KUMBA IRON ORE LIMITED
Integrated Report 2014

FOCUS: OPERATING SMARTER

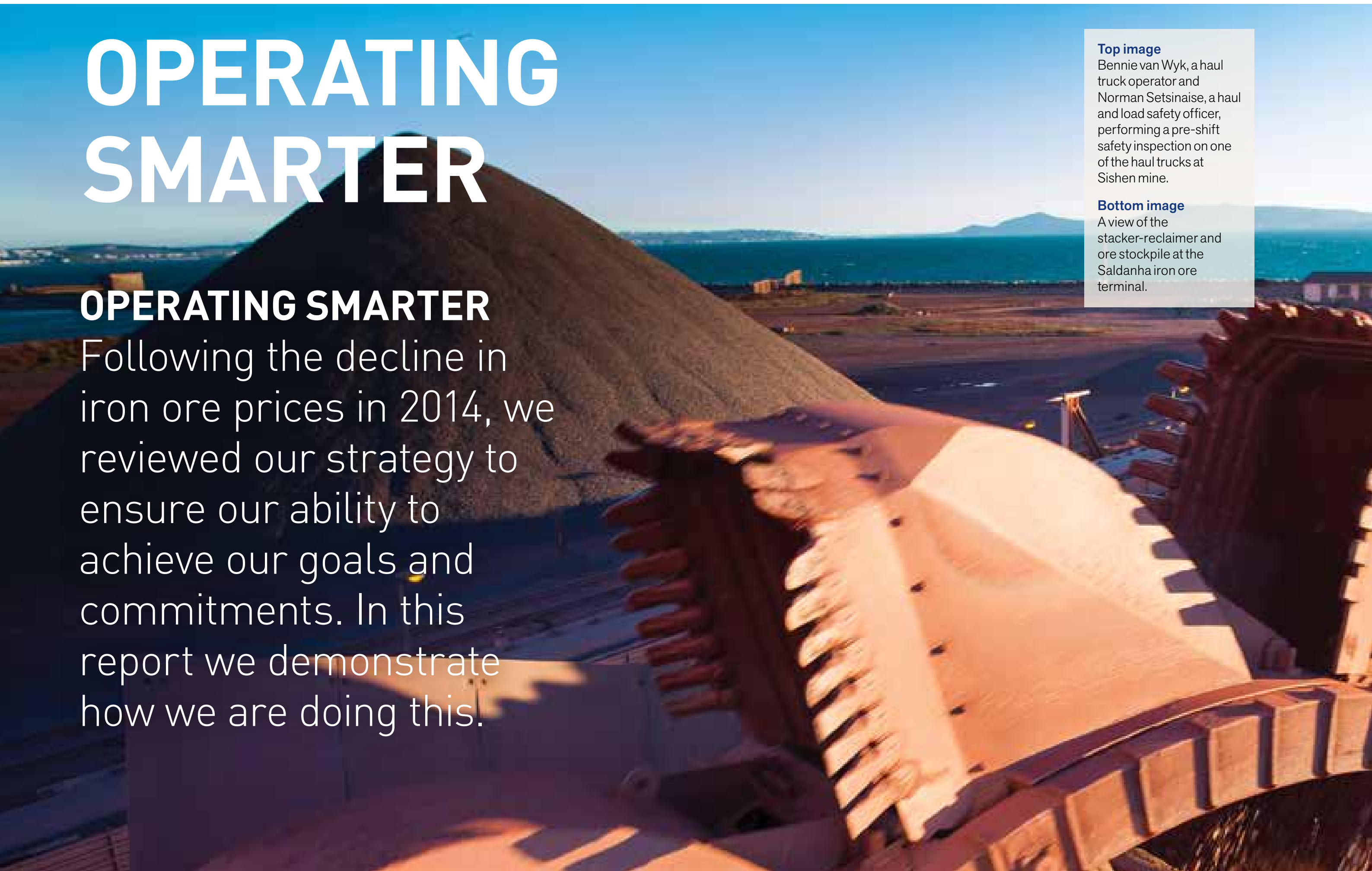
AngloAmerican

Real Mining. Real People. Real Difference.

