba – Total ore reserves		Proved	530.7	60.2				751.0	60.2			
			Probable	544.6	60.1				386.9	60.2			
			Total	1,075.4	60.1				1,137.9	60.2			

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

* The cut-off grade used for ore reserves is variable and is dependent 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 grade target that was set to meet the 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 grade.

** Since 2011, Kumba quoted reserve life as the number of years of mining remaining after 31 December of the year of reporting, as calculated from only the scheduled proved and probable ore reserves within the LoM plan with explicit managerial intent, and based on current prospects for economic extraction and viable modifying factors. Kumba, however, also retains the term LoM years where the number of years of mining remaining after 31 December of the year of reporting, is calculated from the proved and probable ore reserves and, in addition, also the inferred mineral resources occurring inside final pit layout boundaries, which are considered practically and economically mineable (these inferred mineral resources are distinguishable from others not considered for LoM planning by adding the abbreviation considered for LoM plan or outside LoM plan in **Table 7**. It should be noted that the inferred mineral resources considered for LoM planning quoted in **Table 7** are not reported as ore reserves and do not include modifying factors.

- For Kolomela mine a 20-year reserve life was quoted in 2013; the corresponding approved LoM, which includes 20% inferred mineral resources, is 25 years. The decrease in the LoM compared to 2012 is the result of the annual saleable product output being increased from 9Mtpa to 10Mtpa. Because inferred mineral resources are included in each year of the LoM schedule, a continuous rolling resource definition drilling programme is planned in parallel with production with the aim of decreasing the volume of inferred material in the given production year. Due to the uncertainty attached to inferred resources, it cannot be assumed that all or part of an inferred mineral resource will necessarily be upgraded to an indicated or measured resource after continued exploration. To define this risk, Kolomela mine valued the reserve life plan (scheduled scenario excluding all inferred mineral resources) to compare it with the LoM plan including the 20% inferred resources. Apart from the five-year decrease in the mine life, the valuation showed the reserve life plan to still be economically viable, although at an 11% lower net present value compared to the LoM plan including the inferred mineral resources.
- A 19-year reserve life was quoted for Sishen mine in 2013; the corresponding LoM (including 2% inferred mineral resources considered for LoM plan) is also 19 years. The increase in the LoM years from 2012 are the result of Sishen mine scaling down on the scheduled maximum annual output of saleable product from 41Mtpa (sustainable for 10 of the 18 years of LoM with an average output level of 39.8Mtpa), to a maximum level varying between 35Mtpa and 37Mtpa (with an average saleable product output level for the LoM of 33.4Mtpa) according to the 2013 LoM schedule. This allows for the quoted saleable product output to be delivered sustainably over a longer period, considering ore exposure challenges (waste stripping). Investigations involving a revised waste stripping push-back strategy are, however, already underway to have the 2013 LoM plan revised to deliver saleable product output at a sustainable level of 37Mtpa by 2016.
- For Thabazimbi mine a nine-year reserve life was quoted in 2013; the corresponding LoM (including 11% inferred mineral resources considered for LoM plan) is 10 years. The increase in LoM years is a result of a reduction in the annual saleable product output from 1.6Mtpa to 1.0Mtpa (consider the inferred mineral resources in **Table 7** when verifying the LoM plan years). To quantify the risk associated with the more than 10% inferred mineral resources in the LoM plan, Thabazimbi mine has generated an LoM plan scenario excluding inferred mineral resources. This reserve life scenario indicated a risk of a cost per tonne product increase of 17% over the LoM.

Footnotes to Table 5 explaining annual ore reserve differences:

- Kolomela mine's ore reserves decreased by 9.5Mt (5%) from 2012 to 2013. This movement can primarily be attributed to an annual ROM production of 10.3Mt (excluding inferred mineral resources depleted as ROM in 2013), with other minor movements involving a lower planned dilution contained in the 2013 LoM plan and an increase in the ROM buffer stockpile levels.
- Apart from the annual ROM production from the Sishen operation, estimated at 38.9Mt for 2013 (including 5.1Mt from ROM stockpiles), other movements that require mentioning are:
 - a decrease in the jig reserve by 29.3Mt (ferruginised shale material occurring in the hanging wall of the main haematite ore zone) as was postulated and forewarned in 2013 and materialised with the revised resource estimation methods applied in 2013 to address historical selective sampling practices
 - a 29.7Mt increase in ore reserves based on geological model updates resulting from additional borehole information
 - a decrease in the dilution tonnages contained within the 2013 Sishen LoM plan of 12.0Mt

Another major aspect affecting the Sishen mine ore reserve statement for 2013 is the reclassification of 128.0Mt of proved ore reserves as probable ore reserves. The future westward pit advance at Sishen mine is dependent on the grant of a mining right by the DMR for a 30m-wide zone (the railway properties previously held by Transnet to host the railway line that was successfully relocated in 2013), traversing the Sishen mining right area from north to south.

SIOC has submitted an application to the DMR in terms of Section 102 of the MPRDA for the extension of the mining right area and the mineral rights covered by the Sishen mining right by the inclusion of the railway properties, together with the consequential amendment of SIOC's SLP, mining work programme and EMP. In addition, SIOC has simultaneously lodged an application for a new mining right, in terms of Section 22 of the MPRDA, for the grant of a mining right in respect of the railway properties. Since the application had not been granted by the DMR at the time of reporting, 31 December 2013, the proved ore reserves occurring underneath and west of the old railway line have been reclassified as probable. The DMR has, subsequent to the date of reporting on 11 February 2014, granted SIOC the mining right for the railway properties in question. The risk associated with the reserves has therefore not materialised and the affected 128Mt of probable ore reserves will be reclassified as proved ore reserves in the 2014 ore reserves and mineral resources statement.

- Overall the Thabazimbi ore reserves showed a net increase of 1.9Mt from 2012 to 2013. The annual ROM production, which amounted to 0.6Mt, was primarily negated by a positive movement in the ore reserves resulting from additional measured and indicated mineral resources being defined within the existing pit layouts, the latter a product of additional in-mine exploration drilling conducted in the second half of 2012 and first half of 2013, upgrading some of the inferred mineral resources as well as proving some of it to have been over-estimated in 2012 (please refer to **Table 7** for more detail).

Saleable product

The saleable product estimates are derived by applying site-specific metallurgical recovery algorithms (defining the relationship between ROM and product tonnages and grades) to the ore reserves. The recovery algorithms have been derived through metallurgical test work, the latter also considering efficiency differences between laboratory-scale and pilot-scale test work.

The 2013 Kumba LoM plans, considering contract and client supply agreement conditions, deliver a total saleable product of 830Mt with an average 65.1% Fe (100% attributable reporting perspective) over the remaining LoM years for the three mining operations. The saleable product has been derived applying metallurgical recoveries, representing currently installed beneficiation capacity and efficiencies, to ore reserves which, in turn, have been derived from, and are aligned with, the most recent updated site-specific geological models.

A market-related aspect that must be referenced in the 2013 Ore Reserves and Mineral Resources Statement is the settlement of the arbitration with ArcelorMittal SA.

On 5 November 2013 ArcelorMittal SA and SIOC entered into an agreement with effect from 1 January 2014, regulating the sale of up to 6.25Mtpa of iron ore by SIOC to ArcelorMittal SA complying with agreed specifications and lump to fine ratios. This volume of iron ore includes any volumes delivered by SIOC to ArcelorMittal SA from the Thabazimbi mine.

While the agreement is subject to confidentiality undertakings by the parties, the material terms of the agreement are as summarised below:

- The price of iron ore sold to ArcelorMittal SA by SIOC will be determined with reference to the total mining cost (including capital costs) of the production of iron ore from the DMS plant at the Sishen mine plus a margin of 20% subject to a ceiling price associated with the Sishen export parity price at the mine gate

- While all prices will be referenced to Sishen mine costs (plus 20%), there is an agreed floor price for between 1.6Mt and 2.0Mt of iron ore sold from the Thabazimbi mine for the first two years of the agreement

- Although the agreement settles all existing disputes between the parties, it is subject to a number of resolute conditions, assuming that the amendments to legislation will not have a material effect on the terms of supply

The terms of the Constitutional Court judgment, issued on 12 December 2013, do not, at this time, activate the resolute conditions.

The parties are confident that the agreement will ensure the long-term sustainable domestic sale of iron ore to ArcelorMittal SA, through the cycle for the life of the Sishen mine, at favourable prices. The agreement will regulate all sales of iron ore on a holistic basis that is consistent with South Africa's beneficiation aspirations. In addition, the agreement will provide ArcelorMittal SA with security of iron ore supply – at market-related prices at the mine gate – for volumes in excess of 6.25Mtpa.

The agreement may also enable an opportunity for the extension of the life of Thabazimbi mine beyond 2023 which, based on its current operating configuration, is nearing the end of its economic life, with unit costs having increased materially. Kumba has embarked upon studies to evaluate the viability of extending the life of Thabazimbi mine through the introduction of certain low-grade beneficiation technologies.

The Thabazimbi mine had operated, under the previous agreement, as a captive cost-plus mine with the costs borne by ArcelorMittal SA. Under the new agreement, the operational and financial risks will pass to Kumba and Thabazimbi mine will become an alternative source of iron ore to ArcelorMittal SA from the Kumba portfolio of mines.

A maximum 19% (156.3Mt) portion of the 830Mt saleable product is tied up in the domestic market after Kumba and ArcelorMittal SA settled the supply agreement arbitration case in 2013 (**Table 6**).

01 A mining block being prepared for blasting to expose ore and remove waste.



Table 6: Kumba's saleable product for 2013 (referenced against 2012)

				2013		2012			
				2013	2012	Saleable product			
		% attributable to Kumba	Saleable product category	Metallurgical recovery (%)	Metallurgical recovery (%)	Tonnage (Mt)	Grade average (%Fe)	Tonnage (Mt)	Grade average (%Fe)
Mining operations	Operation/project								
	Kolomela mine	73.9	Proved	99.8	99.8	101.1	64.4	107.4	64.8
			Probable	99.8	99.8	98.5	64.5	101.8	64.0
			Sub total	99.8	99.8	199.6	64.4	209.1	64.4
	Sishen mine	58.1	Proved	72.5	75.5	311.1	65.4	485.2	65.3
			Probable	71.4	72.8	310.6	65.1	200.9	65.0
			Sub total	72.0	74.7	621.7	65.3	686.1	65.2
	Thabazimbi mine	73.9	Proved	81.3	82.3	0.4	64.4	0.4	62.9
			Probable	76.4	77.1	8.3	62.9	7.0	62.9
			Sub total	76.6	77.3	8.7	63.0	7.3	62.9
	Kumba		Proved	77.7	79.0	412.6	65.2	592.9	65.2
	– Mining operations		Probable	76.6	80.0	417.4	64.9	309.6	64.6
		Total	77.2	79.3	830.0	65.1	902.5	65.0	
Company	Kumba		Proved	77.7	79.0	412.6	65.2	592.9	65.2
	– Total saleable product		Probable	76.6	80.0	417.4	64.9	309.6	64.6
			Total	77.2	79.3	830.0	65.1	902.5	65.0

Mineral resources

Kumba only derives mineral resource estimates from geological models that spatially (three-dimensionally) define the iron ore deposits, that is, if an ore body is not spatially modelled no mineral resources are declared for that ore body. The initial step involves the compilation of tectono-stratigraphic wireframe models that domain the various iron ore types of each deposit as it is hosted within surrounding non-mineralised material, that is in relation to the non-economic or waste materials. In the case of Kumba it is mainly the geological logging of borehole sample that is used to conduct geological (stratigraphical) interpretations, in combination with structural mapping to derive final tectono-stratigraphic domain boundaries.

Within the wireframe model, the ore body is divided into different zones or domains that reflect areas of common grade, metallurgical characteristics where available, or other relevant characteristics so that appropriate interpolation functions can be applied to distinct ore domains within the deposit.

The validated borehole sample assay data intersecting the three-dimensionally defined domains are then composited, validated to verify correct assignment and to identify possible outliers, and used to interpolate critical *in situ* grades (Fe, SiO₂, Al₂O₃, K₂O and P as a minimum) and other parameters, including relative density, using a number of techniques, various types of kriging for ore domains and inverse distance squared for waste domains into pre-defined blocks (a block model is designed that intersects the wireframe model) throughout the deposit. Where sample data is sparse, a global

estimate is used, that is, the arithmetic mean of the grade data available in the domain. The interpolation method applied relies on geostatistical analyses of the ore domain grades to determine its site-specific relationship in space per domain.

The blocks making up the geological block model that intersects the wireframe model are specifically sized and designed through kriging neighbourhood analyses to manage the volume-variance effect and accommodate the smallest selective mining unit. These blocks, referred to as parent cells, are sub-blocked into smaller cells to honour, as closely as practically possible, domain boundaries.

The interpolated grades and tonnages assigned to the blocks within the geological block models are then used to estimate the grades and tonnages of the iron ore under consideration.

The mineral resource portion of the iron ore is spatially constrained by an optimistic pit shell or resource shell, to make a clear distinction between mineral resources and remaining mineral occurrences, the latter considered not to be eventually economically extractable.

Estimated mineral resource tonnages and grades are reconciled at each mining operation by comparing the estimates with tonnages and grades captured in grade control/production geology models, which are compiled using infill drilling and/or blast hole sampling data.

In agreement with the SAMREC Code, mineral resources are classified according to the degree of confidence in the estimates (tonnes and grades), where this confidence is established as a function of several aspects.

Kumba compiled a guideline for geological confidence and, where applicable, mineral resource classification, which promotes a scorecard approach. This guideline is the preferred approach to mineral resource classification within the company, but not a standard, as the company acknowledges the autonomy of its competent persons and technical specialists in defining mineral resource confidence levels. The guideline recommends parameters deemed critical for grade and geological continuity of the ore body.

These parameters are then quantified and spatially estimated, that is, each parameter is captured in every parent cell of the geological block model that intersects ore. The competent person is then expected to weight each parameter in terms of its importance (as per the competent person's experience and understanding of the deposit under investigation) in relation to the ore deposit grade or geological estimate. The weighting is applied to determine a normalised grade confidence index and a geometry confidence index.

These two indices are then again weighted and combined into a geological classification index (GCI). The last step required from the competent person is to assign cut-offs on the normalised GCI index figures contained in each parent cell in the geological block model to distinguish between measured indicated and inferred mineral resources.

Inferred mineral resources are further subdivided into interpolated and extrapolated inferred mineral resources as required by the SAMREC Code.

From a 100% attributable reporting perspective, Kumba has a remaining exclusive (in addition to ore reserves) mineral resource base estimated at 1.2 billion tonnes, of which 717.9Mt with an estimated average *in situ* grade of 60.5% Fe can be assigned to the Kumba mining operations and 476.1Mt @ 34.5% Fe to the Zandvierspoort low-grade magnetite project, which is in the pre-feasibility phase of evaluation (**Figure 5**).

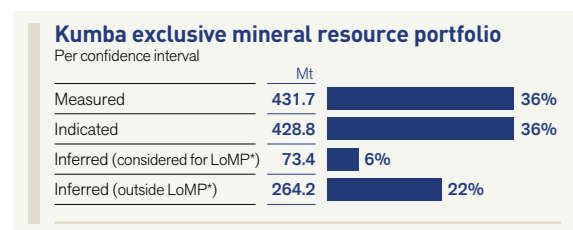
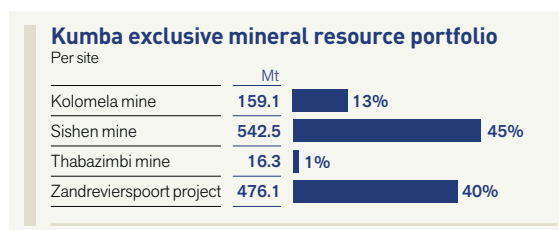
Haematite ore bodies:

- **Operation:** Kolomela mine (159.1Mt @ 63.8% Fe)
- **Operation:** Sishen mine (542.5Mt @ 59.5% Fe)
- **Operation:** Thabazimbi mine (16.3Mt @ 62.6% Fe)

Magnetite ore bodies:

- **Project:** Zandvierspoort (476.1Mt @ 34.5% Fe and 40.8% magnetite)

The 2013 mineral resource has increased by 18.2Mt (2%) compared to 2012, mainly due to the addition of a significant amount of mineral resources to the Zandvierspoort project as a result of a substantial increase in the size of the resource shell following a pit optimisation exercise aligning the Zandvierspoort projects definition of reasonable prospects for eventual economic extraction with the rest of the company in terms of referencing the September 2011 long-term iron ore price (**Figure 6**). The 2012 Zandvierspoort mineral resources were spatially constrained by a resource shell derived from the March 2008 long-term price.



* Life of mine plan

Figure 5: 2013 Kumba mineral resource portfolio – shown as 100% (per site and per mineral resource class)

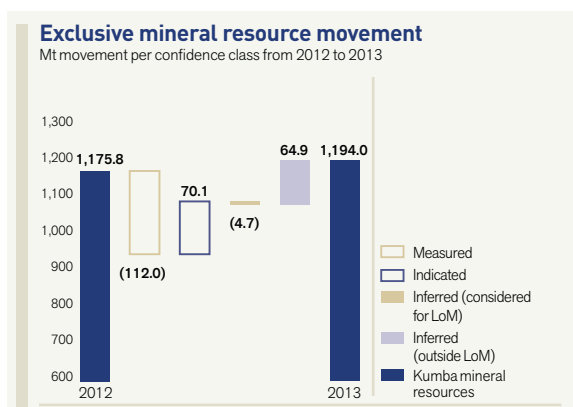
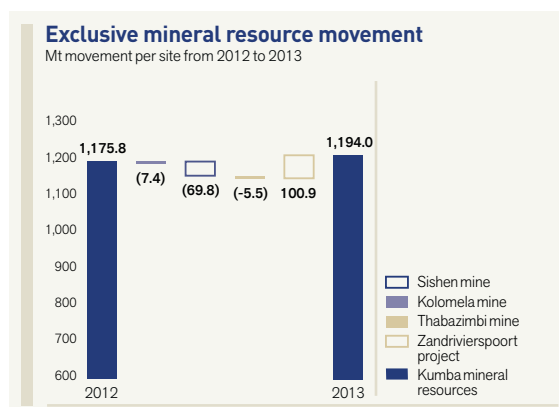


Figure 6: Kumba's 2013 mineral resource reconciled against 2012 (per site and per mineral resource class)

Kumba is in the process of refining its mineral resource classification process to assign more weight to the representivity of samples used for grade estimations. This has resulted in the downgrade of portions of the measured mineral resources at Sishen mine and the Zandriverspoort project where pseudo sample grades, that is grades derived via linear regression instead of actual assayed grades due to a lack of sample information, are used for mineral resource estimation. At Kolomela mine a higher weight has been assigned to sample representivity to take cognisance of the fact that no quality assurance/quality control meta-data exists to support the representivity of historical assay data. The full implementation

of this in 2014 and 2015 may result in further downgrades of measured mineral resources at all Kumba sites.

It should be noted that Kumba's 2013 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, legal and economic conditions, show reasonable prospects for eventual economic extraction.

The Kumba mineral resources for 2013 are detailed in **Table 7** on page 100.

01 The haul truck fleet at Thabazimbi mine has been upgraded recently with the addition of new Komatsu haul trucks.



Table 7: Kumba's mineral resource (in addition to ore reserves) statement for 2013 (referenced against 2012)

				2013				2012					
Operation/project	Ore type	% attributable to Kumba	Resource category	Tonnage (Mt)	Average grade (% Fe)	Average grade (% Fe ₃ O ₄)*	Cut-off** grade (%Fe)	Tonnage (Mt)	Average grade (%Fe)	Cut-off** grade (%Fe)			
Kolomela mine – mineral resources in addition to ore reserves	Haematite	73.9	Measured	21.9	64.9	Not Applicable	50.0	43.3	64.9	50.0			
			Indicated	42.0	63.4			17.0	65.2				
			Measured and indicated	64.0	63.9			60.3	65.0				
			Inferred (considered for LoMP)	50.1	64.2			50.5	64.2				
			Inferred (outside LoMP)	45.0	63.3			55.7	62.8				
Sub total				159.1	63.8			166.6	64.0				
Sishen mine ² – mineral resources in addition to ore reserves	Haematite	58.1	Measured	302.5	61.9		Not Applicable	40.0	367.3	60.6	40.0		
			Indicated	166.5	57.1				149.3	58.3			
			Measured and indicated	469.0	60.2				516.6	59.9			
			Inferred (considered for LoMP)	21.6	53.1				24.7	56.0			
			Inferred (outside LoMP)	51.8	55.7				70.9	55.1			
Sub total				542.5	59.5				612.2	59.2			
Thabazimbi mine ³ – mineral resources in addition to ore reserves	Haematite	73.9	Measured	0.3	64.0			Not Applicable	55.0	0.2	62.5	55.0	
			Indicated	9.8	62.8					10.4	62.5		
			Measured and indicated	10.1	62.8					10.7	62.5		
			Inferred (considered for LoMP)	1.6	59.7					2.8	62.7		
			Inferred (outside LoMP)	4.6	62.9					8.2	62.8		
Sub total				16.3	62.6					21.7	62.4		
Kumba – mining operations – total mineral resources in addition to ore reserves			Measured	324.7	62.1				Not Applicable		410.9	61.0	
			Indicated	218.3	58.6						176.7	59.2	
			Measured and indicated	543.0	60.7						587.6	60.5	
			Inferred (considered for LoMP)	73.4	60.8						78.1	61.5	
			Inferred (outside LoMP)	101.5	59.4						134.9	58.7	
Total				717.9	60.5						800.6	60.3	
Zandrivierspoort project ⁴ – mineral resources in addition to ore reserves	Magnetite and Haematite		Measured	107.0	34.7	41.5				21.7	132.9	35.0	23.0
			Indicated	206.4	34.4	42.5					177.9	34.5	
			Measured and indicated	313.4	34.5	42.2					310.8	34.7	
			Inferred (considered for LoMP)	–	–	–					–	–	
			Inferred (outside LoMP)	162.7	34.5	38.1					64.5	34.2	
Total				476.1	34.5	40.8				375.3	35.0		
Kumba – projects – total mineral resources in addition to ore reserves			Measured	107.0	34.7	41.5				132.9	35.0		
			Indicated	206.4	34.4	42.5				177.9	34.5		
			Measured and indicated	313.4	34.5	42.2				310.8	34.7		
			Inferred (considered for LoMP)	–	–	–				–	–		
			Inferred (outside LoMP)	162.7	34.5	38.1				64.5	34.2		
Grand total				476.1	34.5	40.8	375.3			34.6			
Kumba – grand total mineral resources in addition to ore reserves			Measured	431.7	55.3	Not Applicable		543.8		54.7			
			Indicated	424.8	46.8			354.7		46.8			
			Measured and indicated	856.5	51.1			898.4		51.6			
			Inferred (considered for LoMP)	73.4	60.8			78.1		61.5			
			Inferred (outside LoMP)	264.2	44.1			199.3		50.8			
Grand total				1,194.0	50.1		1,175.8	52.1					

- The tonnages are quoted in dry metric tonnes and million tonnes is abbreviated as Mt.
- Rounding of figures may cause computational discrepancies.
- Mineral resource figures are reported at 100% irrespective of percentage attributable to Kumba.
- The term inferred mineral resource (outside LoM plan) refers to that portion of the mineral resources not utilised in the LoM plan of the specific mining operation.
- The term inferred mineral resource (considered for LoM plan) refers to that portion of the mineral resources utilised in the LoM plan of the specific mining operation, reported without having any modifying factors applied - therefore the term considered for LoM plan instead of inside LoM plan.
- Due to the uncertainty that may be attached to some inferred mineral resources, it cannot be assumed that all or part of an inferred mineral resource will necessarily be upgraded to an indicated or measured resource after continued exploration.