Cover top image
The approved Sishen Western expansion into the buffer zone between the Dingleton town and the mine has necessitated a solution to relocate the Dingleton community to Kathu. The dump lies on top of the ore body which will be mined in the future.

Cover bottom image
Neo Seele, a drill assistant and Boitumelo Molema, a drill rig operator, are working in the drill and blast section at Sishen mine. Kumba has more than 14,000 employees of which 80% are local to the areas where the company mines.

FOCUS: OPERATING SMARTER



Top image
Bennie van Wyk, a haul truck operator and Norman Setsinaise, a haul and load safety officer, performing a pre-shift safety inspection on one of the haul trucks at Sishen mine.

Bottom image
A view of the stacker-reclaimer and ore stockpile at the Saldanha iron ore terminal.

OPERATING SMARTER

Following the decline in iron ore prices in 2014, we reviewed our strategy to ensure our ability to achieve our goals and commitments. In this report we demonstrate how we are doing this.

KEY FEATURES

UP 14%
PRODUCTION
48.2Mt

UP 4%
EXPORT SALES
40.5Mt

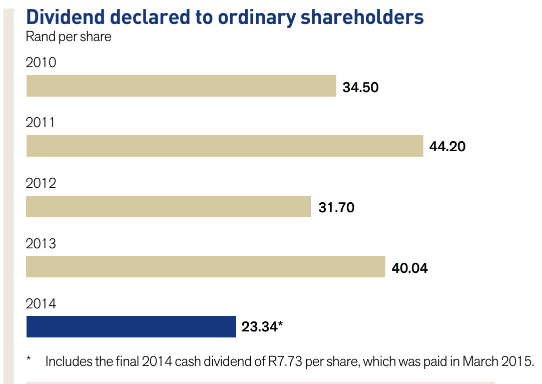
DOWN 28%
PLATTS 62% IODEX
US$97/t

DOWN 29%
HEPS
R34.32

DIVIDENDS PAID
(2013: R13.7bn)
R15.2bn

PAID TO FISCUS (SA)
(2013: R8.3bn)
R5.4bn

SAFETY
(2013: 0 fatalities)
Regrettably one loss of life



* Includes the final 2014 cash dividend of R7.73 per share, which was paid in March 2015.

First phase of Dingleton relocation completed

Three-year wage agreement concluded

CONTENTS

OTHER SOURCES OF INFORMATION

For more information visit **www.angloamericankumba.com/investor_fin_reports.php**

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

A ROADMAP TO OUR REPORTING

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

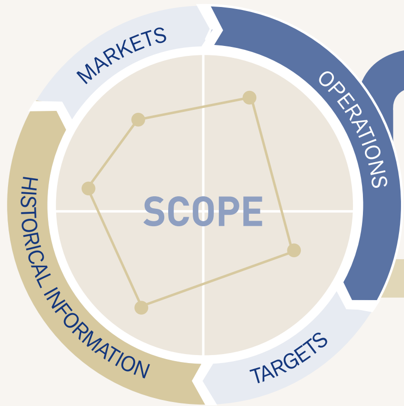
HOW TO NAVIGATE THIS REPORT

WHY DO WE REPORT?

Kumba Iron Ore Limited (Kumba) has produced an annual integrated report for the last four years. While the transition to integrated reporting is a relatively new process in financial markets, we have developed a very sound base for non-financial reporting since the company's inception. While integrated reporting is now embedded within the King Code of Governance Principles and the King Report on Corporate Governance (King III), our transition pre-dated this requirement. The King III report and integrated reporting have had a profound impact on our company, our strategy and our stakeholders.

Finding the best way to communicate our strategy, risks, material issues and objectives has allowed us to interrogate these on an on-going basis. Furthermore, by encouraging feedback on these reports, engaging with stakeholders and ensuring inputs from various individuals at all levels of the company, we have been able to gain holistic insight into how people understand and view our business, and to take into consideration their views.

We report to improve our business and strengthen our relationships.



SCOPE

OPERATIONS

(Sishen, Kolomela, Thabazimbi mines)

+ Corporate office in Centurion
+ Port in Saldanha
+ Marketing and Logistics in Singapore and Luxembourg

2014 FINANCIAL YEAR

(1 January – 31 December 2014)

+ historical information
+ forward-looking targets and objectives

BOUNDARY

Suppliers	Process	Customers
	Report boundary	

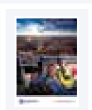
OUR REPORTING COMPLIES WITH:

IIRC	✓	GRI	✓
King III	✓	AA1000*	✓

* Stakeholder engagement standard.

NAVIGATING OUR 2014 REPORTS

Look for

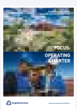


You are here

INTEGRATED REPORT

IR

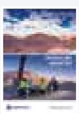
- Strategy, risks, resource allocation, business model and material issues
- Operational information
- Summarised reserves and resources
- Messages from and information about our leadership team



SUSTAINABLE DEVELOPMENT REPORT

SD

- Detail on material economic, social and environmental performance
- Stakeholder engagement process
- External review panel report
- GRI G4 content index
- Independent assurance report



ANNUAL FINANCIAL STATEMENTS

AFS

- Audited group and company annual financial statements

ONLINE

WEB

- Kumba reporting portal has direct access to all our reports
- Our website has detailed investor, sustainability and business information

DIRECTORS' RESPONSIBILITY

The Kumba board, supported by the audit committee, has taken overall responsibility and accountability for this report. Executive management, assisted by a dedicated reporting team, were responsible for the preparation and consolidation of this report. The board has collectively reviewed this report and confirms the integrity of the content therein. The board believes that this report is a balanced and appropriate presentation of the profile and performance of Kumba. Upon recommendation from the audit committee, the board approved this report on 12 March 2015.

Fani Titi
Chairman
12 March 2015

AUDIENCE

PROVIDERS OF FINANCIAL CAPITAL

HOW THIS REPORT IS STRUCTURED

The beginning of this report describes Kumba – who we are, how we create value, who our stakeholders are, what our strategy is, and what risks we face that threaten that strategy, as well as the opportunities available to further our strategy. Materiality remains at the core of our integrated report this year and is the lens through which we provide detailed information on our operations, our use of resources, our relationships, our community development initiatives and our plans for the future.

MATERIAL ISSUES

Our material issues for 2014 are:

- Responding to changes in the iron ore market
- Shifting stakeholder expectations
- Delivering a resilient business

For more see page 60.

WHO ASSURES WHAT?

- Deloitte and Touche assured the Annual Financial Statements (AFS) 2014. See the independent auditor's report on page 29 of the AFS.
- PwC assured key sustainability information in the Sustainable Development (SD) Report 2014. See the assurance report on page 105 of the SD report.
- Both of those processes affect the Integrated Report 2014, which contains both financial and non-financial indicators.
- On an annual basis, assurance is provided to the board by the audit committee on the execution of the combined assurance plan.
- Quoted reserves and resources estimates are assured through a rolling external audit schedule by Xstract Mining Consultants (Australia), a Calibre Group company.
- The group's financial, operating, compliance and risk management controls are assessed by the group's internal audit function, overseen by the audit committee. The audit committee report is on page 115 of this report.

TRUSTING OUR INFORMATION: ASSURANCE

It is imperative that the information in this report is reliable. To ensure that it is, we use a combined assurance model to provide us with assurance from internal and external assurance providers, in addition to that from management. Furthermore, our Sustainability Development Report 2014 is also reviewed by an independent panel of stakeholders to ensure that it is a balanced reflection of key topics.