* Fe_3O_4 – Magnetite.

** The cut-off grade quoted for all the Kumba sites except the Zandrivierspoort project, is a fixed chemical cut-off grade. In the case of Zandrivierspoort, the 21.7% Fe cut-off grade is a minimum value, with the cut-off grade being spatially dynamic. A minimum yield of 34.3% is required to define eventual economic extractability. This yield has been empirically derived considering the total *in situ* %Fe as well as the *in situ* magnetite to haematite ratio and a break-even cost that cannot be published because of the sensitivity thereof and considering SIOC's joint venture partner in the project, ArcelorMittal SA.

Footnotes to **Table 7** explaining annual mineral resource differences:

- 1) Kolomela mine quotes a net 7.4Mt decrease in exclusive mineral resources from 2012 to 2013. Drilling conducted in 2011 and 2012 generated additional information used to refine the three-dimensional geological model of the Ploegfontein deposit (not part of the 2013 LoM plan) and subsequent grade and tonnage estimations, which is the major contributing factor resulting in a decrease in the Kolomela mine's mineral resources.
Kolomela mine's mineral resource classification has furthermore been refined to more heavily weight sample representivity as was indicated by the 2012 independent external reserves and resources audit. This resulted in the downgrading of measured mineral resources to an Indicated confidence level.
Of the 45Mt inferred mineral resources (outside the LoM plan), 4.6Mt is extrapolated.
- 2) Overall, the Sishen mine exclusive mineral resources decreased with 69.8Mt compared to 2012. A revised estimation and geological confidence classification method was applied in 2013 to estimate the shale and flagstone mineral resources occurring as a separate ore type in the hanging wall of the main haematite ore zone. This was performed to address previous bias estimations of the grades of these material types derived from historical sampling practices which, selectively focused on the highly ferruginised portions of this material only.
In total, 30.1Mt of the quoted Sishen mineral resource remained unused on the ROM buffer stockpile at the end of the 2013 LoM schedule, but is still considered as eventually economically extractable as local grade variations, not identified by the grade estimation, may result in this material becoming part of the ROM blend to be converted into saleable product.
Of the 51.8Mt inferred mineral resources (outside the LoM plan), 1.0Mt is extrapolated.
- 3) Thabazimbi mine's total exclusive mineral resources showed a net decrease of 5.5Mt. This can mainly be attributed to a decrease in the Donkerpoort Nek (deposit at Thabazimbi mine) mineral resources. The Donkerpoort Nek mineral resources were reviewed by Kumba geosciences in 2013 and it was indicated that the ore body was over-estimated due to excessive extrapolation beyond borehole data and this was immediately rectified by Thabazimbi mine.
- 4) Following a pit optimisation exercise to align the Zandrivierspoort project with the September 2011 forward-looking price accepted by Kumba, the resource shell used to define reasonable prospects of eventual economic extraction increased significantly. This resulted in the material 100.9Mt increase in the Zandrivierspoort mineral resource compared to 2012.
The *in situ* magnetite and haematite spatial estimations were also refined, where direct measurements of the *in situ* magnetite content, using calibrated satmagan (saturation magnetisation analyser) equipment, was used to replace the former calculated *in situ* magnetite values.

01 Exceptionally large earth moving equipment is required to move the 30 metre deep layer of Calcrete overburden above the targeted ore body in the southwestern pit expansion area at Sishen mine.



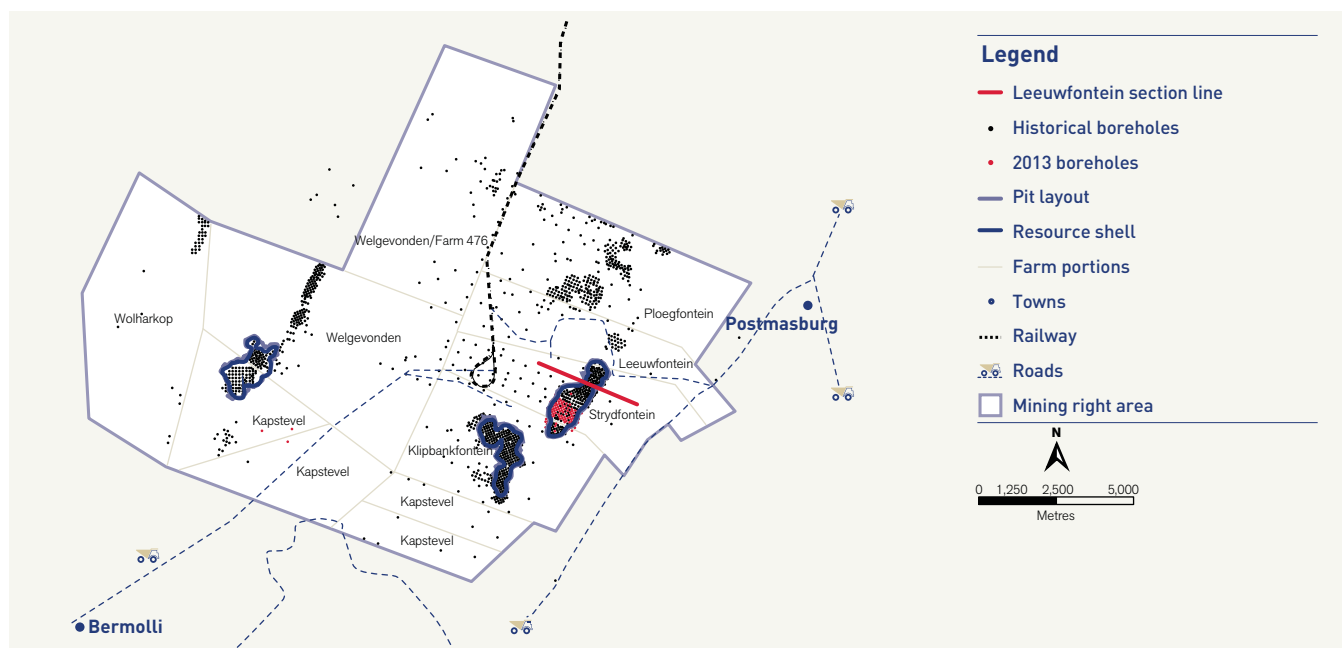


Figure 7: Kolomela mining right area near the town of Postmasburg in the Northern Cape province

ANCILLARY RESERVE AND RESOURCE INFORMATION BY OPERATION/PROJECT

All the production-related figures quoted in this section are estimated (10 + 2) as the site resource and reserve statements from which this summary Ore Reserves and Mineral Resources Statement was compiled for Kumba, were started in the beginning of November 2013.

Kolomela mine geological outline

The mining right (area) is located in the Northern Cape province near Postmasburg (**Figure 7**) and is situated on the southern tip of the narrow north-south trending belt of iron-bearing lithologies of the Griqualand West Supergroup hosting the Sishen deposit towards the north.

Iron ore at Kolomela mine is preserved in the chemical and clastic sediments of the Proterozoic Griqualand West

Supergroup. These sediments define the western margin of the Kaapvaal Craton in the Northern Cape province.

The stratigraphy has been deformed by thrusting from the west and has undergone extensive karstification. The thrusting has produced a series of open, north-south plunging anticlines, synclines and grabens. Karstification has been responsible for the development of deep sinkholes. The iron ore at Kolomela mine has been preserved from erosion within these geological structures. Four distinct iron ore types have been described at the Kolomela deposit, with the bulk of the ores having their equivalents at Sishen mine. Their chemical properties do, however, differ slightly. The Kolomela deposit comprises high-quality, clastic-textured, laminated, collapse breccia and conglomeratic ores.



01 Waste being mined in the Leeuwfontein pit at Kolomela mine.

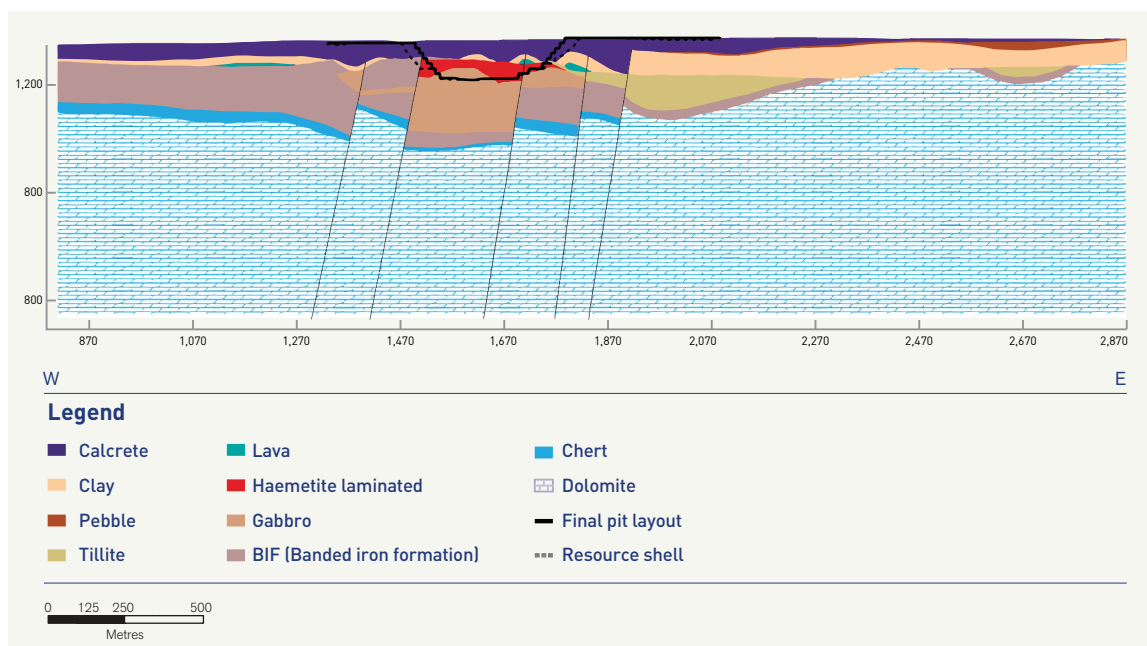


Figure 8: East-West (viewed in southerly direction) profile depicting the local geology through the Leeuwfontein mining area

Figure 8 represents a vertical profile (slice) intersecting the stratigraphical geological three-dimensional model of the Leeuwfontein deposit (red line in **Figure 7**), demonstrating Kumba's interpretation of the relationship between the ore bodies and waste material or local geology of the Leeuwfontein deposit at Kolomela mine.

Kolomela mine operational outline

Kolomela mine has been designed as a direct shipping ore operation, where conventional open-pit drilling and blasting, shovel and truck loading, and hauling mining processes are applied to mine the group of ore bodies from different pits.

A combination of ROM buffer and product stockpile blending on site, as well as further blending with the product from Sishen mine, are used to ensure that the final product adheres to the required client grade specifications. Product size is controlled via a crushing and screening plant for all buffer stockpile and pit ROM material.

The mine is scheduled to produce 10Mt of saleable product annually. The iron ore is transported to the Saldanha Bay export harbour via the Orex iron ore export line. The product is marketed to SIOC's current overseas client base as part of the SIOC marketing strategy and will be blended with Sishen mine's product.

As part of the ramp-up to installed capacity, the total tonnes mined at Kolomela mine increased by 55% from 43.5Mt (in 2012) to 67.5Mt in 2013. The 2013 mining performance (as estimated at the time of reporting) comprises 54.4Mt of waste and 13.1Mt of ex-pit ore.

In total, 10.8Mt of saleable product should be produced on site from the ROM delivered to the crushing and screening plant. With the inclusion of stockpiled product, 11.0Mt is expected to be railed to the blending beds at Saldanha Bay in 2013.

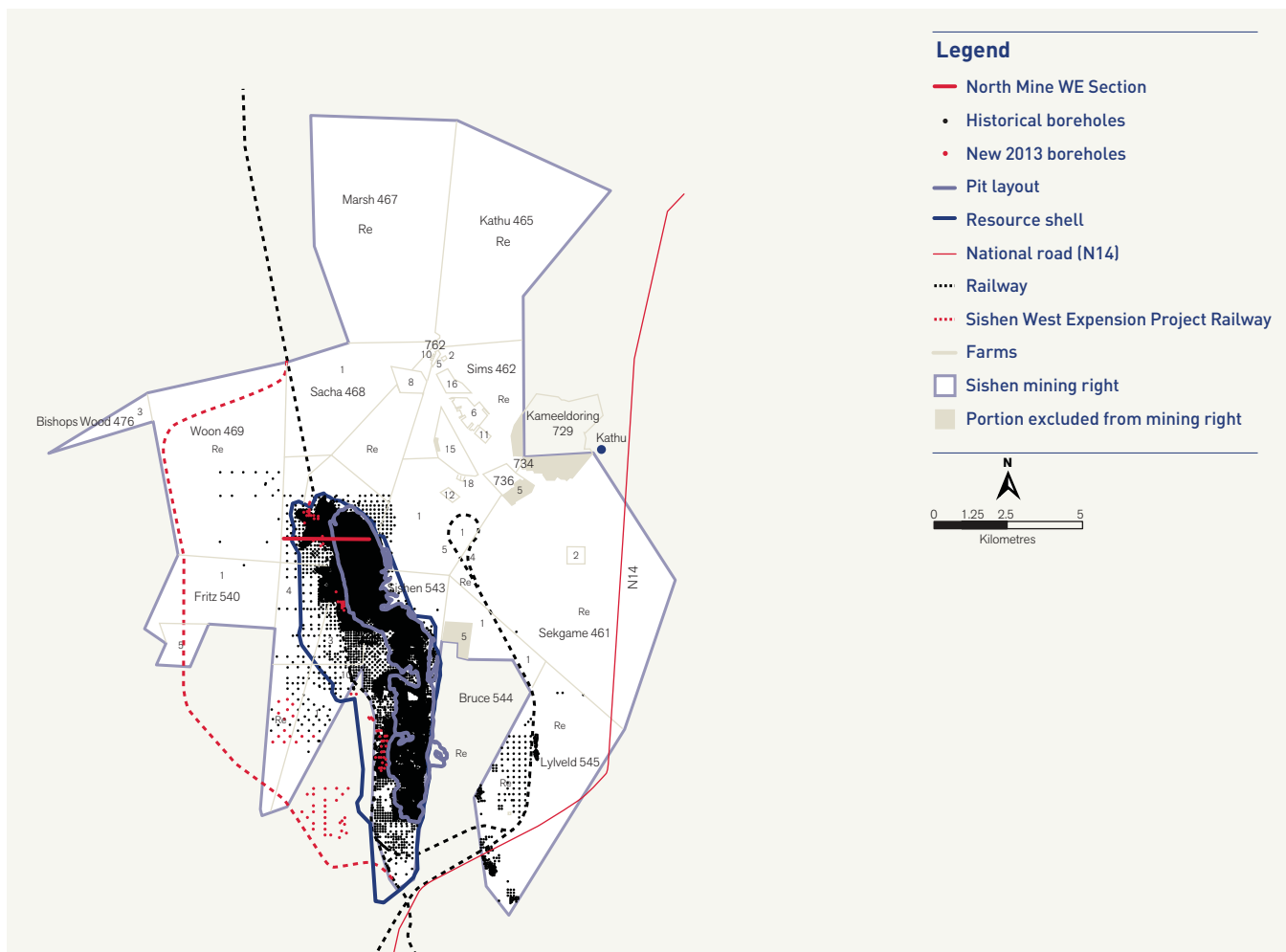


Figure 9: Sishen mining right area near the town of Kathu in the Northern Cape province

Sishen mine geological outline

The bulk of Kumba's annual production is generated by Sishen mine, located in the Northern Cape province near the town of Kathu in South Africa. The Sishen mining right area is depicted in **Figure 9**.

The bulk of the Sishen mineral resource comprises high-grade, laminated and massive ores belonging to the Asbestos Hills Subgroup. These ores are truncated by an erosion surface upon which lower grade conglomeratic ores and sedimentary rocks of the Gamagara Subgroup have been deposited. The ore bodies are folded. Dips vary according to local structures, but at Sishen mine a regional dip of 11° in a westerly direction prevails.

Continuous, alternating basin and dome structures occur at Sishen mine. The interference folds are further modified by normal faulting and low-angle thrusts. Ore bodies are best preserved in basinal and pseudo-graben type structures.

The anticlinal structures normally comprise barren footwall lithologies.

Highly deformed, isolated ore bodies occur close to the Maremane anticline. The ore tends to be less deformed and more continuous the further it is situated from the anticline. Hanging-wall lithologies also thicken down plunge.

The carbonates of the Campbell Rand Subgroup are separated from the overlying BIF of the Asbestos Hills Subgroup by a siliceous, residual breccia. This breccia is known locally as the Wolhaarkop Breccia (Beukes, 1978) and is developed on an irregular, karst surface.

The BIF's of the Asbestos Hills Subgroup are characteristically fractured and brecciated, especially near the contact with the Wolhaarkop breccia. Both upper and lower contacts are erosion surfaces and, together with the lack of easily identifiable marker horizons, make correlation of individual beds virtually impossible.

A highly altered, slickensided, intrusive sill is commonly found separating the BIF from the overlying laminated ore. At Sishen mine it is generally less than 2m thick. The sill is invariably folded into the basinal geometry and only rarely crosscuts (intrudes) the ore bodies.

At the Sishen deposit, the upper parts of the Asbestos Hills Subgroup have been ferruginised to ore grade. These stratiform, laminated and massive ores constitute the bulk of the resource. The laminated and massive ores are commonly folded and faulted into basinal and pseudo-graben structures.

Deep palaeo-sinkholes, filled with brecciated ore and Gamagara sedimentary rocks, are found on the southern parts of the Sishen properties. The sinkholes are restricted to antiformal structures close to the Maremane Dome on the southern portions of the mine. They are an important mechanism for preserving collapse breccia ore.

They are unconformably overlain by a thick package of sedimentary rocks (conglomerates, shales, flagstone and quartzite) termed the Gamagara Subgroup (SACS, 1995). Many researchers, including Beukes and Smit (1987) and Moore (personal comment), have correlated this unit with the Mapedi Formation, which constitutes the lower most unit of the Olifantshoek Supergroup. The Olifantshoek Supergroup is the oldest recognised red-bed sequence in the region. It is some 400 million years younger than the Transvaal Supergroup.

Conglomerates of ore grade with well-rounded clasts and fine-grained, well-sorted, gritty ores are common at Sishen mine. Partly ferruginised shales, inter-bedded with ore conglomerates and thick flagstones are also a feature of the Gamagara Subgroup.

Along the western margin of Sishen mine, diamictite of the Makganyene Formation and lavas of the Ongeluk Formation have been thrust over the sedimentary rocks of the Gamagara Subgroup. The diamictite and lava have been eroded by later events. Tillite of the Dwyka Group and pebble beds, clay and calcrete of the Kalahari Group, have been deposited on these erosional unconformities.

A few thin, diabase dykes with north-south and northeast-southwest orientations, have intruded the stratigraphic sequence. They form impervious barriers and compartmentalise the groundwater.

A buried glacial valley, filled with Dwyka tillite and mudstones, has been identified with reconnaissance drilling. The valley is located between the mine and Kathu. It has a north-south orientation that changes to northwest-southeast between Dibeng and the mine. The valley does not fall within the planned open pit.

The Kalahari Group comprises boulder beds, clays, calcrete, dolocrete and windblown sands. The Kalahari Group is developed to a maximum thickness of 60m. The clay beds at Sishen can attain a thickness of up to 30m on the northern parts of the deposit. The Kalahari beds of calcrete, limestone and clay and quaternary sand and detritus, blanket more than 90% of the Sishen mining area. Only scattered outcrops of iron ore, quartzite and BIF are found on the south-eastern parts of the Kumba properties.

Figure 10 represents a vertical profile (slice) intersecting the stratigraphical geological three-dimensional model of the north mine area (red line in **Figure 9**), demonstrating Kumba's interpretation of the relationship between the ore bodies and waste material or local geology of the north mine area at Sishen mine.

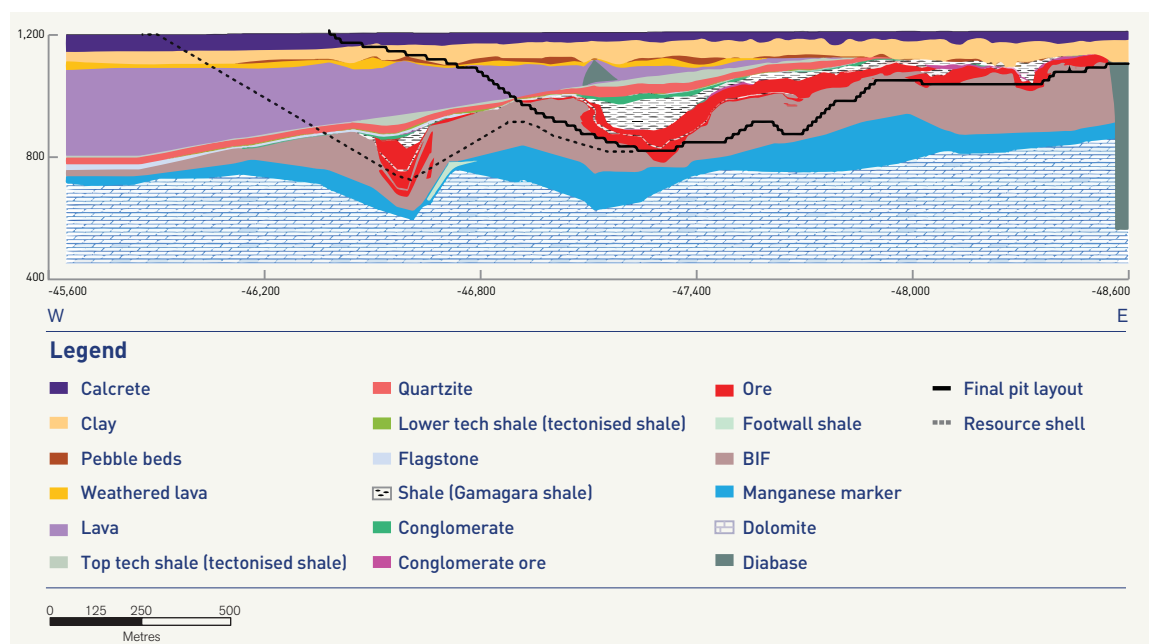


Figure 10: West-east profile depicting the local geology through the Sishen north mine area

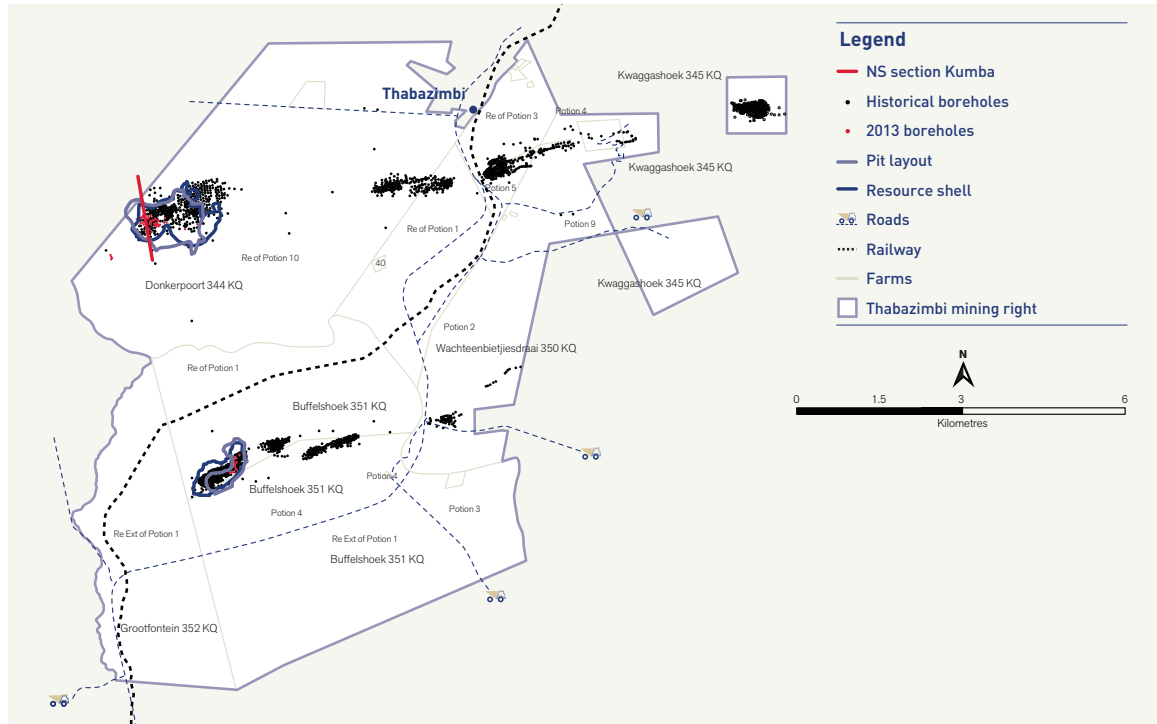


Figure 11: Thabazimbi mining right area near the town of Thabazimbi in the Limpopo province

Sishen mine operational outline

For 2013 the total tonnes mined at Sishen mine increased by 21% from 201.9Mt in 2012 to 243.7Mt, of which waste mined in 2013 was 182.7Mt, as estimated at the time of reporting.

The increase in waste mining activities is undertaken to mitigate the decrease in flexibility and access to ore due to the increasing depth at which mining intersects the ore body. Total production at Sishen mine decreased by 5% from 33.6Mt in 2012 to an estimated 32.1Mt total saleable product in 2013, beneficiated from an annual ROM of 40.8Mt (including 1.9Mt inferred material as well as 5.1Mt ROM from stockpiles).

Production through the DMS plant delivered 20.3Mt, while the jig plant throughput for 2013 was 10.6Mt. Apart from waste stripping targets not being achieved, production volumes at Sishen mine in 2013 were negatively impacted by a spill-over from illegal industrial action at the end of 2012 that resulted in the termination of 125 permanent employee contracts delaying the operator training process.

The railway line (black dotted) depicted in **Figure 9**, represents the railway properties for which SIOC has submitted a mining right application in 2013 after successfully relocating the railway line further westward (red dotted) in 2013*.

Thabazimbi mine geological outline

Thabazimbi mine is located in the Limpopo province close to the town of Thabazimbi. The Thabazimbi mining right area is shown in **Figure 11**.

Ore genesis is of a chemical nature where secondary haematite replaced chert within the BIF. Later stages of ferruginisation followed to produce high-grade laminated to brecciated iron ore. The occurrence of iron ore is structurally controlled, with faults serving first as conduits for iron-rich fluids and later as mechanisms for displacing (and/or duplicating) ore zones.

Local collapse structures within the underlying dolomites produced brecciated zones within the BIF, which were then filled by iron-rich fluids. A regional network of diabase sills and dykes served as trapping mechanisms for mineralising fluids in the lower section of the BIF, which resulted in an enriched lower section and a less-enriched upper section of the Penge Formation.

The deposits dip southwards at an angle of approximately 45°. At depth the haematite-rich rocks grade into calcite-haematite and talc-haematite rocks. The mineralisation extends for 12km along strike; however, sterile gaps of BIF occur in between the deposits. The occurrence of sterile zones between deposits is associated with faulting where the ore zones wedge out laterally and vary in thickness from 10m to 25m.

* At the date of reporting (31 December 2013) SIOC was awaiting the grant of the mining right of the rail properties at Sishen mine. In order to highlight and account for the tenure risk, 128Mt of proved ore reserves situated beneath and to the west of the rail properties were reclassified as probable ore reserves in the 2013 Ore Reserves and Mineral Resources Statement.

The DMR has, subsequent to the date of reporting, on 11 February 2014, granted SIOC the mining right for the rail properties in question. The risk associated with the reserves has therefore not materialised and the affected 128Mt of probable ore reserves will be reclassified as proved ore reserves in the 2014 Ore Reserves and Mineral Resources Statement.

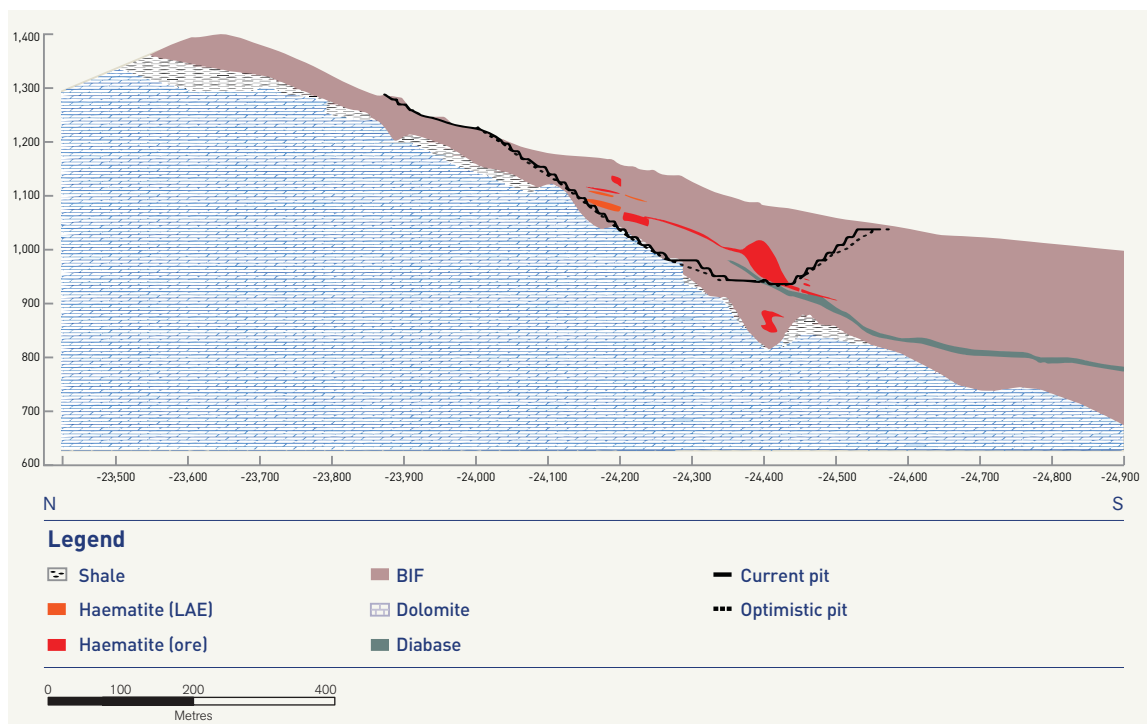


Figure 12: North-South (looking in easterly direction) profile depicting the local geology through the Kumba mining area

The intensity of ferruginisation is usually associated with the intensity of brecciation of the BIF due to the underlying karst topography of the dolomites, that is, the more severe the brecciation, the higher the ferruginisation.

Figure 12 represents a vertical profile (slice) intersecting the stratigraphical geological three-dimensional model of the Kumba deposit (red line in **Figure 11**), demonstrating the company's interpretation of the relationship between the ore bodies and waste material or local geology of the Kumba deposit at Thabazimbi mine.

Thabazimbi mine operational outline

Thabazimbi mine produces primarily high-grade (>60% Fe) haematite iron ore by means of open-pit mining. Annual beneficiated production for 2013 was 0.52Mt (estimated), which equates to an average 43kt product per month. The mine is in a mature stage after mining in excess of 75 years, with a remaining foreseeable mine life of 10 years (including inferred mineral resources), pending domestic market (ArcelorMittal SA) requirements. It is foreseen that production will be 80kt per month for 2014, and then 83kt per month for 2015 until mine closure to enable delivery of a constant product grade to the ArcelorMittal SA steel works.

This 2013 LoM view does not incorporate the latest iron ore sale agreement between Kumba and ArcelorMittal

SA as the ore reserve estimation process could not consider it in time before publication of the 2013 Kumba Ore Reserves and Mineral Resources Statement. The LoM plan will only reflect the impact of the agreement in the 2014 Kumba Ore Reserves and Mineral Resources Statement.

Thabazimbi mine extracts iron ore via conventional opencast mining methods of drilling and blasting followed by loading and hauling via a truck and shovel fleet. Mining is currently conducted in two pits that are geographically separated from one another. At the time of reporting, annual waste production for 2013 was estimated at 26Mt. In total 0.7Mt iron ore was extracted from the pits (including inferred mineral resources) of which 0.6Mt was delivered as ROM to the beneficiation plant, while the remainder resulted in a ROM buffer stockpile growth of 0.1Mt. The ROM material is beneficiated through a DMS plant. Where pits are far removed from the plant, ore is trucked to crushers located closer to the pits. The crushed material is then transported via conveyor belt to a stockpile that feeds the plant. After beneficiation the saleable product is stockpiled on product beds which, in turn, is reclaimed and transported by rail to the relevant ArcelorMittal SA steel works.

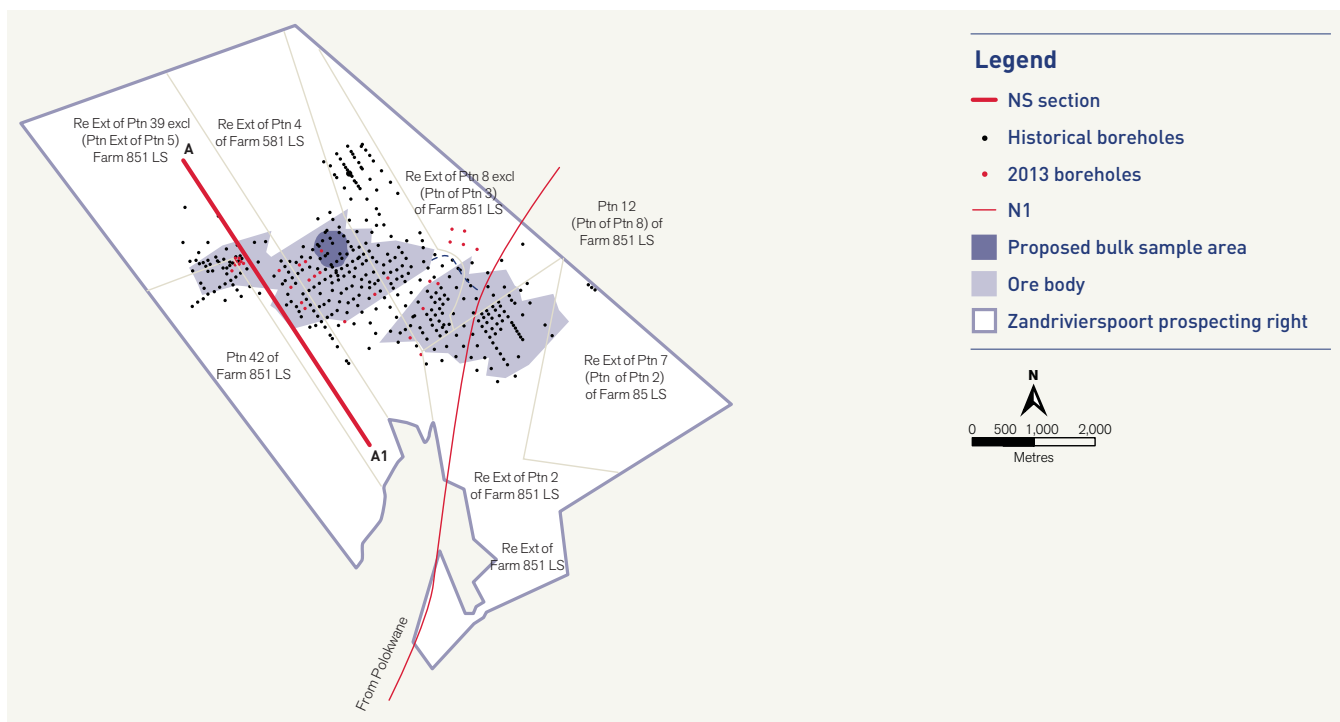


Figure 13: Zandriverspoort prospecting right area north of Polokwane City in the Limpopo province

Zandriverspoort project geological outline

The Zandriverspoort prospecting right (area) is located approximately 25km northeast of Polokwane on the farm Zandriverspoort 851 LS, in the Limpopo province of South Africa (**Figure 13**).

Zandriverspoort is a magnetite deposit in the Palaeo-proterozoic Rhenosterkoppies Greenstone Belt or Rhenosterkoppies Fragment, which occurs to the northwest of the main, northeast-trending Pietersburg Greenstone Belt.

Figure 14 represents a vertical profile (slice) intersecting the stratigraphical geological three-dimensional model of the Zandriverspoort deposit (red line in **Figure 13**), demonstrating the company's interpretation of the relationship between the ore bodies and waste material or local geology of the Zandriverspoort deposit, as well as its associated geological confidence classification. The Zandriverspoort project has entered the pre-feasibility phase of investigation, which is being funded by the Polokwane Iron Ore Company, a 50/50 joint venture between SIOC and ArcelorMittal SA. It is assumed that a concentrate product from Zandriverspoort could be accommodated as part of the feedstock of ArcelorMittal SA's domestic demand. Investigations have shown that Zandriverspoort concentrate could comprise up to 5% of a sinter mix, which yields improved production rates in the iron ore sintering process. This, however, will only support a limited market and alternatives are being investigated.

Opposite

A blast in the south-western area of the Sishen pit to strip waste and expose ore for mining.

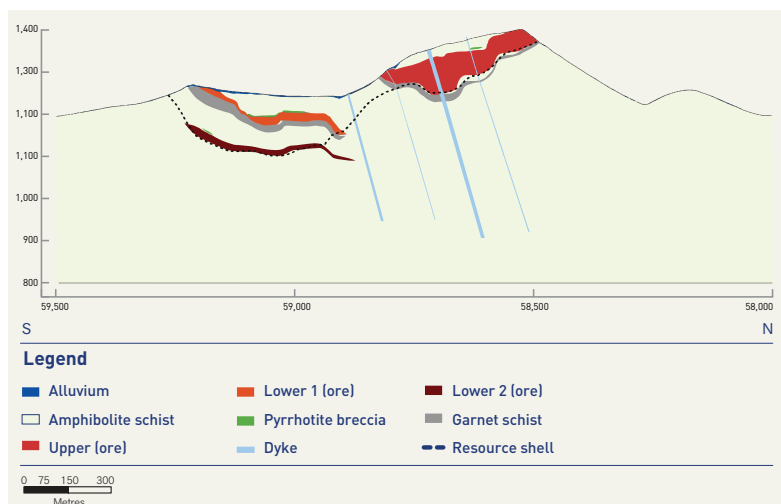


Figure 14: Southeast-Northwest profile depicting the local geology through the Zandriverspoort magnetite deposit



EXPLORATION**Exploration expenditure**

Exploration conducted in and near mines in 2013 to refine current and support possible future mineral resource estimates, mainly involved drilling (in addition to normal geological and geophysical surveys) to obtain samples that intersect the ore as well as the relevant roof and floor material adjacent to ore zones.

The preferred drilling method is core drilling. The all-inclusive cost associated with exploration conducted on behalf of Kumba in 2013 is summarised in **Table 8**.

Following accelerated exploration over the past five years around Kumba's operating hubs, several new deposits have been identified in the Kolomela and Thabazimbi regions and drilling continues to further delineate and improve confidence. These deposits are being evaluated to determine their economic viability.

While the material increase in the Zandriesspoort mineral resource is attributable to the increase in the size of the resource shell, sustained exploration over the past five years beyond the boundaries of the known deposit has identified and defined a mineral inventory which has now been converted to mineral resources.

Sample preparation and assaying

Excluding some Thabazimbi exploration project samples (prepared by on-site laboratory to facilitate metallurgical test work), all primary geological samples taken from material retrieved via drilling in 2013 to be used for mineral resource estimation were prepared by the Chemistry Laboratory (company registration number 1921/0067130/06) of the research division of Anglo Operations Limited.

Assaying was conducted by the Anglo Research Chemistry Laboratory (71% of samples) as well as the UltraTrace Laboratory in Perth Australia (29% of samples).

Kumba generated 61,964 exploration borehole samples in 2013 (excluding production and grade-control borehole samples deemed not suitable for mineral resource grade estimation) to be used for current and future mineral resource estimations. These were prepared and 58,174 assays (not including the 5% field, coarse and pulp duplicates, 5% replicates as well as 5% matrix-matched certified reference material results also generated as a standard requirement) were received in the same calendar year (94% strike rate). The 2013 spend on sample preparation and assaying amounted to R51 million (10% of total exploration expenditure).

The Anglo Research Chemistry Laboratory is accredited in accordance with the recognised International Standard ISO/IEC 17025:2005 by the South African National Accreditation System under the Facility Accreditation Number T0051 (valid from 22 July 2011 to 30 April 2016) for the preparation and assaying of iron ore samples, applying methods that comply with the requirements of Kumba.

ENDORSEMENT

The persons at Kumba who are designated to take corporate responsibility for mineral resources and ore reserves are Jean Britz and Theunis Otto. They have reviewed the mineral resource and ore reserve estimates reported for 2013 and consent to the inclusion of these estimates in the form and context in which they appear in this report.

Table 8: Summary of exploration expenses

	Total exploration spend (10+2) (Rand million)		Drilling spend (10+2) (Rand million)		Number of holes drilled (10+2)		Metres drilled (10+2)		Average cost per metre	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Mining right areas	363.3	179.7	287.5	141.3	446	282	101,574	42,366	R2,830	R3,336
Prospecting right areas	148.3	132.8	128.3	80.9	191	288	43,306	53,671	R2,963	R1,507
Total	511.6	312.5	415.8	222.2	637	570	144,880	96,037	R2,897*	R2,421

* The increase in the average cost per metre for drilling conducted in prospecting right areas is the result of the drilling method being focused on core drilling in 2013 (70% of drill metres) whereas in 2012 it was 30% core drilling.

01 Holes drilled for blasting are demarcated by plastic cones in the Leeuwfontein pit at Kolomela mine.



Jean Britz is a professional natural scientist, registered (400423/04) with the South African Council for Natural Scientific Professions. He has a BSc (Hons) in geology and an MEng in mining and has 21 years of experience as a mining and exploration geologist in coal and iron ore, of which nine are specific to iron ore mineral resource estimation and evaluation.

Theunis Otto is a mining engineer registered (990072) with the Engineering Council of South Africa. He has an MSc in mining engineering and has 18 years of experience as a mining engineer in production management and technical roles in coal and iron ore mining, of which nine are specific to iron ore mineral reserve estimation and evaluation.

Jean Britz
Principal, mineral resources

Theunis Otto
Head of mining processes

GOVERNANCE IN ACTION

During the fourth quarter of 2013 the board held a governance workshop covering matters relating to the company's resources and reserves.

Kumba's CEO and board member, Norman Mbazima, endorses the mineral resource and ore reserve estimates presented in this document and acknowledges that the Kumba policy which governs mineral resource and ore reserve reporting has been adhered to.

Norman Mbazima
CEO



Fani Titi
Chairman

“THE KUMBA BOARD OF DIRECTORS HAS A DUTY TO THE COMPANY TO ENSURE IT CARRIES OUT ITS ROLE TO THE BEST OF ITS ABILITY BY ENSURING THE COMPANY HAS A STRATEGY IN PLACE THAT CAN ADAPT TO CHANGES; THAT IT SETS A TONE AT THE TOP THAT TRANSLATES INTO A CULTURE THE PEOPLE AT KUMBA CAN LIVE UP TO; AND THAT IT ENSURES THE COMPANY ACTS IN ACCORDANCE WITH THE COMPANY’S ETHICS AND VALUES. THE COMBINED EFFECT OF THIS IS A COMPANY IN WHICH EMPLOYEES ARE MOTIVATED TO ACHIEVE STRATEGIC GOALS WHILE ALWAYS ACTING ETHICALLY AND SAFELY. THIS IS SOMETHING THE BOARD TAKES SERIOUSLY AND SOMETHING THAT WE, AND THE PEOPLE OF KUMBA, CONTINUALLY WORK TO UPHOLD.” Fani Titi, Chairman

Main

A new housing development in Postmasburg for employees at Kolomela mine. Providing employees with good housing is a priority in our strive for a motivational workforce.