NAVIGATING OUR BUSINESS – OUR RESOURCES

Look for

We understand that in order to successfully manage our business we need to successfully manage our resources. This understanding runs through our whole business model, and is also part of all levels of our business – from how we measure our strategic pillars to how we manage our material issues. An explanation of these resources is below.

Our people: Kumba could not create value without our employees. Everything we do comes back to the people in our business – their ideas, their effort and their ingenuity are the building blocks of this business. In order to attract and retain the best people for the job we try to create a place that people want to work in, with fair and competitive remuneration, and scope for development. We remain focused on our goal of Zero Harm - ensuring all our employees return home each day safely. For more on this, see page 80.

Our relationships: Partnerships are one of the cornerstones of our success. By engaging with employees, with national, provincial and local government and with communities, we are able to not only secure our social licence to operate but also contribute to improving the lives of people who make our business possible. By maintaining good relations with our suppliers and customers we are able to both stimulate business and strengthen our supply chain. We also ensure that we spend sufficient time keeping shareholders informed about the latest developments in the business. For more on this, see page 84.

Our financial performance: We create value by being an efficient and financially sound business. By managing costs, responding to our external environment, ensuring consistent operational performance, building and maintaining close relationships with customers and appropriately sharing profits we are able to ensure a sustainable future for Kumba – a future from which shareholders and stakeholders derive benefits. For more on this, see page 48.

Our assets: Mining is a large-scale and capital-intensive business that requires extensive infrastructure and investment. Utilising our assets competitively to our advantage helps us ensure we make the most of our resources. For more on this, see page 81.

Our innovation: A sustainable business needs to perform in the best way possible – whether that is through new ways of operating or finding better ways to do what we already do. In the current challenging market conditions, we have had to rethink how we do business and find innovative ways to retain a competitive advantage. For more on this, see page 65.

Our environment: The duality of environmental resources is a challenge for all mining companies. On one hand, our business depends on access to natural resources – most notably ore reserves, water and energy. However, the extraction of these resources depletes them, and affects stakeholders. Our use of natural resources forms an integral part of the way in which we manage our business, and accounts for its performance. For more on this, see page 82.

FOCUS: REMAINING SUSTAINABLE

Top image
Operators, Taneil Steenkamp and Zenia Esau doing a pre-shift safety check and completing the necessary documentation at Kolomela mine.

Bottom image
The jig plant at Sishen mine is the largest of its type in the world.