AMOUNT SPENT ON HOUSING

(2012: R918 million)

R552m

EMPLOYEES FROM LOCAL COMMUNITIES

(2012: 73%)

84%

FATALITIES

(2012: 2 fatalities)

0

ENSURING SOUND CORPORATE GOVERNANCE

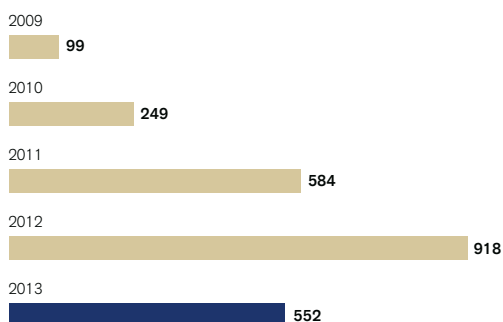
CED expenditure

Rand million

Poverty alleviation and enterprise development	10
Education and skills development	40
Health and welfare	33
Infrastructure development	88
Institutional capacity development	46
Other	37

Amount spent on housing

Rand million



BOARD OF DIRECTORS

Allen Morgan | Independent non-executive director (66)

BSc, BEng (Elect), Pr Eng

Allen joined the Kumba board on 9 February 2006, chairs the Remco and is the lead independent director. He is also a member of the audit, risk, and social and ethics committees. He served as interim chairman of Kumba from 15 December 2010 to 30 September 2012. He served as the CEO of Eskom between 1994 and 2000 and was a non-executive director of Eskom Holdings. He was appointed a non-executive director of AECI Limited on 1 July 2010 and also holds several corporate directorships. Allen was previously the chairman of Kumba Resources Limited.



Allen Morgan



Buyelwa Sonjica

Buyelwa Sonjica | Independent non-executive director (64)

BA, BA (Hons)

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



Dolly Mokgatle



Fani Titi

Dolly Mokgatle | Independent non-executive director (57)

BProc, LLB, HDip Tax Law

Dolly joined the Kumba board on 7 April 2006, chairs the social and ethics committee and is a member of the audit and risk committees. She is an executive director of Peotona Group Holdings and also holds several other corporate directorships. She was the CEO of Spoornet and managing director of transmission at Eskom. Dolly was appointed as chairman of the State Diamond Trader and Zurich Insurance in October 2012 and as a director of Total South Africa Proprietary Limited in December 2012.



Frikkie Kotzee



Gert Gouws

Fani Titi | Chairman, independent non-executive director (51)

BSc Hons (Maths), MA (Maths), MBA

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



Khanyisile Kweyama



Litha Nyhonyha

Frikkie Kotzee | Chief financial officer (42)

BCom (Hons), BProc, LLB, CA (SA)

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



Norman Mbazima



Tony O'Neill



Zarina Bassa

Gert Gouws | Non-executive director (55)**BCom (Law), BCom (Hons), CA(SA), FCMA, CGMA**

Gert joined the Kumba board on 9 February 2006 and is a member of the risk committee and Remco. He is the chief financial officer and an alternate director of the IDC and previously served as its chief operating officer. He also holds several corporate directorships.

Khanyisile Kweyama | Non-executive director (49)**MA (Management)**

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

Litha Nyhonyha | Independent non-executive director (55)**BCom, CA (SA)**

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

Norman Mbazima* | CEO (55)**FCCA, FZICA**

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

Tony O'Neill† | Non-executive director (56)**MBA, BSc (Eng)**

Tony joined the board of Kumba on 30 September 2013. He is also a member of the Anglo American Group management committee and a non-executive director of Anglo American Platinum Limited. He was previously the executive vice president, business and technical development at AngloGold Ashanti and served as joint acting CEO until July 2013. His 35-year career in the mining industry has spanned iron ore, copper, nickel and gold.

Zarina Bassa | Independent non-executive director (49)**BAcc, CA (SA)**

Zarina joined the Kumba board on 2 December 2008, chairs the audit committee and is a member of the risk committee. She is the executive chairman of Songhai Capital. She is chairman of Yebo Yethu Limited and serves as a non-executive director of Vodacom South Africa, Sun International, Woolworths, Senwes, Oceana, the Lewis Group and the Financial Services Board. She was a partner at Ernst & Young where she spent 17 years in the Durban, Johannesburg and UK offices. She has also chaired the Public Accountants' and Auditors' Board, and the Auditing Standards Board and has been a member of the Accounting Standards Board, the JSE's GAAP Monitoring Panel, the board of the South African Institute of Chartered Accountants and vice president of the Association for the Advancement of Black Accountants of South Africa.

* Zambian

† Australian

EXECUTIVE COMMITTEE

Alex Mgzah | Executive head of safety and sustainable development (44)

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

Alex was appointed to his current position on 1 January 2011. He has more than 15 years' management experience in integrated health, safety, environmental, community and quality management within the mining, smelting, manufacturing and consulting sectors. He was vice president of sustainability and community affairs at BHP Billiton Energy Coal South Africa before joining Kumba.



Alex Mgzah



Andrew Loots

Andrew Loots | Executive head of operations (46)

BEng (Mech), MBA
Andrew was appointed to his current position on 1 March 2013. This new role was created following a strategic organisational review of Kumba's Exco structure in 2012. He has had a successful career within the Anglo American Group, mainly within thermal coal where he held various roles including general manager of asset optimisation before serving as general manager of Sishen mine from June 2008 to February 2013.



Billy Mawasha



Francois Louw

Billy Mawasha | Executive head of technical services (35)

BSc (Eng) (Electrical)

Billy joined Kumba on 1 September 2013. He was previously with AngloGold Ashanti where he held various senior positions including managing director of Iduapriem gold mine in Ghana and senior vice president of operations running all its underground mines in South Africa.



Frikkie Kotzee



Norman Mbazima

Francois Louw | Executive head of projects (53)

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



Timo Smit



Virginia Tyobeka

Frikkie Kotzee | Chief financial officer (42)

See biography on page 114.

Norman Mbazima | CEO (55)

See biography on page 115.

Timo Smit | Executive of head marketing and seaborne logistics (45)

MSc (Applied Physics), PhD (Materials Science and Engineering)

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



Vusani Malie



Yvonne Mfolo

Virginia Tyobeka | Executive head of human resources (48)

BA, BA(Hons), MAP

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

Vusani Malie* | Company secretary (40)

BA (Law), LLB

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

Yvonne Mfolo | Executive head of public affairs (46)

BA (Communications), Advanced Certificate (Journalism)

Yvonne joined Kumba on 1 August 2011, from the Anglo American Group's Thermal Coal business where she held the position of head of public affairs. Prior to this she was the chief director of communications at the then Department of Minerals and Energy, where she spent nine years at, and was spokesperson for the minister.

* Vusani served as company secretary during the year under review and resigned with effect from 1 March 2014.

CORPORATE GOVERNANCE REVIEW

OUR APPROACH TO CORPORATE GOVERNANCE

The board of directors understands the responsibility it has to lead the company effectively, ethically and transparently, and focuses on steering the company in the right direction through a combination of strategy, effective leadership and sound corporate governance. Our board of directors remains committed to adhering to the highest standards of corporate governance, including King III, the Companies Act, the JSE Listings Requirements and other applicable regulations. However, governance at Kumba is about more than compliance.

In 2013 Kumba completed the implementation of the framework, processes and controls needed for full compliance with the recommendations in Chapters 1 and 6 of King III. The programme was developed and partially completed in 2011 and 2012, and embraced the management of ethics as well as legislative and regulatory compliance. The board is confident that the Anglo American Group Business Integrity Policy and Performance Standards endorsed by Kumba (available on the company's website at www.angloamericankumba.com/au_corpgov.php) are sufficiently robust to sustain our ethical principles and that adequate processes are built into the assurance system to manage and ensure group-wide compliance with these principles. The board is satisfied that the group complies fully with the principles and recommendations of King III. The company utilises the governance assessment instrument developed by the Institute of Directors in Southern Africa (IoDSA) to assess its application of the King III principles and a detailed report on the status of application is available on the company's website at www.angloamericankumba.com/au_corpgov.php.

As indicated in the 2012 Integrated Report, the board reviewed a number of areas within the group's corporate governance processes following implementation of the Companies Act on 1 May 2011. The review was concluded with the adoption of the memorandum of incorporation (Moi) by the shareholders at a general meeting held on 18 January 2013. The memoranda of incorporation for all South African subsidiaries in the group were adopted by relevant shareholders during 2013 in compliance with the Companies Act.

The annual compliance certificate confirming the company's compliance with the JSE Listings Requirements was completed and submitted to the JSE in January 2014.

KUMBA GOVERNANCE STRUCTURE

Governance at Kumba is structured to take into account the fact that its main operating subsidiary, SIOC, has a shareholding structure that reflects the empowerment requirements of the Mining Charter and of the MPRDA. As a means of ensuring the requirements of Kumba's and SIOC's disparate stakeholders are best served, the two entities are legally separate and have fully operational but separate boards with clearly defined responsibilities and authorities.

To achieve this, the two entities are regulated in terms of applicable legislation, best practice corporate governance codes and the Kumba Delegation of Authority Framework (DAF). The DAF specifies the authority parameters of each of the two boards to ensure that decisions are made by the appropriate board. The DAF also serves as the governance framework between Anglo American plc and Kumba. The SIOC board comprises non-executive directors drawn from the entity's minority shareholders, executive directors drawn from Exco, and an independent non-executive director.

SIOC's board has full authority over matters pertaining to SIOC. It may, however, take into account recommendations and suggestions from SIOC's shareholders, including its majority shareholder, Kumba. In its governance of SIOC's operations, the SIOC board is supported by Kumba's board committees and feedback on deliberations of board committees' meetings is provided at each SIOC board meeting.

GOVERNANCE IN ACTION: AN EXPLANATION

Throughout this report there have been examples of governance in action. These highlight key activities of the board and its committees during the year. We link corporate governance to value creation by highlighting the impact of governance decisions on the business and sustainable benefits for all stakeholders.



THE BOARD

Role of the board

The board's mandate is to provide the strategic direction needed to ensure that the company delivers sustainable value to all stakeholders. The directors combine their leadership, judgment and enterprise to determine the group's strategies and direction and do this with personal integrity. They have overall responsibility for identifying and overseeing the management of key risks as well as for setting KPIs and managing performance against agreed targets. Further information on the composition and activities of the board during the year under review is on pages 120 and 123.

Board charter

The Kumba board charter is the overarching policy document that defines the board's powers and operational parameters. It also provides for delegation of operational responsibilities to management and the board committees. The board charter was comprehensively reviewed, updated and approved by the board in November 2013 so as to incorporate the provisions of King III, the Companies Act, as well as to align it with the company's Mol.

Additions and revisions to the charter in 2013 included provisions on appointing a successor to the chairman. The successor will be elected by the board from its own members either temporarily or permanently as determined by the board. The charter also includes a clear policy on the division of responsibilities in order to confirm there is an appropriate balance of power in the board, the reporting lines and key responsibilities of the chairman of the board, the lead independent director, and the CEO.

Fundamentally, the Kumba board charter encompasses the following:

- Regulation of the board's operating parameters
- Specification of individual directors' responsibilities
- The requirement that directors adhere to and comply with Kumba's Mol

The charter also addresses governance and other key issues which are the board's specific preserve. A copy of the Kumba board charter is available on the company's website at www.angloamericankumba.com/au_corpgov.php.

Appointment of directors

A formal and transparent procedure exists for the appointment of directors to the board and is a matter for the board as a whole. Responsibility for recommending board appointments and directors' appraisals rests with the human resources remuneration and nomination committee (Remco). The choice of directors is guided by individual skills and competencies, as well as the contribution they will make to Kumba's achievement of its corporate, environmental and social objectives. The board is composed so as to deliver an appropriate mix of technical, financial, business and governance expertise.

On joining the board, all directors take part in an induction programme to ensure they are apprised of their governance and fiduciary responsibilities and to gain an understanding of the business.

Changes to the board during the year

Kumba has a formal and transparent procedure for appointing board members, and this was followed with the appointment of a new non-executive director during the year under review. Appointment of new directors is the responsibility of the board as a whole, upon recommendation of the candidate to the board by Remco. Recommendation follows a careful appraisal of the candidate's skills and experience and takes into account an appointee's contribution to the board's diversity.

There were two changes to the board in 2013. David Weston, who was appointed as a non-executive director in February 2010, resigned from the Kumba board on 30 September 2013, coinciding with his retirement from Anglo American plc.

Tony O'Neill was appointed to the Kumba board as a non-executive director on 30 September 2013 and brings with him technical expertise with more than 35 years experience in the mining industry.

GOVERNANCE IN ACTION

The appointment of directors to the board is a matter for the board as a whole. Tony O'Neill was appointed as a director in September 2013 upon recommendation by Remco. For further information on Tony O'Neill see page 115 of this report.

Non-executive directors' fees

In principle independent directors' fees may be increased annually, however, in 2013 no increases were awarded to the independent directors as their fees were considered to be in line with the market. Increases are guided by the market, taking into account benchmarking against the remuneration of non-executives in peer-group companies. Remuneration is paid to the non-executive directors following approval by shareholders in terms of the Companies Act. Shareholders will be requested to approve an increase of 6% based on the 2014 projected consumer price index. For further details refer to special resolution number 2 in the notice of the annual general meeting (AGM) on page 144.

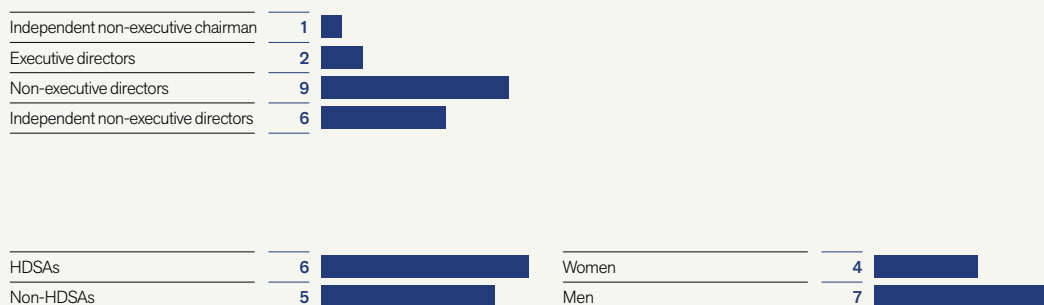
Conflict of interests

Kumba's comprehensive and defined policies governing conflict of interests are designed to help directors identify such potential conflicts and provide mechanisms and procedures to be adopted when or if such conflicts arise. These include such issues as a director recusing him/herself from meetings at which the board considers matters that might give rise to such a conflict. The policies are structured to comply with the requirements of the Companies Act as well as with JSE Listings Requirements. Directors are required to consider whether situations might arise that could create the perception of a conflict of interest and to recommend the appropriate action to allay such perceptions.

Comprehensive registers are maintained of individual directors' interests in and outside the company and these are updated and signed by the directors and noted by the board at each board meeting.

BOARD COMPOSITION

DIRECTOR	DESIGNATION	APPOINTMENT DATE
Allen Morgan	Independent non-executive director (lead independent director)	9 February 2006
Buyelwa Sonjica	Independent non-executive director	1 June 2012
Dolly Mokgatle	Independent non-executive director	7 March 2006
Fani Titi	Independent non-executive director (Chairman)	1 October 2012
Frikkie Kotzee	Executive director (Chief financial officer)	1 June 2012
Gert Gouws	Non-executive director	9 February 2006
Khanyisile Kweyama	Non-executive director	15 October 2012
Litha Nyhonyha	Independent non-executive director	14 June 2011
Norman Mbazima	Executive director (CEO)	1 September 2012
Tony O'Neill	Non-executive director	30 September 2013
Zarina Bassa	Independent non-executive director	2 December 2008

Demographics**Directors' independence**

Relevant non-executive directors are robustly reviewed on appointment to ensure they are truly independent. In terms of Principle 2.18 of King III, independent, non-executive directors may serve for nine years. At the end of this nine-year period they will be subject to an evaluation to ascertain that they remain independent. During 2013 the board approved structures recommended by Remco to ensure that independent directors' independence is evaluated in terms of the nine-year rule. The first evaluation is set to take place in 2015 to evaluate directors appointed to the board in 2006.

Responsibilities of the chairman and CEO

The responsibilities of the chairman and CEO are clearly defined and separated as set out in the board charter. While the board may delegate authority to the CEO in terms of the board charter, the separation of responsibilities is designed to ensure that no single person or group can have unrestricted powers and that appropriate balances of power and authority exist on the board.

The chairman is responsible for leading the board and for ensuring the integrity and effectiveness of the board and its committees. In contrast, the CEO is responsible for the efficient management and running of the company's business in terms of strategies and targets approved by the board.

Rotation and election of directors

In accordance with the company's Mol and the terms of the Companies Act, at least one third of directors shall retire from the board each year. They may, however, offer themselves for re-election at the appropriate AGM. In 2013 Zarina Bassa, Dolly Mokgatle and Allen Morgan retired and were re-elected at the AGM. In 2014, Gert Gouws, Khanyisile Kweyama and Litha Nyhonyha will retire and offer themselves for re-election. Tony O'Neill who was appointed to the board on 30 September 2013 will offer himself for election by shareholders at the 2014 AGM on 9 May 2014. Brief biographies of all directors outlining their qualifications and skills are included on pages 114 to 115.

Directors' induction and development programme

On joining the board, all directors participate in a formal induction programme. All new directors are required to participate in the programme and, in discussion with the board chairman, tailor the programme to their specific needs.

At the very minimum induction procedures include:

- an overview of the company's operations
- face-to-face discussions with executives and operational management
- site visits to all operations and major facilities
- training in corporate governance as well as in statutory and common law aspects of directors' responsibilities
- complete briefings of the director's responsibilities in terms of JSE Listings Requirements
- committee-specific information for any director joining a board committee

Regular training is provided to ensure directors are kept up to date on regulatory or governance changes that might affect the company. During the year under review, two board governance sessions were held in May and October. At the session held in May matters relating to the Companies Act, King III principles, JSE Listings Requirements and practical implications of board policies were covered. Representatives from the IoDSA also attended the session to provide detail on director development programmes it offers. The board held its annual strategy workshop at the end of May 2013. For more information on the company's strategy refer to pages 16 to 19.

The annual board risk workshop was held on 1 August 2013 at which the board reviewed the global and domestic risk environment, re-evaluated the company's strategic risks; impact and probability of risks identified, including controls and mitigating actions in place; and the application of risk and tolerance levels and risk appetite. For further information on the company's risk and opportunities refer to pages 20 to 28.

At the session held in October 2013, the technical team, headed by Billy Mawasha, took the board through the geological and mining processes of converting exploration results to mineral resources and ore reserves incorporating the principles of the SAMREC Code. The company's Ore Reserves and Mineral Resources Statement is on page 88. The board also considered the 2013 integrated reporting process including material issues and key messages at this session.

Board and committee performance evaluations

Each year the board performs an assessment of its own performance and of the appropriateness and effectiveness of its procedures and processes. In addition, an external assessment is performed every three years which includes personal interviews with individual directors. Issues that might be addressed to improve the board's performance are reported to the board. As part of the follow-up, the chairman holds personal discussions with individual directors on issues raised in the assessments. An internal assessment of the board and its committees was conducted during the year under review. To ensure a complete process, the board assessment questionnaire was improved and individual committee assessment questionnaires were designed for each board committee.

The results of the assessment process highlighted the need for the board to further expand its scope of review of the company's strategic objectives by enhancing regulatory, commercial and technical knowledge. These have been included as part of the focus areas for the board.

Mechanisms for shareholder communication with the board

The principal mechanisms for shareholders to communicate with the board are directly at the AGM or indirectly by means of AGM proxy forms, as well as at investor meetings and briefings to analysts. The chairman has periodic formal meetings with the CEO of Anglo American plc, Kumba's majority shareholder, to discuss matters of mutual interest. He reports to the board on the content and outcomes of each meeting. In April 2013, ahead of the AGM which was held on 10 May 2013, our chairman and the chairmen of each board committee engaged with some of our major shareholders, the IDC, Blackrock Investment Management and JP Morgan Asset Management, to address any governance matters ahead of the company's AGM.

Apart from these meetings and briefings at which shareholders can raise issues with the company's representatives, Kumba communicates with its shareholders by means of its annual, integrated and interim reports, press announcements, circulars and announcements through the Stock Exchange News Service (SENS).

For further information see the Stakeholder engagement section on pages 30 to 35 of this report.

BOARD COMMITTEES

The board has established four standing committees through which it executes some of its duties namely the audit committee, risk committee, social and ethics committee, and Remco. The composition of each committee is determined by the board. Each committee is chaired by an independent non-executive director and has terms of reference in place which were reviewed during 2013 and are available on the company's website at www.angloamericankumba.com/au_corpgov.php. The respective chairmen of the committees report back to the board on deliberations of the committees and the minutes of the meetings are made available to both the SIOC and Kumba boards.

Information on the activities of the board and its committees during the year under review including meeting attendance, is outlined below and on page 123.

Board attendance during 2013

Director	08 Feb 2013 [^]	13 Mar 2013 [^]	02 May 2013 ⁺	16 May 2013 ^{^^}	[#] 30-31 May 2013	19 Jul 2013 [^]	01 Aug 2013 ^{**}	25 Sep 2013 [*]	11 Oct 2013 [*]	24 Oct 2013 ⁺	27 Nov 2013 [^]	No of Meetings: 11
F Titi (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11
ZBM Bassa	✓	✓	✓	A	✓	✓	✓	✓	✓	✓	✓	10/11
GS Gouws	✓	A	A	✓	✓	✓	✓	✓	✓	A	✓	8/11
FT Kotzee	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11
KT Kweyama	✓	✓	✓	✓	✓	✓	A	A	A	✓	✓	8/11
NB Mbazima	✓	A	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/11
DD Mokgatle	✓	✓	✓	✓	✓	✓	✓	A	✓	✓	✓	10/11
AJ Morgan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11
LM Nyhonyha	✓	✓	✓	✓	✓	✓	✓	✓	A	✓	✓	10/11
AM O'Neill	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	A	A	✓	1/3
BP Sonjica	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11
DM Weston	✓	A	A	A	A	✓	A	A	n/a	n/a	n/a	2/8

✓ indicates attendance

A indicates absence with an apology

n/a indicates individual was not a director of the company at date of meeting

[#] annual board strategy workshop

^{**} annual board risk workshop

[^] scheduled board meetings

^{^^} original scheduled date of board meeting was changed

^{*} special board meetings called on short notice

⁺ board governance workshops

01 The board, together with Thabazimbi mine management, on a site visit to Thabazimbi mine.



Board activities in 2013

Recurring matters:

The board considered the following on a quarterly basis:

- CEO's report on financial, operational and strategic matters
- Management reports on safety, health and environment, business performance, integrated risk management, marketing, legal and compliance matters and investor relations activities
- The company's liquidity and solvency analysis, working capital pack, compliance with debt covenants and going concern assessment
- Declarations of interests, feedback on deliberations of board committees' meetings, minutes of previous board meetings and matters arising

Other activities during 1Q2013:

- A shareholders' general meeting was held on 18 January 2013 to approve the company's new Mol
- The board approved completion and submission of the annual JSE compliance certificate for 2012
- The board approved the 2012 final dividend, annual financial statements, 2012 integrated reporting suite, revised HIV/AIDS and compliance policies

Other activities during 2Q2013:

- The board held a governance workshop covering matters relating to the Companies Act, JSE Listings Requirements, practical implications of board policies and loDSA director development programmes
- The board conducted a site visit to Thabazimbi mine and debated the mine's strategy
- The board held its annual board strategy workshop at which the board considered and revised the company's strategy. Further information on the company's strategy is on page 16
- The board held engagements with major shareholders namely IDC, PIC, Blackrock Investment Management and JP Morgan Asset Management in April 2013 to discuss matters of governance and the notice of the AGM
- The AGM was held on 10 May 2013 and the shareholders approved all the resolutions that were presented

Other activities during 3Q2013:

- The board approved the 2013 interim dividend and the interim financial results for the period ended 30 June 2013

- The board held its annual board risk workshop at which the board reviewed the global and domestic risk environment, re-evaluated the company's strategic risks, impact and probability of risks identified including controls and mitigating actions in place, and the application of risk and tolerance levels and risk appetite
- The board held a special meeting to discuss the update on the status of the negotiations with ArcelorMittal SA regarding the supply agreement

Other activities during 4Q2013:

- The board held a governance workshop covering matters relating to the company's resources and reserves and the 2013 integrated report. The company's Ore Reserves and Mineral Resources Statement is on page 88
- The board appointed Tony O'Neill to the board and accepted the resignation of David Weston on 30 September 2013
- The board considered and approved the revised DAF, formal board induction and development programme, revised board charter, revised committees' terms of reference and other revised board policies including access to professional advice policy, conflict of interests policy, disclosure of information policy and trading in company securities policy
- The chairman of the board and the audit committee chairman visited the company's key customer's in Seoul and the company's Singapore offices as part of the board's stakeholder engagement activities. The visit to the Singapore office included an audit and risk session to review business processes and controls in the marketing and shipping operations
- The board approved the conclusion of the supply agreement with ArcelorMittal SA. Further information is included under Legal matters on page 86
- The board approved the Dingleton relocation project investment proposal. Further information on this project is on page 73
- The board considered and approved the 2014 to 2016 budget
- The board conducted an assessment of the chairman's performance as part of the internal assessment of the board and its committees. Further information on the 2013 board and committees assessment is included on page 121
- The board approved the trading statement analysis and related SENS announcement

Audit committee

The audit committee has an independent role from management with accountability to the shareholders and to the board. The committee is also the audit committee for SIOC in accordance with Section 94(2) of the Companies Act. The audit committee comprises four independent non-executive directors who possess the relevant qualifications and experience as determined by the board. The committee has terms of reference in place outlining its purpose and responsibilities, which include:

- To review the principles, policies and practices adopted in the preparation of the financial statements of the company and to ensure that the interim and annual financial statements of the group and any other formal announcements relating to the group's financial performance comply with all statutory and stock exchange requirements.
- To review the work of the group's external auditors and the internal auditors to ensure the adequacy and effectiveness of the group's financial, operating, compliance and risk management controls
- To review the management of risk and the monitoring of compliance effectiveness within the group, in conjunction with the risk committee
- To perform all the functions required by section 94(7) of the Companies Act

The audit committee report is on page 136, which also elaborates on the 2013 activities of the committee.

Composition and attendance during 2013

Member	5 Feb 2013	27 Feb 2013	7 May 2013	16 Jul 2013	5 Nov 2013
ZBM Bassa (Chairman)	✓	✓	✓	✓	✓
DD Mokgatle	✓	✓	✓	✓	✓
AJ Morgan	✓	✓	✓	✓	✓
LM Nyhonyha	✓	✓	✓	✓	✓

✓ indicates attendance

Activities during the year

Recurring matters:

The committee considered the following matters on a quarterly basis:

- Management reports on business performance, taxation, significant accounting matters, internal audit findings, legal updates, ethics committee report, and investments in subsidiaries, associates and joint ventures
- External and internal audit reports
- Recommendations to the board for approval of the group and company's liquidity and solvency analyses, funding strategies, compliance with debt covenants and going concern assessments

Other activities during 2013:

- The committee reviewed and signed off the 2012 integrated reporting suite including the assurance, corporate governance and compliance statements and the company's combined assurance framework
- The committee considered and recommended to the board for approval the interim and annual financial statements, interim and final dividends, the 2014 to 2016 budget review, the revised DAF and the revised committee's terms of reference
- The committee recommended the re-appointment of external auditors to shareholders at the AGM held on 10 May 2013

Risk committee

Through the risk committee the board demonstrates leadership in guiding the efforts aimed at meeting risk management expectations and requirements. The risk committee comprises all the members of the audit committee and two additional non-executive directors. The committee met three times during the year under review and facilitated the annual board risk workshop. In addition to committee members, the CEO, chief financial officer, head of internal audit, head of information management, and risk and compliance managers attend meetings of the committee. The committee has terms of reference in place outlining its purpose and responsibilities, which include:

- To ensure the effectiveness, quality, integrity and reliability of the group's risk management processes
- To monitor, develop, and communicate the processes for managing risks across the group and implement an effective policy and plan for risk management
- To ensure the disclosure regarding risk is comprehensive, timely and relevant

Refer to page 20 for information on how the company manages its risks and opportunities.

Composition and attendance during 2013

Member	5 Feb 2013	27 Feb 2013	7 May 2013	5 Nov 2013
LM Nyhonyha (Chairman)	✓	✓	✓	✓
ZBM Bassa	✓	✓	✓	✓
GS Gouws	✓	✓	✓	✓
DD Mokgatlhe	✓	✓	✓	✓
AJ Morgan	✓	✓	✓	✓
BP Sonjica	✓	✓	✓	✓

✓ indicates attendance

Activities during the year

Recurring matters:

The committee considered the following on a quarterly basis:

- Management reports on integrated risk management, risk-tolerance levels, information management and information technology governance, regulatory compliance and legal matters

Other activities during 2013:

- The committee facilitated the annual board risk workshop at which the board reviewed the global and domestic risk environment, re-evaluated the company's strategic risks, impact and probability of risks identified including controls and mitigating actions in place, and the application of risk and tolerance levels and risk appetite
- The committee monitored the changes to the company's risks, ranking levels and emerging risks
- The committee considered and approved the committee's annual work plan and the risk management plan
- The committee considered and recommended to the board for approval of the counter-party risk policy, compliance policy and committee's terms of reference
- The committee reviewed the company's combined assurance framework with the audit committee

Social and ethics committee

The social and ethics committee is constituted as a statutory committee in terms of the Companies Act and as approved by the board. The committee comprises three independent non-executive directors. The committee met three times during the year under review and, in addition to committee members, the CEO, executive heads of safety, health and environment, public affairs and HR attend the committee meetings. The committee has terms of reference in place outlining its purpose and responsibilities, which include:

- To perform the functions described in Regulation 43(5) of the Companies Regulations 2011 in respect of the company and the group
- To recommend to the board key policies and guidelines for the management of safety, sustainable development, health, environmental, social and ethics issues in the company and the group
- To recommend to the board policies and guidelines for matters relating to safety, sustainable development, health, environmental, social and ethics issues
- To review reports on the policies and performance of the group, the company and its divisions and the group and the progressive implementation of its safety, sustainable development, health, environmental, social and ethics policies
- To review key indicators on accidents and incidents and, where appropriate, ensure that such information is communicated to other companies managed by or associated with the company
- To recommend to the board the adoption of substantive national and international regulatory and technical developments in the fields of safety, sustainable development, health, environmental, social and ethics issues management
- To encourage participation, co-operation and consultation on safety, sustainable development, health, environmental, social and ethics issues, matters of governments, national and international organisations, super-national authorities, other companies and other associations
- To receive reports from the audit committee on material issues regarding the monitoring of ethics and ethical performance of the company
- To receive reports from management relating to labour and employment matters

The social and ethics committee's report, namely the Sustainable Development Report 2013, is available on the company's website www.angloamericankumba.com/investor_fin_reports.php.

Composition and attendance during 2013

Member	01 Feb 2013	27 Feb 2013	13 May 2013	06 Nov 2013
DD Mokgatlhe (Chairman)	✓	✓	✓	✓
KT Kweyama	A	✓	A	n/a
AJ Morgan	✓	✓	✓	✓
BP Sonjica	✓	✓	✓	✓

✓ indicates attendance

A indicates absence with an apology

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

Activities during the year

Recurring matters:

The committee considered the following on a quarterly basis:

- Management reports on safety, health and environment, stakeholder engagement and community development and transformation
- Update on the Dingleton relocation project

Other activities during 2013:

- The committee visited the Batho Pele mobile clinics when they were stationed in the Kagung village in Ga-Segonyana municipality, Northern Cape and interacted with the community
- The committee reviewed and signed off the 2012 Sustainable Development Report
- The committee reviewed the revised terms of reference and recommended them to the board for approval
- The committee considered the company's preferential and BEE-procurement process, the stakeholder engagement strategy and the revised HIV/AIDS policy

Human resources, remuneration and nomination committee (Remco)

Remco comprises three non-executive directors and its mandate includes dealing with board governance matters. The committee met four times during the year under review and, in addition to committee members, the CEO, the executive head of HR and the Anglo American plc head of reward attend the committee meetings. The committee has terms of reference in place outlining its purpose and responsibilities, which include:

- To make recommendations on the remuneration policies and practices for the executive directors, senior management and the company and its subsidiaries in general
- To make recommendations on the composition of the board and board committees and ensure that the board of directors consists of individuals who are equipped to fulfil the role of director of the company
- To assist the board in its responsibility for decisions and/or recommendations in respect of HR and remuneration matters
- To review all board-related governance processes, structures, policies and related matters from time to time and recommend changes thereto as deemed necessary for board approval
- To review the director induction and development programme and monitor the induction process as and when required

The remuneration report for the year under review is on page 129.

Composition and attendance during 2013

Member	5 Feb 2013	27 Feb 2013	7 May 2013	5 Nov 2013
AJ Morgan (Chairman)	✓	✓	✓	✓
GS Gouws	✓	✓	✓	✓
F Titi	✓	✓	✓	✓
KT Kweyama	A	n/a	n/a	n/a

✓ indicates attendance

A indicates absence with an apology

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

Activities during the year

Recurring matters:

The committee considered the following on a quarterly basis:

- Management reports on HR, transformation, employment equity, and senior management appointments and movements

Other activities during 2013:

- The committee reviewed and approved the 2013 performance contracts for the CEO, chief financial officer and prescribed officers
- The committee approved a consolidated reward philosophy and structure for fixed-term contract employees in order to provide a framework to attract and retain project-based skills
- The committee reviewed and approved the executive and senior management talent pool to define appropriate succession plans to ensure sustainable operations
- The committee approved retention arrangements for scarce and critical skills
- The committee approved the 2012 performance assessments and performance incentive payments, bonus share plan (BSP) awards and long-term incentive plan (LTIP) awards for the CEO, management and total workforce

- The committee considered the appointment of the executive head of operations and the new executive head of technical services
- The committee reviewed the remuneration report for inclusion in the 2012 Annual Financial Statements and 2012 Integrated Report
- The committee approved changes to performance incentive structures for entry-level management, as well as adjustments to performance incentive drivers for Sishen mine
- The committee considered the 2014 non-executive directors' fees for recommendation to the shareholders as included in the notice of the AGM on page 148
- The committee recommended to the board the appointment of Tony O'Neill as a director of the company
- The committee reviewed board policies, board charter and committees' terms of reference and recommended these to the board for approval
- The committee reviewed the 2013 board and committees' assessment process
- The committee conducted the annual evaluation of the company secretary on behalf of the board

COMPANY SECRETARY

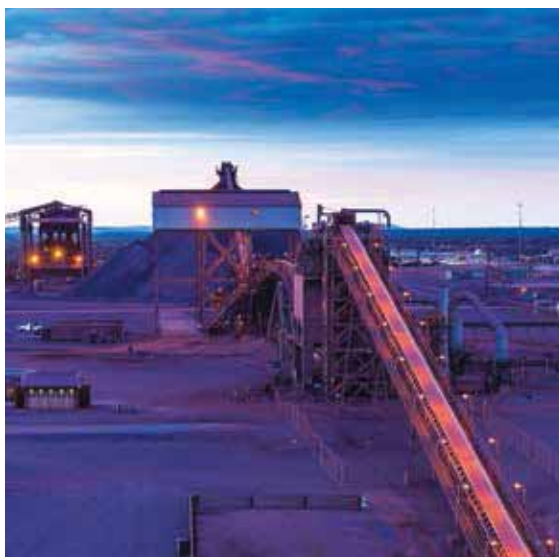
The company secretary is responsible for ensuring the availability of all information needed by the directors for the performance of their duties. This includes papers and documents needed for board meetings as well as public announcements or shareholder communications having a bearing on Kumba and its operations. The company secretary is available to the directors, at all times, to provide assistance, guidance or advice in line with King III and the JSE Listings Requirements. Though the company secretary attends board meetings in an advisory capacity he is not a member of the board of directors, which ensures an arms length relationship with the board and independence. The company secretary is responsible for ensuring that board and company proceedings and affairs are carried out in compliance with current legal and regulatory requirements.

In terms of Section 3.84(i) of the JSE Listings Requirements an annual assessment of the company secretary must be conducted, and this process was formalised by the board in 2013.

The evaluation of the company secretary's performance was conducted on behalf of the board by Remco in November 2013. The King III evaluation questionnaire developed by the IoDSA, as well as specific deliverables that were agreed by each committee chairman and the company secretary at the beginning of the year with respect to board committees, were used in the assessment process. The board is confident that the company secretary has the necessary skills, qualifications and experience to perform his duties proficiently.

Biographical details of the company secretary, Vusani Malie, who served during the year under review, are available on page 117 of this report. Vusani Malie resigned with effect from 1 March 2014 and Kevin Lester, head of legal at Anglo American South Africa, was appointed as acting company secretary.

01 The production train at Kolomela mine is highlighted by a dramatic Kalahari sunset. The mine is planned to produce 10Mtpa for the remainder of its life, which is an increase of 1Mt on the original design capacity.



DEALING IN SECURITIES

In alignment with JSE Listings Requirements, Kumba has a defined policy of conduct for directors and employees dealing in the company's securities. The policy was reviewed and approved by the board during the year under review to align with the Financial Markets Act No 19 of 2012 that replaced the Securities Services Act, 2004 with effect from 3 June 2013. In terms of this policy and listings rules, directors and employees are required to obtain prior approval and, furthermore, directors publicly disclose any dealings in the company's securities by themselves or their associates.

The JSE Listings Requirements define closed periods, generally around major results announcements, during which directors, executives and designated employees may not trade in the company's shares. The prohibition applies equally to the individuals' associates. At the start of a closed period directors and employees subject to the policy are formally advised of the start and duration the closed period.

THE EXECUTIVE COMMITTEE

Exco comprises the individuals most closely involved in the company's operations including:

- the CEO (chairman of Exco)
- the chief financial officer
- executive heads
- company secretary

Its responsibilities are subject to the provisions of the DAF and include:

- executing corporate strategy, as approved by the board of directors
- prioritising capital expenditure allocations
- allocating key technical and human resources
- establishing and overseeing best management practices
- making senior managerial appointments
- overseeing managerial performance

All members of Exco have also been identified as prescribed officers of the company in terms of the Companies Act.

REMUNERATION AND PERFORMANCE

KEY FEATURES

During 2013 the following were some of the key developments and activities of Remco:

- Tony O'Neill joined the Kumba board on 30 September 2013 as non-executive director. He holds a BSc in engineering, as well as an MBA, and is the group director of technical for Anglo American plc and a member of the Anglo American Group management committee. David Weston resigned as a non-executive director on 30 September 2013
- Key management changes during 2013 included:
 - The appointment of Andrew Loots as executive head of operations, following the review of the Kumba executive management structure with the role focusing on operational alignment and the optimisation of synergies. Consequently the three general managers at the operations no longer form part of the executive management structure as they now report into this role
 - The appointment of Billy Mawasha as executive head of technical services, replacing Christo van Loggerenberg who retired in April 2013. Billy joined Kumba on 1 September 2013. He was previously with AngloGold Ashanti where he held various senior positions including managing director of Iduapriem gold mine in Ghana and senior vice president of operations, running all its underground mines in South Africa
- Kumba has extended the Anglo American plc performance management standard to first-line management to ensure that all management employees' performance standards and measures are based and rewarded on similar principles. Previously this category of employees participated in production-related performance incentives intended for bargaining unit employees
- During 2013 employees shared in the good performance of Kumba. This was illustrated by the payments received by our workforce (7,081 Envision participants at the end of December 2013) through dividend pay-outs during March and August 2013 to the total value of R144 million before tax
- During 2012 the company successfully concluded a multi-year wage agreement with recognised trade unions, applicable to bargaining category employees. The second part of this agreement was implemented during July 2013, resulting in an average increase of 9%. This agreement is due to expire on 30 June 2014 and wage negotiations will take place during 2014, preparation for which commenced during the third quarter of 2013
- Following the unprotected strike during October 2012, Kumba embarked on an extensive strike remedial plan to strengthen relations with the workforce. A programme of actions consisting of various short- and long-term interventions is being implemented
- The executive and senior management talent pool was reviewed and approved to define appropriate succession plans to ensure sustainable operations
- The 2013 performance contracts of the CEO, the chief financial officer as well as all prescribed officers were reviewed and approved in February 2013 for the performance period
- The committee approved a consolidated reward philosophy and structure for fixed-term contract employees in order to provide a framework to attract and retain project-based skills
- The committee approved retention arrangements for scarce and critical skills
- The committee approved the 2012 performance assessments and performance incentive payments, bonus share plan awards and long-term incentive plan awards for the CEO, management and total workforce
- The committee reviewed the remuneration report for inclusion in the 2012 Annual Financial Statements and 2012 Integrated Report
- The committee approved changes to performance incentive structures for entry-level management, as well as adjustments to performance incentive drivers for Sishen mine
- The committee considered the 2014 non-executive directors' fees for recommendation to the shareholders as included in the notice of the AGM on page 148

OUR REMUNERATION PHILOSOPHY UNDERPINS OUR STRATEGY

Kumba's reward philosophy forms an integral part of our employment offer and supports company strategy. Our reward strategy aims to:

- maintain Kumba as an employer of choice
- motivate and engage employees to increase their level of commitment resulting in high levels of performance of individuals and teams
- facilitate the attraction and retention of top talent and those employees with critical skills
- target the market median in respect of fixed pay, with variable performance-related pay referenced to the upper quartile of the market to ensure competitiveness
- ensure the fair, equitable and consistent application of our remuneration principles and policies

Remco has the overarching responsibility to ensure that the principles of accountability, transparency and good governance are enacted in all remuneration-related matters. This includes the crucial link between executive remuneration and performance against strategy, with the ultimate aim of creating shareholder value.

Kumba's reward philosophy forms and integral part of our employment offer and supports company strategy

AIMS OF THIS REPORT

This report covers the following aspects of remuneration at Kumba:

Part One

- Roles, responsibilities and constitution of Remco
- An overview of key elements of remuneration for all employees, with detailed explanations for executive directors, prescribed officers and non-executive directors
- An overview of reward policy and practices within Kumba

Part Two

- Details of remuneration outcomes and activities in 2013, namely remuneration paid to directors and executive management during 2013, including details of long-term incentives awarded during the year
- Details of the remuneration paid to non-executive directors

PART ONE: REMUNERATION PHILOSOPHY AND POLICY

THE HUMAN RESOURCES, REMUNERATION AND NOMINATION COMMITTEE (REMCO)

Role of Remco and terms of reference

As a committee of the board Remco operates under terms of reference, assisting the board with remuneration policies and programmes in line with company strategy and objectives, with a specific focus on executive and prescribed officer remuneration.

Among others things, Remco undertakes the following governance activities:

- Approves:
 - annual performance targets for both the CEO and the executive management team

- performance conditions and measures, objectives, and targets for all performance-related pay, fixed, variable and long term
- reward policies and programmes
- overall cost of remuneration increases awarded to employees, including the costs of short- and long-term incentives

Reviews and recommends:

- evaluation of the performance of executive directors against targets and business achievement
- remuneration of executive directors and executive management, including short-term incentive payments and long-term share awards, directly linked to the achievement of targets

Membership of Remco

Remco comprises the following non-executive directors:

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

Frequency and attendance of Remco meetings

In addition to the committee members, the CEO, executive head of HR and the Anglo American Group head of reward attend meetings of Remco. Management is not involved in any decisions regarding their own remuneration.

Remco met four times during the year and attendance is presented in the table on page 127.

Abridged biographies for the members of Remco are available on pages 114 to 115 of this report.



01 Ore stockpiles await shipping at the Saldanha iron ore terminal.

Kumba's remuneration framework and structure include key elements guiding payments to all employees

KUMBA'S APPROACH TO REWARD

Elements of remuneration

The table below describes the Kumba remuneration framework and structure including key elements guiding payments to all employees, including executive directors and prescribed officers during the 2013 financial year.

	Strategic intent	Remuneration elements	Pay delivery	Eligibility
Cost to company	<ul style="list-style-type: none"> Attract people with the necessary competencies (knowledge, skill, attitude) to add value to our business Retain competent, high-performing employees who are engaged and demonstrate company values Ensure pay is competitive and market related Comply with legislative provisions and negotiated contractual commitments Support high-performing individuals and teams by aligning reward with performance Reinforce and enhance the principle that employees are key assets of our company 	Basic employment cost (BEC)	Monthly salary	All employees
		Benefits	<ul style="list-style-type: none"> Employer contribution to selected retirement funds Subsidised medical aid Life and disability insurance Housing allowances and five-year mortgage subsidy plan Study assistance for formal education 	
		Circumstantial remuneration	<p>Job specific</p> <p>Scarce skills</p>	
Performance incentives	Aim to align achievement of production, safety and cost targets at operational level	Annual performance incentive	Cash paid on monthly, quarterly, bi-annual or annual basis, depending on circumstances at each mine	Bargaining unit employees
	<p>Aligned to the achievement of stretch targets at company/business unit/functional/individual level</p> <p>A portion of the annual cash incentive is deferred into bonus shares for long-term retention, applicable to senior managers</p>		<p>The incentive is delivered in two parts:</p> <p>(i) annual cash incentive</p> <p>(ii) deferred shares under the BSP</p>	<p>(i) Entry-level management and above</p> <p>(ii) Senior management and above</p>
Long-term incentives	<ul style="list-style-type: none"> Retention of skills and achievement of direct alignment with shareholder interest Reward employees for contribution to long-term sustainable company performance Attract and retain key employees 	LTIP	Delivered in conditional shares	Executive directors
		Forfeitable shares	Delivered in forfeitable shares	Prescribed officers and selected senior managers, excluding executive directors
		Participation in employee share ownership plan: Envision	Units awarded in terms of the rules of the ownership plan	Middle management and below that do not participate in any of the other long-term incentives

Executive directors and prescribed officers receive remuneration appropriate to their scope of responsibility and contribution

EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS REMUNERATION

Approach to reward

Executive directors and prescribed officers receive remuneration appropriate to their scope of responsibility and contribution to operating and financial performance, taking into account industry norms and external market and country benchmarks.

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

A portion of the approved fixed package and the annual performance incentive elements of the CEO and the chief financial officer is determined and paid in terms of separate employment agreements concluded between Kumba International Trading SA (KITSA) and the respective executive director for services rendered outside South Africa. The remuneration paid by KITSA is calculated according to the time spent by the executive director on services performed offshore. These figures are included in the emoluments table on page 136 of this report.

Design of remuneration packages for executive directors and prescribed officers

The on-target package design is described later on in Part One of this report and the actual remuneration outcomes are detailed in of Part Two of this report.

Fixed remuneration

The total package per role is compared to levels of pay at the market median in companies of comparable size and complexity within the industry. Annual salary reviews are conducted to ensure market competitiveness.

Medical aid is subsidised by 60% of the contribution to a maximum amount determined by market comparisons. The company contributes 11.5% of pensionable salary to approved retirement funds. Risk insurance benefits include life cover and death-in-service benefits subject to the rules of the approved Kumba retirement funds.

Variable remuneration

Variable remuneration consists of two elements: an annual performance incentive; and long-term incentive plans that run over three years.

Forfeitable shares awarded

Forfeitable shares are awarded to prescribed officers and selected senior managers. The quantum is restricted to 40% or 50% of base salary, depending on role and performance. These awards are subject to the participants remaining employed by the Anglo American Group for a period of three years from the award date. Participants will earn dividends and have voting rights from the date of award.

Executive directors' and prescribed officers' contracts of employment

Executive directors and prescribed officers are not employed on fixed-term contracts but have standard employment contracts with notice periods of up to 12 months. Although restrictions apply for six months after termination of service, no restraint of trade provisions apply and no restraint payments have been made during the year. There are no changes of control provisions or any provisions relating to payment on termination of employment.

External appointments of executive directors and prescribed officers

External appointments are subject to approval by the board and are governed by the business integrity policy.

Variable remuneration consists of two elements; an annual performance incentive; and long term incentive plans that normally run over three years

Annual performance incentive

Purpose	The incentive is designed to reward and motivate the achievement of agreed company financial, strategic and operational objectives, linked to key performance areas within cited employees' respective portfolios. Through the delivery of deferred bonus shares, long-term sustained performance is ensured
Eligible participants	Executive directors, prescribed officers and management employees
Elements	There are two elements to the incentive: <ul style="list-style-type: none"> • An annual cash payment, linked to performance during the financial year, payable at the end of the relevant financial year • An award of bonus shares based on the annual cash payment received, which is awarded after the end of the relevant financial year. The bonus shares are subject to a three-year holding period before vesting, during which they remain restricted. The bonus shares will be forfeited if the participant leaves employment during the restricted period (except in a number of limited 'good leaver' circumstances). Participants earn dividends on the bonus shares
Performance measures	Managers within Kumba are measured on business-specific strategic value drivers aligned to operational and/or mine-specific strategic priorities as approved by the board. In 2013 emphasis was placed on the following: <ul style="list-style-type: none"> • Operational targets, both waste mining and production, in line with LoM plan • Managing unit cash cost effectively, maximising return on investment • Achievement of safety measured on a fatality-free basis, LTIFR and leading indicators such as safety leadership • Delivering on SIB and expansion projects • Sustainability measures in the areas of asset optimisation, people development and transformation as well as key strategic priorities in social development
Maximum value of annual performance incentive	The values of the annual performance incentive for executive directors and prescribed officers are calculated as follows: <p>CEO</p> <p>The CEO participates in the group-wide Anglo American plc structure and his incentive is determined by measuring performance against overall company targets (75%) and specific, individual key performance measures (25%) approved by the board. This incentive is capped at 70% of basic employment cost</p> <p>Chief financial officer</p> <p>The chief financial officer participates in the Anglo American plc performance management standard that is linked to an Anglo American Group-wide annual performance incentive. This is based on a predetermined on-target bonus percentage of 30%, an individual performance modifier (IPM) and a business multiplier that is determined at the end of the year taking into account business performance against the targets set for the year, relative to all Anglo American plc business units</p> <p>Prescribed officers</p> <p>Prescribed officers participate in the Anglo American plc performance management standard that is linked to an Anglo American Group-wide annual performance incentive. This is based on a predetermined on-target bonus percentage of 25% or 30%, an IPM and a business multiplier that is determined at the end of the year taking into account business performance against the targets set for the year</p> <p>Business multiplier</p> <p>The business multiplier is determined and approved by the Anglo American Group management committee by taking into consideration business performance against approved targets for the performance year. The multiplier normally ranges between 0.5 and 1.3</p>
Maximum value of deferred bonus shares award	The maximum face value of the award is 140% of the annual performance incentive
Changes for 2014	Changes to the CEO performance incentives have been approved to align with Anglo American plc peers. This will result in 40% delivered in cash, 40% in shares deferred for three years and 20% in shares deferred for five years

Key performance focus areas for 2014

Key results area	Measure
Safety	Leading and lagging indicators including safety leadership, fatalities and LTIFR
Operational performance	Total production Waste stripping Operational improvement People (training and transformation)
Financial performance	Cost efficiency Operating profit Operating free cash flow Anglo American plc earnings per share

Long-term incentives

The long term incentives for executive directors, prescribed officers and senior management are detailed below.

Long-term incentive plan

Description	Conditional awards of shares vesting after three years, subject to the achievement of stretched performance conditions. Full voting and dividend rights will only accrue from the vesting date
Eligible participants	Executive directors
Maximum value of the award	For 2013 the maximum annual face value of the LTIP award is 150% of base salary for the CEO and 100% of base salary for the chief financial officer
Performance measures	Two performance conditions, measured over a three year performance period, apply to each allocation: <ul style="list-style-type: none"> 1. Return on capital employed - 50% <ul style="list-style-type: none"> • Below threshold level, 0% vests • At 95% of target (threshold), 30% vests • At budgeted on target level, 60% vests • At stretch, 105% of target, 100% vests • There is linear vesting between these points 2. Total shareholder return - 50% <ul style="list-style-type: none"> • Below the median of the approved peer group, 0% vests • At the median of the approved peer group, 30% vests • At the upper quartile of the approved peer group, 100% vests • There is linear vesting between these points <p>For awards made during 2011 and vesting at the end of 2013 the total shareholder return peer group consisted of Assore, BHP Billiton, Rio Tinto, Palabora Mining, African Rainbow Minerals, Cliffs Natural Resources, Evraz Highveld Steel and MMX Mineracao e Metalicos SA</p> <p>Targets are approved by Remco for each allocation and no re-testing of performance conditions is allowed. Shares that do not vest after three years in terms of the performance conditions will lapse</p>
Company limits	The aggregate limit for the BSP and LTIP is 10% of the issued share capital. Shares are purchased in the market and not issued for purposes of settlement of the BSP or LTIP

NON-EXECUTIVE DIRECTORS' FEES

Non-executive directors do not have employment contracts with the company or participate in any of the company's incentive plans. Non-executive directors are subject to retirement by rotation and re-election by shareholders in accordance with the Mol of the company.

Remco recommends fees payable to non-executive directors for approval by the shareholders. Non-executive directors' remuneration is determined by benchmarking using market data, including a survey of the top 40 companies listed on the JSE, by an independent external service provider. Fees are not dependent upon meeting attendance, and no other supplementary fees are payable.

Non-executive director fees

Annual fees payable to non-executive directors for 2013 were approved at the AGM on 10 May 2013. Please refer to the section on special resolution one in the Notice of AGM, detailing the increase in non-executive directors' fees. Fees did not increase during the year under review, but are due for revision during 2014 as outlined in the notice of the AGM on page 148. Non-executive directors' fees for 2012/2013 were as follows:

Capacity	2012/2013 Fees per annum (Rand)	
	Chairman	Member
Board of directors	1,116,000	188,000
Audit committee	251,000	124,800
Risk committee	167,000	83,500
Social and ethics committee	251,000	124,800
Remco	251,000	124,800

PART TWO: DISCLOSURE OF THE IMPLEMENTATION OF POLICIES FOR THE FINANCIAL YEAR

GUARANTEED PAY ADJUSTMENTS

The average rate of increase of guaranteed pay package for executive directors and prescribed officers, non-bargaining employees and bargaining unit employees for 2012 and 2013 is presented below:

	Average rate of increase	
	2013	2012
Executive directors and prescribed officers	6%	7.5%
Non-bargaining employees	6.5%	7.5%
Bargaining unit employees	9%	9%

ANNUAL PERFORMANCE INCENTIVE OUTCOMES

The annual cash incentive and award of bonus shares are based on performance outcomes as detailed below.

CEO measures

Company performance	Comments on performance
Safety	No loss of life, however, marked deterioration in LTIs
Operational (including, production, waste volumes, unit cash costs)	Kolomela mine delivered above target in terms of both production and cash costs Sishen mine performed below target due to pit constraints
Financial	Operating profit above target
Specific individual measures	Delivered slightly above target against strategic objectives, including resolution of legal matters

Chief financial officer measures

Performance measures	Comments on performance
Business performance	Although Kumba's operating profit increased, overall company performance was negatively impacted by below-target performance at Sishen as well as deteriorating LTI numbers. This impacted negatively on the Kumba business multiplier used in the calculation of the chief financial officer's performance incentive
Key individual measures	Overall Kumba's financial performance was above target. Specific individual KPIs including legal and people measures were above target

Prescribed officers' measures

Performance measures	Comments on performance
Business performance	Although Kumba's operating profit increased, overall company performance was negatively impacted by below-target performance at Sishen as well as deteriorating LTI numbers. This impacted negatively on the Kumba business multiplier used in the calculation of the prescribed officers' performance incentives
Key individual measures	<ul style="list-style-type: none"> No loss of life, however, marked deterioration in LTIs Significant progress made in respect of growth projects including business development priorities Kolomela mine delivered above target in terms of both production and cash costs Sishen mine performed below target due to pit constraints Execution of remedial actions to improve employee relations as well as significant progress made on transformational priorities Execution of Dingleton relocation and significant progress on social development priorities

LTIP vesting outcomes

For the current CEO and chief financial officer the first award was granted in 2013 but will only result in an outcome in 2015.

2013 EMOLUMENTS

The table below provides an analysis of the emoluments paid to executive and non-executive directors, as well as prescribed officers.

R'000	Base salary	Benefits (retirement and medical aid)	Cash bonus based on 2013 performance (paid March 2014)	Retention payment	Face value of BSP shares awarded in respect of 2013 performance (awarded March 2014)	Directors' fees	Committee fees	LTIP - Value earned in respect of performance period 2011-2013 (vesting 2014)	Total emoluments	
									2013	2012
Executive directors										
NB Mbazima ¹	7,366	1,045	3,502	–	4,903	–	–	1,926	18,742	7,773
FT Kotzee ²	3,411	544	1,432	–	2,005	–	–	–	7,392	6,272
CI Griffith ³	–	–	–	–	–	–	–	–	–	8,009
Sub-total	10,777	1,589	4,934		6,908	–	–	1,926	26,134	22,054
Non-executive directors										
F Titi						1,116	–		1,116	279
ZBM Bassa						188	335		523	546
GS Gouws ⁴						188	208		396	361
KT Kweyama ⁵						188	88		276	70
DD Mokgatle						188	459		647	618
AJ Morgan						188	584		772	1,026
LM Nyhonyha						188	292		480	412
AM O'Neill ⁶						47	–		47	–
BP Sonjica						188	208		396	232
DM Weston ⁷						141	–		141	185
Sub-total						2,620	2,174		4,794	3,729
Prescribed officers										
AC Loots	2,468	330	578	–	2,139				5,515	4,989
FM Louw	2,272	306	709	–	2,196				5,483	6,051
VF Malie	1,613	219	580	–	1,502				3,914	3,107
B Mawasha ⁸	1,186	153	285	4,583	2,284				8,491	–
Y Mfolo	1,827	252	548	–	1,541				4,168	4,253
LLA Mgadzah	1,705	237	273	–	1,104				3,319	3,873
SV Tyobeka	1,959	273	550	–	1,602				4,384	4,570
C van Loggerenberg ⁹	761	102	180	–	–				1,043	6,084
Sub-total	13,791	1,872	3,703	4,583	12,368				36,317	32,927
Prescribed officers (January to February 2013)										
CC Holtzhausen ¹⁰	284	39	–	–	–				323	3,670
A van den Brink ¹⁰	325	44	–	–	–				369	4,982
Sub-total	609	83	–	–	–				692	8,652
Total	25,177	3,544	8,637	4,583	19,276	2,620	2,174	1,926	67,937	67,362

Notes

¹ Emolument includes base salary of R785,970 (EUR61,500) and retirement benefits of R196,492 (25% of base salary) paid by KITSa in respect of services rendered off shore during 2013.

The LTIP value earned relates to services rendered at Anglo Thermal Coal.

² Emolument includes base salary of R766,800 (EUR60,000) and retirement benefits of R191,700 (25% of base salary) paid by KITSa in respect of services rendered off shore during 2013.

³ Resigned from Kumba and joined Anglo Platinum effective 1 September 2012; LTIP value earned disclosed by Anglo Platinum.

⁴ Directors' fees ceded to IDC.

⁵ Directors' fees ceded to Anglo American South Africa.

⁶ Directors' fees ceded to Anglo American Services (UK) Limited, a wholly owned subsidiary of Anglo American plc, appointed 30 September 2013.

⁷ Directors' fees ceded to Anglo American Services (UK) Limited, a wholly owned subsidiary of Anglo American plc, resigned 30 September 2013.

⁸ Billy Mawasha was appointed 1 September 2013. He was granted a retention payment to compensate him for loss of earnings at AngloGold Ashanti.

⁹ Christo van Loggerenberg retired on 30 April 2013.

¹⁰ The review of the Kumba executive management structure resulted in the appointment of Andrew Loots as executive head of operations with the role focusing on operational alignment and the optimisation of synergies. Consequently the three general managers at the operations no longer form part of the executive management structure as they now report into this role. Pro-rata emoluments are reflected for the period January to February 2013.

Interests of executive directors and the prescribed officers

The interests of the executive directors and of prescribed officers in shares of the company granted in terms of the various long-term incentive schemes are shown below.

No variations have been made to the terms and conditions of the schemes during the year, including the performance conditions to which the granting and vesting of the options, rights and conditional awards are subject.

Capacity and name	Number of awards at 1 Jan 2013	Granted awards			Vested awards			Outstanding awards			Share based payment expenses R'000
		Granted during 2013	Date of grant	Market value on grant date R'000	Number of awards vested during 2013	Vesting date	Notional value at date of vesting R'000	Number of awards at 31 Dec 2013	Notional value of outstanding awards R'000	Earliest date of vesting of outstanding awards	
Executive directors											
BSP											
NB Mbazima	-	7,488	1 Mar 2013	4,253	-	-	-	7,488	3,321	1 Mar 2016	1,057
FT Kotzee	2,222	1,817	1 Mar 2013	1,032	740	1 Jun 2013	366	3,299	1,463	1 Jun 2014	864
LTIP											
NB Mbazima	-	19,873	1 Mar 2013	11,288	-	-	-	19,873	3,970	1 Mar 2016	1,643
FT Kotzee	-	6,002	1 Mar 2013	3,409	-	-	-	6,002	1,199	1 Mar 2016	496
Sub-total	2,222	35,180		19,982	740		366	36,662	9,953		4,060
Prescribed officers											
BSP											
AC Loots	11,922	3,407	1 Mar 2013	1,935	4,541	1 Mar 2013	2,579	10,788	4,784	2 Mar 2014	1,664
FM Louw	15,346	4,693	1 Mar 2013	2,666	5,542	1 Mar 2013	3,148	14,497	6,429	2 Mar 2014	2,235
VF Malie	8,113	1,949	1 Mar 2013	1,107	3,014	1 Mar 2013	1,712	7,048	3,125	2 Mar 2014	1,147
B Mawasha ¹	-	9,054	17 Nov 2013	4,685	-	-	-	9,054	4,015	1 Mar 2014	-
Y Mfelo	2,265	2,979	1 Mar 2013	1,692	-	-	-	5,244	2,325	1 Mar 2015	816
LLA Mgadzah	9,997	2,678	1 Mar 2013	1,521	7,124	1 Nov 2013	3,712	5,551	2,462	1 Mar 2015	879
SV Tyobeka	16,767	3,203	1 Mar 2013	1,819	10,468	4 Jan 2013	6,008	9,502	4,214	2 Mar 2014	1,462
C van Loggerenberg	15,302	4,718	1 Mar 2013	2,680	20,020	1 Mar 2013	10,007	-	-		-
Sub-total	79,712	32,681		17,105	50,709		27,166	61,684	27,354		8,203
Total	81,934	67,861		37,087	51,449		27,532	98,346	37,307		12,263

¹ Billy Mawasha was granted sign on shares to compensate for loss of his existing share portfolio at AngloGold Ashanti.

Directors' beneficial interest in Kumba

The aggregate beneficial interest in Kumba at 31 December 2013 of the directors of the company and their immediate families (none of which has a holding greater than 1%) in the issued shares of the company are detailed below. There have been no material changes to the shareholding since 2013 and the date of approval of the annual financial statements.

Capacity and name	2013			2012		
	Number of shares	Long-term incentive scheme shares ¹	Total beneficial interest	Number of shares	Long-term incentive scheme shares ¹	Total beneficial interest
Executive directors						
NB Mbazima	-	27,361	27,361	-	-	-
FT Kotzee	740	9,301	10,041	-	2,222	2,222
	740	36,662	37,402	-	2,222	2,222
Non-executive directors						
DD Mokgatle ²	428	-	428	428	-	428
GS Gouws ²	213	-	213	213	-	213
	641	-	641	641	-	641
	1,381	36,662	38,043	641	2,222	2,863

Notes

¹ Granted under the BSP and LTIP schemes and disclosed in the interests of directors table above.

² Total indirect interest held by spouses.

REPORT OF THE AUDIT COMMITTEE

INTRODUCTION

The committee is pleased to present its report for the financial year ended 31 December 2013 as recommended by the King III principles of good corporate governance, and in line with the Companies Act. The audit committee is constituted as a statutory committee of the group, as well as a board committee approved by the board.

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

- monitoring the integrity of the group's integrated reporting and regarding all factors and risks that may impact on the reporting
- nominating external auditors annually for appointment by the shareholders
- monitoring and reviewing the effectiveness of the group's internal audit function
- reviewing the expertise, appropriateness and experience of the finance function annually
- ensuring that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities
- reviewing developments in governance and best practice
- monitoring compliance with the business integrity policy and performance standards
- evaluating the effectiveness of the committee

COMPOSITION

The audit committee, appointed by the board and approved by the shareholders in respect of the financial year ended 31 December 2013, comprised the following independent non-executive directors, who have the requisite financial skills and experience to fulfil the committee's duties:

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

Brief biographies of the committee members are available on pages 114 to 115 of this report. During the year under review the current members of the committee were nominated by the board for re-election and, all the members, having availed themselves for re-election by the shareholders at the 2013 AGM, were re-elected accordingly.

FREQUENCY AND ATTENDANCE OF AUDIT COMMITTEE MEETINGS

In addition to the committee members, the CEO, chief financial officer, the risk and governance manager and head of internal audit and external audit attend meetings of the committee by invitation.

The chairman of the committee meets separately with management, and internal and external auditors prior to committee meetings. The committee meets separately with internal and external auditors at least once a year.

During the year under review the committee met five times. Attendance at meetings held during the year is presented in the table on page 124.

OVERSIGHT FOR RISK MANAGEMENT

Although the board has a risk committee to assist with the discharge of its duties with regard to the integrated risk management process, the audit committee has an interest in risk management as a result of its responsibility for internal controls. The chairman of the group's risk committee, Litha Nyhonyha, is a member of the audit committee and the chairman of the audit committee, Zarina Bassa, is a member of the risk committee, to ensure that the audit committee is aware of matters canvassed by the risk committee which may impact the control environment. The other members of the audit committee, Dolly Mokgatle and Allen Morgan, are also members of the risk committee.

INTERNAL AUDIT

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

The internal audit charter was reviewed and approved by the committee. Internal audit provides assurance that the company operates in a responsibly governed manner by performing the following functions:

- evaluating ethics management including whistle-blowing via Tip-Offs Anonymous
- objectively assuring effectiveness of the risk assurance framework and the internal control framework
- analysing and assessing business processes and associated controls
- reporting audit findings and recommendations to management and the audit committee

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

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

DUTIES CARRIED OUT IN 2013

During the financial year ended 31 December 2013 the committee carried out its duties as required by section 94(7) of the Companies Act, King III, the committee's terms of reference and in accordance with its annual plan.

The committee performed the following statutory duties:

- evaluated the independence and effectiveness of the external auditors, Deloitte & Touche, and having conducted such assessment, accordingly nominated Deloitte & Touche as independent auditors and proposes that Sebastian Carter be re-appointed as the designated auditor to continue in office until the conclusion of the 2015 AGM
- considered and approved the audit fee payable to the external auditors for the year ended 31 December 2013
- reviewed and recommended group and company's liquidity and solvency analyses, funding strategies, compliance with debt covenants, going concern assessments, dividend policy and the interim and final dividends
- ensured and satisfied itself that the appointment of the external auditor is in compliance with the Companies Act, the Auditing Profession Act, 2005 and the JSE Listings Requirements
- considered and pre-approved non-audit services and fees provided by the external auditors in terms of an established policy to ensure that the independence of the external auditors was not compromised
- performed the audit committee functions for subsidiaries within the group as contemplated in Section 90 of the Companies Act and reviewed the findings of the external assurance provider, PwC, emanating from the performance of an independent assurance exercise on the sustainability content of the Integrated Report 2013. The committee is satisfied with the findings of the independent assurance exercise and, in addition, has reviewed the sustainability information set out in the Integrated Report 2013 and is satisfied that the sustainability information is reliable and consistent with the information contained in the Annual Financial Statements 2013

The committee performed the following additional duties as part of its mandate:

- reviewed the group financial statements and declaration of compliance with statutory requirements
- reviewed interim reports, results announcements and release of price-sensitive information
- reviewed the quality, independence and effectiveness of the internal audit process, as well as the positive assurance opinion of the internal auditor on internal financial controls

- reviewed the external auditor's management letters and management responses
- reviewed significant judgments and unadjusted differences resulting from the audit, as well as any reporting decisions made
- monitored compliance with accounting standards and legal requirements
- reviewed and recommended the budget review, revised the DAF and the committees' terms of reference
- reviewed and was satisfied that the external auditors and engagement partner were independent
- recommended the re-appointment 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 and was satisfied with the process of risk management, including the risk assurance framework, 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
 - legal risks
 - internal financial controls
 - fraud risks
 - strategic risks
 - operational risks
 - IT governance risks
- reviewed and was satisfied with the expertise and the appropriateness of the finance function
- reviewed and was satisfied with the expertise of the chief financial officer

COMBINED ASSURANCE

The audit committee has reviewed the company's combined assurance model and has satisfied itself as to its completeness, and that the level of unmitigated risks, both individually and in totality, are within the risk appetite of the group, and that there is sufficient assurance provided to manage risks and the control environment through both internal and external assurance providers.

LEGAL MATTERS

Updates on the legal matters are provided to the committee at each meeting. The committee considers the implications of these matters on fair presentation.

ORE RESERVES AND MINERAL RESOURCES

The group's ore reserves and mineral resources and changes thereto are reviewed annually by the committee.

FINANCE FUNCTION AND CHIEF FINANCIAL OFFICER

The committee conducted an assessment of the appropriateness, skills, expertise and resourcing of the finance function and was satisfied with the overall adequacy and appropriateness of the function. The committee further reviewed the expertise and experience of the chief financial officer, Frikkie Kotzee (view Frikkie's abridged profile on page 114) and was satisfied with the appropriateness thereof.

GOING CONCERN

The audit committee has reviewed a documented assessment, including key assumptions, prepared by management of the going concern status of the company and has made recommendations to the board in support thereof. The board's statement on the going concern status of the company, as supported by the audit committee, is included on page 13 of the Annual Financial Statements 2013.

ANNUAL FINANCIAL STATEMENTS

The audit committee has evaluated the group annual financial statements for the year ended 31 December 2013 and concluded that they comply, in all material aspects, with the requirements of the Companies Act, the JSE Listings Requirements and IFRS. The committee therefore recommended the approval of the annual financial statements to the board.

INTEGRATED REPORT

The committee fulfils an oversight role regarding the group's integrated report and its reporting processes and, having regard to material factors that may impact on the integrity of the information, has recommended the Integrated Report 2013 for approval by the board.

CONCLUSION

The committee is satisfied that it has considered and discharged its responsibilities in accordance with its mandate and terms of reference during the year under review.

ZBM Bassa

Chairman, audit committee

PwC REPORT

The sustainability information as set out throughout the Integrated Report 2013 has been extracted from the Sustainable Development Report 2013. PwC Inc has provided assurance over selected sustainability information contained in the Sustainable Development Report 2013 in which we express an unmodified conclusion on the selected sustainability information.

For a proper understanding of the company's sustainability performance, as well as the scope of our assurance process, the extracted sustainability information in this report should be read in conjunction with the full Sustainable Development Report 2013 containing our assurance report.

PricewaterhouseCoopers Inc

Johannesburg

18 March 2014

SHAREHOLDERS' INFORMATION

KUMBA'S SHARE PRICE PERFORMANCE

On 31 December 2013, Kumba's share price closed at R443.45, a decrease of 22% from the closing price of R568.88 on 31 December 2012. Kumba's share price high for the period 1 January 2013 to 31 December 2013 was R611.58, recorded on 8 February 2013, an all-time high share price for the stock. Kumba's share price low for the same period was R384.96, recorded on 27 November 2013. The average daily volume traded for the period was 526,023 shares per day. Kumba's market capitalisation on 31 December 2013 was R142.8 billion.

SHAREHOLDER ANALYSIS

Institutions	City	Holding at 27 Dec 2013	% ISC *	Holding at 21 Jun 2013	Holding at 28 Dec 2012
1. Anglo South Africa Capital	Johannesburg	224,535,915	69.7%	224,535,915	224,535,915
2. IDC	Johannesburg	41,498,615	12.9%	41,498,615	41,498,615
3. PIC	Pretoria	9,190,794	2.9%	11,999,077	13,276,715
4. BlackRock Investment Management	London	4,886,803	1.5%	4,945,063	5,769,935
5. JPMorgan Asset Management	London	3,981,185	1.2%	5,768,472	6,085,423
6. Foord Asset Management	Cape Town	2,465,822	0.8%	725,679	751,184
7. Govt of Singapore Investment Corp	Singapore	2,368,073	0.7%	2,077,396	2,099,956
8. Vanguard Group	Philadelphia	1,677,527	0.5%	2,167,029	2,212,636
9. BlackRock Investment Management	San Francisco	1,279,542	0.4%	1,745,232	1,659,536
10. State Street Global Advisors	Boston	1,264,501	0.4%	1,674,718	1,689,087

* Issued shared capital

SHAREHOLDER DIARY

9 May 2014 – AGM

22 July 2014 – Interim results presentation

Geographic split of shareholders

as at 31 December 2012 (%)

	%
South Africa	90.2
UK	5.0
North America	3.0
Europe (excluding UK)	0.8
Rest of the world	1.0

ADMINISTRATION

COMPANY REGISTRATION NUMBER:

2005/015852/06

JSE share code: KIO

ISIN code: ZAE000085346

SECRETARY AND REGISTERED OFFICE

Kevin Lester (Acting)
Centurion Gate – Building 2B
124 Akkerboom Road
Centurion, Pretoria, 0157
South Africa
Tel: +27 (0) 12 683 7000
Fax: +27 (0) 12 683 7009

AUDITORS

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

ASSURANCE PROVIDERS

PricewaterhouseCoopers SA
Registered Auditors
2 Eglin Road, Sunninghill, 2157
South Africa
Private Bag X36, Sunninghill, 2157
Tel: +27 (0) 11 797 4000
Fax: +27 (0) 11 797 5800

SPONSOR

RAND MERCHANT BANK
(A division of FirstRand Bank Limited)
Registration number: 1929/001225/06
1 Merchant Place
Corner Rivonia Road and Fredman Drive
Sandton, 2146
South Africa
PO Box 786273, Sandton, 2146

CORPORATE LAW ADVISORS

Norton Rose
15 Alice Lane
Sandton, 2196
South Africa

UNITED STATES ADR DEPOSITORY

BNY Mellon
Depository Receipts Division
101 Barclay Street, 22nd Floor
New York, New York, 10286
Tel: +1 (0) 212 815 2293
Fax: +1 (0) 212 571 3050/1/2
www.adrbny.com

TRANSFER SECRETARIES

Computershare Investor Services
Proprietary Limited
70 Marshall Street
Johannesburg, 2001
South Africa
PO Box 61051, Marshalltown, 2107

INVESTOR RELATIONS

Esha Mansingh
Email: esha.mansingh@angloamerican.com
Tel: +27 (0) 12 683 7257

FORWARD-LOOKING STATEMENTS

Certain statements made in this report constitute forward-looking statements. Forward-looking statements are typically identified by the use of forward-looking terminology such as 'believes', 'expects', 'may', 'will', 'could', 'should', 'intends', 'estimates', 'plans', 'assumes' or 'anticipates' or the negative thereof, or other variations thereon, or comparable terminology, or by discussions of, for example, future plans, present or future events, or strategy that involves risks and uncertainties.

Such forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the company's control and all of which are based on the company's current beliefs and expectations about future events. Such statements are based on current expectations and, by their nature, are subject to a number of risks and uncertainties that could cause actual results and performance to differ materially from any expected future results or performance, expressed or implied, by the forward-looking statement.

No assurance can be given that future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the company and its subsidiaries. The forward-looking statements contained in this report speak only as of the date of this report and the company undertakes no duty to update any of them and will not necessarily do so, in light of new information or future events, except to the extent required by applicable law or regulation.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given in terms of section 62(1) of the Companies Act No. 71 of 2008, as amended (the "Companies Act") that the eighth annual general meeting ("AGM") of members of Kumba Iron Ore Limited ("Kumba" or the "company") will be held at the Kumba Corporate Office, Centurion Gate, Building 2B, 124 Akkerboom Road, Centurion at 10:00am (CAT) on Friday, 9 May 2014, to (i) consider, and if deemed fit, to pass the following ordinary and special resolutions with or without modification/s; and (ii) deal with such other business as may be dealt with at the AGM. The board of directors of the company has determined, in accordance with section 59 of the Companies Act, that the record date for the purposes of determining which shareholders of the company are entitled to receive a notice of the AGM is Thursday, 20 March 2014 and the record date for purposes of determining which shareholders are entitled to attend, participate in and vote at the AGM is Friday, 2 May 2014. Accordingly, the last day to trade in the company's shares in order to be recorded on the securities register of the company in order to be able to attend, participate and vote at the AGM is Wednesday, 23 April 2014.

ORDINARY BUSINESS

Percentage of voting rights – ordinary resolutions

Ordinary resolutions numbers 1 to 7, contained in this notice of the AGM, require the approval of a minimum of 50% plus 1 vote of the votes exercised on the resolutions by the shareholders present or represented by proxy at the AGM in order for the resolutions to be adopted. Ordinary resolution number 6 is proposed for a non-binding advisory vote only and any failure to pass this resolution will not have any effect on the company's existing arrangements, but the outcome of the vote will be taken into consideration when considering the company's remuneration policy.

1. PRESENTATION OF AUDITED ANNUAL FINANCIAL STATEMENTS

To present the audited annual financial statements of the company and the group for the year ended 31 December 2013, including the directors' report, the Audit Committee report and the report of the independent auditors, in terms of section 30(3) of the Companies Act. The company's Annual Financial Statements 2013 are available on the company's website www.angloamericankumba.com and a summarised version of the company's Annual Financial Statements 2013 is contained on pages 42 to 57 of the Integrated Report 2013, which report accompanies this notice.

2. PRESENTATION OF SOCIAL AND ETHICS COMMITTEE REPORT

To present the report of the Social and Ethics Committee of the company for the year ended 31 December 2013, entitled The Sustainable Development Report 2013, in terms of Regulation 43 of the Companies Regulations 2011 (the "Regulations"). The Sustainable Development Report 2013 is available on the company's website: www.angloamericankumba.com.

3. ORDINARY RESOLUTION NUMBER 1

Re-appointment of independent external auditors

To re-appoint Deloitte & Touche as independent auditors of the company, and to re-appoint SBF Carter as the designated auditor, to hold office until the conclusion of the next annual general meeting in terms of section 90(1) of the Companies Act. The Audit Committee has evaluated the independence and effectiveness of the external auditors as set out in the Report of the Audit Committee which is on pages 138 to 140 of the Integrated Report 2013, which report accompanies this notice and accordingly has recommended the re-appointment of Deloitte & Touche as independent auditors and has proposed that SBF Carter be re-appointed as the designated auditor, to continue in office until the conclusion of the next annual general meeting.

Ordinary resolution number 1

"RESOLVED that Deloitte & Touche, with the designated auditor being SBF Carter, be hereby re-appointed as independent external auditors of the company, to hold office until the conclusion of the next annual general meeting in terms of Section 90(1) of the Companies Act."

4. ORDINARY RESOLUTION NUMBER 2

Election of director

To elect as a director of the company, in accordance with section 68(2) of the Companies Act, AM O'Neill, who, (i) in terms of clause 22.10 of the company's memorandum of incorporation (the "Mol") was appointed by the board of directors of the company to fill a vacancy which occurred after the seventh annual general meeting of the shareholders of the company on 10 May 2013; and (ii) is required in terms of clause 22.10 of the Mol to cease to hold office at the termination of this AGM unless he is elected, at this AGM, as a director of the company. AM O'Neill, being eligible, is recommended by the board of directors for election as a director of the company and offers himself for election as a director of the company. AM O'Neill's brief résumé is set out on page 115 of the Integrated Report 2013, which report accompanies this notice.

Ordinary resolution number 2

"RESOLVED that AM O'Neill be and is hereby elected as a director of the company with effect from 9 May 2014."

5. ORDINARY RESOLUTION NUMBER 3 (comprising separate Ordinary Resolutions numbers 3.1 to 3.3 (inclusive))

Rotation of directors

To elect, by way of separate resolutions, the following non-executive directors, each of whom retire in terms of the provisions of article 24.2 of the Mol of the company, and, each being eligible, offer themselves for election:

- 3.1 GS Gouws
- 3.2 KT Kweyama
- 3.3 LM Nyhonyha

Accordingly, shareholders are requested to consider and, if deemed fit, to elect GS Gouws, KT Kweyama and LM Nyhonyha as directors of the company by way of passing the separate ordinary resolutions set out below. Brief résumés in respect of each director offering themselves for election as directors of the company are set out on page 115 of the Integrated Report 2013, which report accompanies this notice.

Ordinary resolution number 3.1

"RESOLVED that GS Gouws be and is hereby elected as a director of the company with effect from 9 May 2014."

Ordinary resolution number 3.2

"RESOLVED that KT Kweyama be and is hereby elected as a director of the company with effect from 9 May 2014."

Ordinary resolution number 3.3

"RESOLVED that LM Nyhonyha be and is hereby elected as a director of the company with effect from 9 May 2014."

6. ORDINARY RESOLUTION NUMBER 4 (comprising separate Ordinary Resolutions numbers 4.1 to 4.4 (inclusive))

Election of Audit Committee members

To elect, by way of separate ordinary resolutions, the Audit Committee consisting of independent non-executive directors in terms of section 94(4) of the Companies Act and appointed in terms of Section 94(2) of the Companies Act to perform the duties and responsibilities stipulated in section 94(7) of the Companies Act and other duties described in the Audit Committee's terms of reference which are available on the company's website www.angloamericankumba.com. In terms of Regulation 42 of the Regulations, at least one-third of the members of the company's audit committee must have academic qualifications, or experience, in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management. The board has determined that each of the members standing for election is independent, and that they possess the required qualifications, skills and experience as contemplated in Regulation 42 of the Regulations and collectively, they have the sufficient qualifications and experience to fulfil their duties as contemplated in section 94(7) of the Companies Act. The following independent non-executive directors, each being eligible, offer themselves for election:

- 4.1 ZBM Bassa
- 4.2 AJ Morgan
- 4.3 DD Mokgatle
- 4.4 LM Nyhonyha*

* Subject to his election as a director pursuant to ordinary resolution number 3.3

The elections of the members of the Audit Committee are to be voted on individually. Brief résumés in respect of each independent non-executive director offering themselves for election as members of the Audit Committee are set out on pages 114 to 115 of the Integrated Report 2013, which report accompanies this notice.

Ordinary resolution number 4.1

"RESOLVED that ZBM Bassa, who is an independent non-executive director, be and is hereby elected, with effect from 9 May 2014, as a member of the Audit Committee."

Ordinary resolution number 4.2

"RESOLVED that AJ Morgan, who is an independent non-executive director, be and is hereby elected, with effect from 9 May 2014, as a member of the Audit Committee."

Ordinary resolution number 4.3

"RESOLVED that DD Mokgatle, who is an independent non-executive director, be and is hereby elected, with effect from 9 May 2014, as a member of the Audit Committee."

Ordinary resolution number 4.4

"RESOLVED that LM Nyhonyha, who is an independent non-executive director, be and is hereby elected, with effect from 9 May 2014, as a member of the Audit Committee."

7. ORDINARY RESOLUTION NUMBER 5 (comprising separate Ordinary Resolutions numbers 5.1 to 5.3 (inclusive))**Election of Social and Ethics Committee members**

To elect, by way of separate ordinary resolutions, the Social and Ethics Committee in terms of the provisions of section 72(4) of the Companies Act and Regulation 43 of the Regulations, appointed in terms of Regulation 43(2) of the Regulations, consisting of independent non-executive directors to perform the duties and responsibilities stipulated in Regulation 43(5) of the Regulations and other duties described in the Social and Ethics Committee's terms of reference which are available on the company's website, www.angloamericankumba.com. The board has determined that each of the members standing for election is suitable for re-appointment. The following independent non-executive directors, each being eligible, offer themselves for election:

5.1 DD Mokgatle

5.2 AJ Morgan

5.3 BP Sonjica

The elections of the members of the Social and Ethics Committee are to be voted on individually. Brief résumés in respect of each independent non-executive director offering themselves for election as members of the Social and Ethics Committee are set out on page 114 of the Integrated Report 2013, which report accompanies this notice.

Ordinary resolution number 5.1

"RESOLVED that DD Mokgatle, who is an independent non-executive director, be and is hereby elected as a member of the Social and Ethics Committee with effect from 9 May 2014."

Ordinary resolution number 5.2

"RESOLVED that AJ Morgan, who is an independent non-executive director, be and is hereby elected as a member of the Social and Ethics Committee with effect from 9 May 2014."

Ordinary resolution number 5.3

"RESOLVED that BP Sonjica, who is an independent non-executive director, be and is hereby elected as a member of the Social and Ethics Committee with effect from 9 May 2014."

8. ORDINARY RESOLUTION NUMBER 6**Approval of remuneration policy and its implementation**

In accordance with Principle 2.27 of the King Code of Governance Principles for South Africa 2009 ("King III"), shareholder approval is sought for the company's remuneration policy by way of a non-binding advisory vote. The non-binding vote enables shareholders to express their views on the company's remuneration policy and on its implementation.

The detailed remuneration policy, for which approval is being sought, is contained in the remuneration report on pages 17 to 24 of the Annual Financial Statements 2013 which are available on the company's website: www.angloamericankumba.com, and on pages 129 to 137 of the Integrated Report 2013, which report accompanies this notice.

Ordinary resolution number 6

"RESOLVED that the company's remuneration policy and its implementation as set out in the remuneration report on pages 17 to 24 of the Annual Financial Statements 2013 be and is hereby approved by way of a non-binding advisory vote, as recommended in King III."

9. ORDINARY RESOLUTION NUMBER 7**General authority for directors to control 5% of the authorised but unissued shares**

In terms of clause 7.2.2 of the company's MoI, subject to the approval of the JSE Limited ("JSE"), the approval by way of an ordinary resolution of shareholders is required for the allotment and issue of shares (including options in respect thereof), in circumstances other than as contemplated in sections 41(1) and (3) of the Companies Act. Under section 41(1) of the Companies Act, any issue of shares or grant of options contemplated in section 42 of the Companies Act, or grant of any other rights exercisable for securities, must be approved by a special resolution of the shareholders of a company, if the shares, securities, options or rights are issued to (a) a director, future director, prescribed officer or future prescribed officer of the company; (b) a person related or interrelated to the company or to a director or prescribed officer of the company; or (c) a nominee of a person contemplated in (a) or (b). Under section 41(3) of the Companies Act, an issue of shares, securities convertible into shares, or rights exercisable for shares in a transaction, or a series of integrated transactions requires the approval of the shareholders by special resolution if the voting power of the class of shares that are issued or issuable as a result of the transaction or series of integrated transactions will be equal to or exceed 30% of the voting power of all the shares of that class held by shareholders immediately before the transaction or series of transactions. Unless renewed, the existing authority granted by shareholders at the seventh annual general meeting of the shareholders of the company on 10 May 2013 expires at the forthcoming AGM.

This general authority, once granted, allows the board from time to time, when it is appropriate to do so, to issue ordinary shares as may be required. This general authority is subject to the restriction that it is limited to 5% of the number of shares in issue at the date of this notice, the number of listed equity securities in issue as at the date of this notice being 322,085,974 shares. It is noted that an issue as contemplated in sections 41(1) and (3) of the Companies Act must first be approved by way of a special resolution in terms of section 41 of the Companies Act and is not authorised in terms of this resolution.

Ordinary resolution number 7

"RESOLVED that the unissued shares in the company, limited to 5% of the number of shares in issue at the date of this notice, the number of listed equity securities in issue as at the date of this notice being 322,085,974 shares, be and are hereby placed under the control of the directors until the next annual general meeting and that the directors be and are hereby authorised to issue any such shares as they may deem fit, subject to the Companies Act, the Mol of the company, and the provisions of the JSE Listings Requirements."

SPECIAL RESOLUTIONS

Percentage of voting rights – special resolutions

Special resolutions numbers 2-4, contained in this notice of the AGM, require approval of a minimum of 75% of the votes exercised on the resolutions by the shareholders present or represented by proxy at the AGM in order for the resolutions to be adopted. In terms of the JSE Listings Requirements special resolution number 1 (general authority to issue shares for cash) requires a 75% majority of votes exercised on the resolution by shareholders present or represented by proxy at the AGM in order for the resolution to be adopted. Clause 20.5 of the company's Mol provides that for so long as the company is listed on the JSE, if any of the JSE Listings Requirements require an ordinary resolution to be passed with a 75% (seventy five per cent) majority, the resolution shall instead be required to be passed by a special resolution. Special resolution number 1 (general authority to issue shares for cash) is therefore required, in terms of clause 20.5 of the company's Mol, to be passed by a special resolution.

10. SPECIAL RESOLUTION NUMBER 1

General authority to issue shares for cash

"RESOLVED that in terms of the JSE Listings Requirements, the directors are hereby authorized by way of a general authority, to issue the authorised but unissued ordinary shares of one cent each in the capital of the company for cash, as and when suitable opportunities arise, subject to the Mol of the company, the Companies Act, and the following conditions, namely that:

- the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue will only be made to "public shareholders" as defined by the JSE Listings Requirements and not to related parties;
- this authority shall only be valid until the next annual general meeting of the company but shall not extend beyond 15 months from the date this authority is given;
- a paid press announcement giving full details, including the impact on the net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within the period of this authority, 5% or more of the number of shares in issue prior to the issue concerned;
- in respect of securities which are the subject of the general issue of shares for cash, such issue may not exceed 5% of the number of listed equity securities as at the date of this notice of annual general meeting, the number of listed equity securities in issue as at the date of this notice being 322,085,974 shares, provided that:
 - any equity securities issued under this authority during the period must be deducted from the number above;
 - in the event of a sub-division or consolidation of issued equity securities during the period contemplated above, the existing authority must be adjusted accordingly to represent the same allocation ratio;
 - the calculation of the listed equity securities is a factual assessment of the listed equity securities as at the date of the notice of annual general meeting, excluding treasury shares;
- in determining the price at which an issue of shares for cash may be made in terms of this authority, the maximum discount permitted shall be 10% of the weighted average traded price of the ordinary shares on the JSE, (adjusted for any dividend declared but not yet paid or for any capitalisation award made to shareholders) over the 30 business days prior to the date that the price of the issue is agreed between the directors of the company and the party subscribing for the securities. The JSE should be consulted for a ruling if the company's securities have not traded in such 30 day business period."

A 75% majority of votes cast in favour of the resolution by all equity securities present or represented by proxy at the AGM is required for the approval of the above resolution in terms of the JSE Listing Requirements.

Reason and effect

In terms of paragraph 5.52(e), read with paragraph 5.50, of the JSE Listings Requirements, a general issue for cash (i) may only be undertaken with the approval of 75% (seventy five percent) of the majority of votes cast by equity securities holders (present or represented by proxy) in general/annual general meeting by granting the board of directors of the company the authority to issue a specified number of securities for cash pursuant to paragraph 5.52(c) of the JSE Listings Requirements, which authority is valid until the next annual general meeting of the company but does not extend beyond 15 months from the date the authority is given; and (ii) is subject to the JSE Listings Requirements and to any other restrictions set out in the authority. In terms of clause 4.4 of the Mol, the issue of securities (including options) for cash must be undertaken in accordance with the JSE Listings Requirements.

The effect of special resolution number 1 is that the directors will be able to issue the authorised but unissued ordinary shares of one cent each in the capital of the company for cash, as and when suitable opportunities arise, subject to the JSE Listings Requirements, the restrictions/conditions set out in the authority, the Companies Act and the Mol of the company. Such issue may not exceed 5% of the number of listed equity securities as at the date of this notice, the number of listed equity securities in issue as at the date of this notice being 322,085,974 shares.

11. SPECIAL RESOLUTION NUMBER 2

Remuneration of non-executive directors

"RESOLVED that, in terms of sections 66(8) and 66(9) of the Companies Act and on recommendation of the Human Resources, Remuneration and Nomination Committee, the company be and is hereby authorised to remunerate its non-executive directors for their services as directors and/or pay any fees related thereto as detailed in the following table, which reflects that the directors' fees be increased by 6% in line with the 2014 projected consumer price index, provided that the aforementioned authority shall be valid until the tenth annual general meeting of the company in 2016."

Rand	Present	Proposed
Chairman	1,116,000	1,183,000
Director	188,000	199,300
Audit Committee chairman	251,000	266,000
Audit Committee member	124,800	132,300
Risk Committee chairman	167,000	266,000
Risk Committee member	83,500	132,300
Social and Ethics Committee chairman	251,000	266,000
Social and Ethics Committee member	124,800	132,300
Human Resources, Remuneration and Nomination Committee chairman	251,000	266,000
Human Resources, Remuneration and Nomination Committee member	124,800	132,300

Reason and effect

In terms of sections 66(8) and 66(9) of the Companies Act, remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the shareholders within the previous two years and if not prohibited in terms of the Company's Mol. Therefore, the reason for special resolution number 2 is for the company to obtain the approval of shareholders by way of special resolution for the payment of the remuneration payable by the company to its non-executive directors for their services as directors of the company until the tenth annual general meeting of the company in 2016 in accordance with section 66 of the Companies Act. The fees payable to the non-executive directors are detailed above. It should be noted that the fees for the Risk committee chairman and membership have been aligned with the other board committees.

The effect of special resolution number 2 is that the company will be able to pay its non-executive directors for the services they render to the company as directors, as detailed above, without requiring further shareholder approval until the tenth annual general meeting of the company in 2016.

12. SPECIAL RESOLUTION NUMBER 3

Approval for the granting of financial assistance in terms of Sections 44 and 45 of the Companies Act:

"RESOLVED that, to the extent required by the Companies Act, the board of directors of the company may, subject to compliance with the requirements of the company's Mol, the Companies Act, and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance as contemplated in section 44 and/or section 45 of the Companies Act, by way of loan, guarantee, the provision of security or otherwise, to:

- any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related to the company, for any purpose or in connection with any matter, including, but not limited to, the subscription of any option, or any securities issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company as contemplated under section 44 of the Companies Act; and/or
- any of the present or future directors or prescribed officers of the company and/or another company related or inter-related to the company (or any person related to any of them or to any company or corporation related or inter-related to any of them), or to any other person who is a participant in any of the share or other employee incentive schemes of the Kumba group, for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company, where such financial assistance is provided in terms of any such scheme that does not constitute an employee share scheme that satisfies the requirements of section 97 of the Companies Act;
- such authority to endure until the forthcoming annual general meeting of the company."

Reason and effect

Notwithstanding the title of section 45 of the Companies Act, being "Loans or other financial assistance to directors", on a proper interpretation, the body of the section may also apply to financial assistance (as such term is defined therein) provided by a company to related or inter-related companies and corporations, including, inter alia, its subsidiaries, for any purpose.

Furthermore, section 44 of the Companies Act may also apply to financial assistance provided by a company to related or inter-related companies, in the event that the financial assistance is provided for the purposes of, or in connection with, the subscription of any options, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or related or inter-related company.

Both section 44 and section 45 of the Companies Act provide, inter alia, that the particular financial assistance must be provided pursuant to a special resolution of the shareholders, adopted within the previous two years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and that the board of directors must be satisfied that (i) immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test; and (ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

The reason for and effect of special resolution number 3 is to grant the directors of the company the authority until the forthcoming annual general meeting of the company to provide financial assistance, when the need arises, in accordance with the provisions of sections 44 and 45 of the Companies Act. This means that the company is authorised, amongst other things, to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

The Board undertakes that, in so far as the Companies Act requires, it will not adopt a resolution to authorise such financial assistance, unless the directors are satisfied that -

- (i) immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and
- (ii) the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

13. SPECIAL RESOLUTION NUMBER 4

General authority to repurchase shares

"RESOLVED that the board of directors of the company be and is hereby authorised, by a way of a renewable general authority, to approve the purchase by the company or by any of its subsidiaries of any of the shares issued by the company, upon such terms and conditions and in such amounts as the board of directors may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act, the Mol of the company, the JSE Listings Requirements and the requirements of any other stock exchange on which the shares of the company may be quoted or listed, including, inter alia, that:

- the general repurchase of the shares may only be implemented on the open market of the JSE and done without any prior understanding or arrangement between the company and the counterparty;
- this general authority shall only be valid until the next annual general meeting of the company, provided that it shall not extend beyond fifteen months from the date of this resolution;
- an announcement must be published as soon as the company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue as at the date that this special resolution number 4 is passed, pursuant to which the aforesaid 3% threshold is reached, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;

- subject to section 48 of the Companies Act, the general authority to repurchase is limited to a maximum of 10% in the aggregate in any one financial year of the company's issued share capital at the beginning of the financial year, provided that the number of shares purchased and held by or for the benefit of a subsidiary or subsidiaries of the company, taken together, shall not exceed 10% in the aggregate of the number of issued shares in the company;
- a resolution has been passed by the board of directors of the company and/or any subsidiary of the company, as the case may be, approving the purchase, that the group has satisfied the solvency and liquidity test as defined in the Companies Act, and that since the solvency and liquidity test was applied there have been no material changes to the financial position of the group;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for five business days immediately preceding the date that the transaction is effected. The JSE should be consulted for a ruling if the applicant's securities have not traded in such five business day period;
- the company may at any point in time only appoint one agent to effect any repurchase(s) on the company's behalf;
- any such general repurchases are subject to Exchange Control regulations and approval at that point in time;
- the company may not effect a repurchase during any prohibited period as defined in terms of the JSE Listings Requirements unless there is a repurchase programme in place as contemplated in terms of 5.72(h) of the JSE Listings Requirements; and
- the company must ensure that its sponsor provides the JSE with the required working capital letters before it commences the repurchase of any shares."

Reason and effect

The reason for and effect of special resolution number 4 is to grant the board of directors a general authority in terms of the JSE Listings Requirements, up to and including the date of the following annual general meeting of the company (provided it shall not extend beyond 15 months from the date the resolution is passed) to authorise the company and any of its subsidiary companies to acquire the company's issued shares on such terms, conditions and in such amounts as determined from time to time by the directors of the company subject to the limitations set out above. In terms of clause 4.4 of the Mol, the repurchase of securities must be undertaken in accordance with the JSE Listings Requirements.

In special resolution number 4, reference is made to sections 46 and 48 of the Companies Act.

Section 48 of the Companies Act regulates the acquisition by a company of its own shares and the acquisition by a subsidiary company of shares in its holding company. Section 48(8) sets out those circumstances in which a special resolution of shareholders is required under the Companies Act for such acquisitions. Section 48(8) also requires compliance with sections 114 and 115 of the Companies Act if the acquisition considered alone, or together with other transactions in an integrated series of transactions, involves the acquisition by the company of more than 5% of the issued shares of any particular class of the company's shares. Sections 114 and 115 of the Companies Act regulate schemes of arrangement.

Section 46 regulates the making of "distributions" by a company, which includes the transfer by a company of money or other property of a company, other than its own shares, to or for the benefit of one or more holders of any of the shares, or to the holder of a beneficial interest in any such shares, of that company or of another company within the same group of companies, as consideration for the acquisition (i) by a company of any of its shares, as contemplated in section 48 of the Companies Act; or (ii) by any company within the same group of companies, of any shares of a company within that group of companies. Section 46 of the Companies Act prohibits the making of such a distribution unless (a) the distribution is pursuant to an existing legal obligation of the company, or a court order, or the board of the company, by resolution, has authorized the distribution; (b) it reasonably appears that the company will satisfy the solvency and liquidity test as set out in section 4 of Companies Act immediately after completing the proposed distribution; and (c) the board of directors of the company, has, by resolution, acknowledged that it has applied the solvency and liquidity test, as set out in section 4 of the Companies Act, and reasonably concluded that the company will satisfy the solvency and liquidity test after completing the proposed distribution.

At the present time the directors have no specific intention with regard to the utilisation of this authority, which will only be used if the circumstances are appropriate. The company wishes to confirm that any repurchase of shares, if implemented, will only be dealt with via the formal JSE trading system.

DISCLOSURES/ INFORMATION REQUIRED IN TERMS OF THE JSE LISTINGS REQUIREMENTS

For the purposes of considering special resolution number 4 and in compliance with the JSE Listings Requirements, the following information is provided:

Directors' statement after considering the effect of a repurchase pursuant to a general authority

The directors of the company agree that they will not undertake any repurchase, as contemplated in special resolution number 4 above, unless:

- the company and the group are in a position to repay their debts in the ordinary course of business for a period of 12 months after the date of the repurchase;
- the assets of the company and the group, being fairly valued in accordance with International Financial Reporting Standards, are in excess of the liabilities of the company and the group for a period of 12 months after the date of the repurchase;
- the share capital and reserves of the company and the group are adequate for ordinary business purposes for of 12 months after the date of the repurchase;
- the available working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the general repurchase; and
- before entering the market to proceed with the general repurchase, the company's sponsor has confirmed the adequacy of the company's and the group's working capital, in terms of the JSE Listings Requirements, in writing to the JSE.

Litigation statement

Other than disclosed or accounted for in the Integrated Report 2013, which report accompanies this notice and also is available on the company's website: www.angloamericankumba.com, the directors of the company, whose names are given on pages 114 and 115 of the Integrated Report 2013, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened against the group, which may have or have had a material effect in the recent past, being at least the previous 12 months, a material effect on the group's financial position.

Directors' responsibility statement

The directors, whose names are given on pages 114 and 115 of the Integrated Report 2013 (which report accompanies this notice and is also available on the company's website: www.angloamericankumba.com), collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 4 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that these resolutions contain all information required by the JSE Listings Requirements.

General information

The following further disclosures required in terms of the JSE Listings Requirements are set out below:

- **Directors**
Refer to pages 114 and 115 of the Integrated Report 2013.
- **Major shareholders of the company**
Refer to page 142 of the Integrated Report 2013.
- **Material changes** – Other than the facts and developments reported on in the Annual Financial Statements 2013 (page 60) which are available on the company's website www.angloamericankumba.com, there have been no material changes in the financial or trading position of the company and its subsidiaries since the signature date of the Annual Financial Statements 2013 being 7 February 2014.
- **Directors' interests in the company's shares**
Refer to page 137 of the Integrated Report 2013.
- **Share capital of the company**
Refer to page 51 of the Integrated Report 2013.

ELECTRONIC PARTICIPATION

The company intends to make provision for the shareholders of the company, or their proxies, to participate in the AGM by way of electronic communication. In this regard, should any Kumba shareholder or the shareholder's proxy wish to participate in the AGM by way of electronic participation, such shareholder/proxy is requested to contact the company's transfer secretaries in writing (including details as to how the shareholder/proxy or its representative can be contacted) by email at proxy@computershare.co.za at least five business days prior to the AGM (ie by no later than 30 April 2014) in order for the transfer secretaries to arrange for such shareholder/proxy (and its representative) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act (which include a green bar-coded identification document issued by the South African Department of Home Affairs, a smart identity card issued by the South African Department of Home Affairs, a valid driver's licence or a valid passport), and for the transfer secretaries to provide such shareholder/proxy (or its representative) with details as to how to access any electronic participation to be provided. The costs of accessing any means of electronic participation provided by the company will be borne by such shareholder/proxy so accessing the electronic participation.

VOTING AND PROXIES

Members who have not dematerialised their shares or who have dematerialised their shares with "own name" registration are entitled to attend and vote at the meeting and are entitled to appoint a proxy or proxies to attend, participate in, speak and vote at the AGM in their stead.

The person so appointed as a proxy need not be a member. It is requested that proxy forms be completed and forwarded to reach the company's transfer secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001, South Africa, by Tuesday, 6 May 2014. Any forms of proxy not received by this date must be handed to the chairman of the AGM immediately prior to the meeting. Proxy forms must only be completed by members who have not dematerialised their shares or who have dematerialised their shares with "own name" registration.

All meeting participants (including proxies) are required in terms of section 63(1) of the Companies Act to provide reasonably satisfactory identification before being entitled to attend or participate in the AGM. Forms of identification include a green bar-coded identification document issued by the South African Department of Home Affairs, a smart identity card issued by the South African Department of Home Affairs, a valid driver's licence or a valid passport.

This notice of the AGM includes the attached proxy form. The attention of members is directed to the additional notes and instructions relating to the attached form of proxy, which notes and instructions are set out in the form of proxy.

On a show of hands, every member of the company present in person or represented by proxy shall have one vote only. On a poll, every member of the company shall have one vote for every share held in the company by such member.

Members who have dematerialised their shares, other than those members who have dematerialised their shares with "own name" registration, should contact their Central Securities Depository Participant ("CSDP") or broker in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions; and
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

Equity securities held by a share trust or scheme will not have their votes taken into account for the purposes of resolutions proposed in terms of the JSE Listings Requirements.

By order of the board

Kevin Lester

Acting Company secretary

28 March 2014

Centurion

FORM OF PROXY

Kumba Iron Ore Limited

A member of the Anglo American plc group
(Incorporated in the Republic of South Africa)
(Registration number 2005/015852/06)
("Kumba" or "the company")

This proxy form is for use and completion by certificated shareholders and dematerialised shareholders with "own name" registration only.

For use and completion by registered members of Kumba at the eighth annual general meeting of the company to be held at 10:00am (CAT) on Friday, 9 May 2014 at the Kumba Corporate Office, Centurion Gate, Building 2B, 124 Akkerboom Road, Centurion or at any adjournment thereof (the "AGM").

Each shareholder entitled to attend and vote at the AGM is entitled to appoint one or more proxy or proxies (who need not be a shareholder of Kumba) to attend, participate in and speak and vote in place of that shareholder at the AGM, and at any adjournment thereof.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own-name" registration, must not complete this form or proxy but should contact their Central Securities Depository Participant ("CSDP") or broker in the manner and time stipulated in their agreement, in order to furnish them with their voting instructions or to obtain the necessary letter of authority to attend the AGM, in the event that they wish to attend the AGM.

Please note the following:

- the appointment of your proxy may be suspended at any time to the extent that you choose to act directly and in person in the exercise of your rights as a shareholder at the AGM;
- the appointment of the proxy is revocable; and
- you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and Kumba.

Kindly note that, meeting participants (including a proxy or proxies) are required in terms of section 63(1) of the Companies Act No. 71 of 2008, as amended (the "Companies Act") to provide reasonably satisfactory identification before being entitled to attend or participate in the AGM. Forms of identification include a green bar-coded identification document issued by the South African Department of Home Affairs, a smart identity card issued by the South African Department of Home Affairs, a valid driver's licence or a valid passport.

A proxy may not delegate his/her authority to act on behalf of a shareholder of the Kumba to another person.

I/ We _____ (please print names in full) Of (address) _____
_____ Being the holder/s or custodians of
_____ ordinary shares in the company, do hereby appoint:

1. _____ or failing him/her
2. _____ or failing him/ her
3. the chairman of the AGM, as my/our proxy to act, attend, participate and speak, for me/us and/or on my/ our behalf at the AGM which be held for the purpose of considering and if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof and to vote for me/us and/or on my/ our behalf or to abstain from voting on such resolutions in respect of the ordinary share/s in the issued capital of the company registered in my/our name/s with the following instructions:

	Number of votes (one vote per share)		
	In favour of	Against	Abstain
1. Ordinary resolution number 1			
To re-appoint Deloitte & Touche as independent external auditors and SBF Carter as the designated auditor in terms of section 90(1) of the Companies Act			
2. Ordinary resolution number 2			
To elect AM O'Neill as a director of the company in terms of clause 22.10 of the Memorandum of Incorporation			
3. Ordinary resolution number 3			
To elect, by way of separate resolutions, the following non-executive directors of the company who retire by rotation in terms of article 24.2 of the Memorandum of Incorporation:			
3.1 GS Gouws			
3.2 KT Kweyama			
3.3 LM Nyhonyha			
4. Ordinary resolution number 4			
To elect, by way of separate resolutions, the following independent, non-executive directors as members of the Audit Committee in terms of section 94 of the Companies Act			
4.1 ZBM Bassa			
4.2 AJ Morgan			
4.3 DD Mokgatlhe			
4.4 LM Nyhonyha			
5. Ordinary resolution number 5			
To elect, by way of separate resolutions, the following directors as members of the Social and Ethics Committee in terms of Regulation 43 of the Companies Regulations, 2011:			
5.1 DD Mokgatlhe			
5.2 AJ Morgan			
5.3 BP Sonjica			
6. Ordinary resolution number 6			
Approval of remuneration policy and its implementation by way of non-binding advisory vote as recommended by Principle 2.27 of King III			
7. Ordinary resolution number 7			
General authority for directors to control 5% of authorised but unissued shares			
8. Special resolution number 1			
General authority to issue shares for cash			
9. Special resolution number 2			
Remuneration of non-executive directors in terms of sections 66(8) and 66(9) of the Companies Act			
10. Special resolution number 3			
Approval for the granting of financial assistance in terms of sections 44 and 45 of the Companies Act			
11. Special resolution number 4			
General authority to repurchase shares			

Insert an "X" in the relevant space above according to how you wish your votes to be cast, however, if you wish to cast your votes in respect of less than all of the shares that you own in the company, insert the number of ordinary shares held in respect of which you desire to vote.

Signed at _____ on _____

Signature _____

Assisted by me (where applicable) _____

Each member is entitled to appoint one or more proxies (none of whom need be a member of the company) to attend, speak and, on a poll, vote in place of that member at the general meeting. **Please read the notes on the reverse side hereof.**

NOTES TO PROXY

SUMMARY OF SHAREHOLDERS RIGHTS IN RESPECT OF PROXY APPOINTMENTS AS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

Please note that in terms of section 58 of the Companies Act:

- this proxy form must be in writing, dated and signed by the shareholder appointing the proxy;
- you may appoint an individual as a proxy, including an individual who is not a shareholder of Kumba, to participate in, and speak and vote at, the AGM, on your behalf;
- your proxy may delegate his/her authority to act on your behalf to another person, **subject to any restriction set out in this form of proxy**;
- this form or proxy should be delivered to Kumba's transfer secretaries, Computershare Investor Services Proprietary Limited, before your proxy exercises any of your voting rights as a shareholder at the AGM. Any form of proxy not received by the Kumba or Kumba's transfer secretaries must be handed to the chairman of the AGM before your proxy may exercise any of your voting rights as a shareholder at the AGM;
- the appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly and in person in the exercise of any of your rights as a shareholder at the AGM;
- the appointment of your proxy is revocable unless you expressly state otherwise in this form of proxy;
- as the appointment of your proxy is revocable, you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy and to Kumba. Please note that the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as of the later of the dates stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the proxy and Kumba as aforesaid;
- if this form of proxy has been delivered to Kumba's transfer secretaries, as long as that appointment remains in effect, any notice that is required by the Companies Act or Kumba's Memorandum of Incorporation to be delivered by Kumba to you must be delivered by Kumba to you or, if you have directed Kumba to do so, in writing, and paid any reasonable fees charged by Kumba for doing so, your proxy or proxies;
- your proxy is entitled to exercise, or abstain from exercising, any voting rights of yours without direction at the AGM, except to the extent that this form of proxy provides otherwise;
- the appointment of your proxy remains valid only until the end of the AGM or any adjournment or postponement thereof, unless it is revoked by you before then on the basis set out above.

Explanatory notes

1. A form of proxy is only to be completed by those ordinary shareholders who are:
 - 1.1 holding ordinary shares in certificated form; or
 - 1.2 recorded on sub register electronic form in "own name".
2. If you have already dematerialised your ordinary shares through a Central Securities Depository Participant ("CSDP") or broker and wish to attend the AGM, you must request your CSDP or broker to provide you with a Letter of Representation or you must instruct your CSDP or broker to vote by proxy on your behalf in terms of the agreement entered into between you and your CSDP or broker.
3. A member entitled to attend and vote at the AGM is entitled to appoint one or more proxy or proxies to attend, participate in and speak and vote in his/her stead at the AGM. A proxy need not be a member of the company. Satisfactory identification must be presented by any person wishing to attend the AGM, as set out in the Notice of AGM (to which this proxy form is included). A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space. The person whose name stands first on the form of proxy and who is present at the AGM of shareholders will be entitled to act to the exclusion of those whose names follow.
4. On a show of hands a member of the company present in person or by proxy

shall have one (1) vote irrespective of the number of shares he/she holds or represents, provided that a proxy shall, irrespective of the number of members he/she represents, have only one (1) vote. On a poll a member who is present in person or represented by proxy shall be entitled to one vote in respect of each ordinary share in Kumba held by him/her.

Instructions on signing and lodging the proxy form

1. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space/s provided, with or without deleting "the chairman of the AGM", but any such deletion must be initialled by the member. Should this space be left blank, the chairman of the AGM will exercise the proxy. The person whose name appears first on the proxy form and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
2. A member's instructions to the proxy must be indicated by the insertion of an "X" or the relevant numbers of votes exercisable by the member in the appropriate box provided. An "X" in the appropriate box provided indicates the maximum number of votes exercisable by that member. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the AGM as he/she deems fit in respect of all the member's votes exercisable thereat. A member or the proxy is not obliged to use all the votes exercisable by the member or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the member or by the proxy.
3. Forms of proxy are requested to be lodged at, emailed or posted to the transfer secretaries of Kumba, Computershare Investor Services Proprietary Limited at the address below, to be received by Tuesday, 6 May 2014. Any forms of proxy not received by this date must be handed to the chairman of the AGM immediately prior to the commencement of the AGM.

For shareholders on the South African register:

Computershare Investor Services Proprietary Limited

Ground Floor, 70 Marshall Street
Johannesburg, 2001
PO Box 61051
Marshalltown
2107
Email: proxy@computershare.co.za
www.computershare.com
Tel: +27 11 370 5000

Over-the-counter American Depository Receipt (ADR) holders:

Kumba has an ADR facility with BNY Mellon under a deposit agreement. ADR holders may instruct BNY Mellon as to how the shares represented by their ADRs should be voted.

American Depository Receipt Facility

BNY Mellon, 101 Barclay Street, New York, NY 10286
www.adrbny.com
(00-1) 888 815 5133

4. The completion and lodging of this form of proxy will not preclude the relevant member from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity or other legal capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries or waived by the chairman of the AGM.
6. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
7. Notwithstanding the foregoing, the chairman of the AGM may waive any formalities that would otherwise be a prerequisite for a valid proxy.
8. If any shares are jointly held, all joint members must sign this form of proxy. If more than one of those members is present at the AGM either in person or by proxy, the person whose name appears first in the register shall be entitled to vote.


Kumba Iron Ore


Centurion Gate 2B
124 Akkerboom Road
Centurion
0157

www.angloamericankumba.com

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