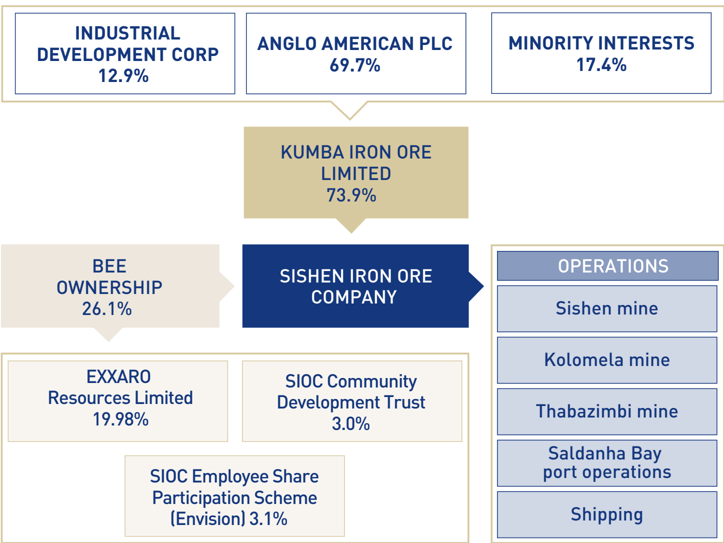
OUR BUSINESS

OUR VISION
A leading value-adding iron ore supplier to the global steel industry

WHO WE ARE

Kumba is a supplier of high-quality iron ore to the global steel industry and is focused on creating and sharing value with a range of stakeholders. We operate primarily in South Africa, with mining operations in the Northern Cape and Limpopo provinces, a head office in Centurion, Gauteng, and a port operation in Saldanha Bay, Western Cape. Kumba has a 73.9% interest in Sishen Iron Ore Company (Pty) Ltd (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 our black economic empowerment (BEE) partners Exxaro Resources Limited (a leading BEE company listed on the JSE), the SIOC Community Development Trust (a trust that funds projects in local communities) and Envision (an employee share participation scheme).

Kumba Iron Ore Limited group structure



WHAT WE DO

We produce high-grade iron ore, with a lump-to-fine ratio of 67:33 in 2014. This ore is mined at our three operations, all of which are managed by SIOC. Export ore is shipped to customers across the globe from our port operation in Saldanha Bay. We also have a marketing office in Singapore, in partnership with Anglo American plc Group, and one in Luxembourg, wholly owned by Kumba. In total, around 11% of our product comprises domestic sales, and around 89% is exported. The revenue generated from these sales is used to grow and sustain the business, which shares its success with various stakeholders in many ways.

To learn more about our operations see page 81.

LISTED ON THE JSE LIMITED

EMPLOYED **14,040 PEOPLE** IN 2014 (2013: 13,305)

CUSTOMERS IN CHINA, INDIA, JAPAN, SOUTH KOREA, EUROPE, MIDDLE EAST AND SOUTH AFRICA

EXPORT SALES	DOMESTIC SALES
(2013: 39.1Mt)	(2013: 4.6Mt)
40.5Mt	**4.8Mt**

PRODUCTION	WASTE
(2013: 42.4Mt)	(2013: 241Mt)
48.2Mt	**274.3Mt**

BEING A PARTNER OF CHOICE

Building lasting, beneficial relationships is central to what we do. We are a significant employer in the regions in which we operate, and we work with communities and local government to create lasting change in these areas. At the end of 2014 we employed 14,040 people – 8,191 permanent employees, 4,987 contractors and 862 learnerships.

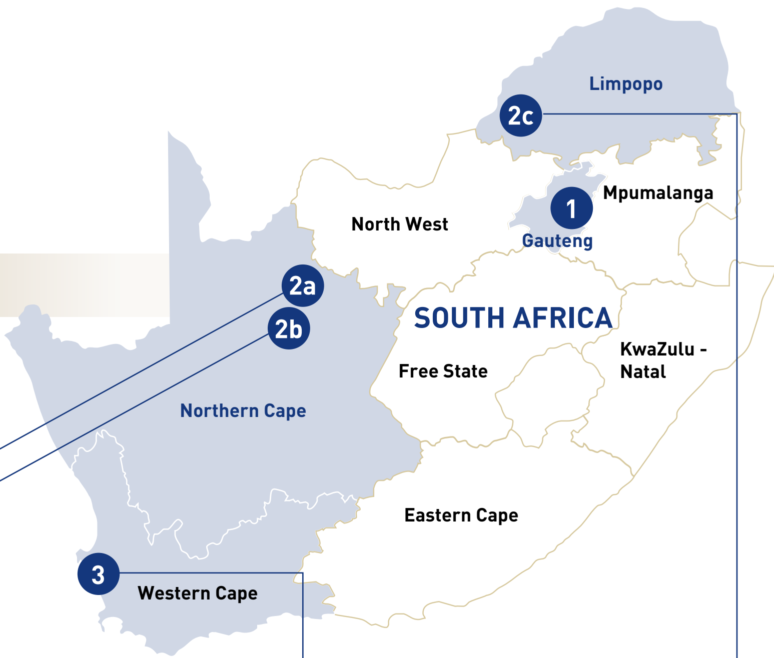
For more on these relationships see page 71.

86% OF EMPLOYEES DRAWN FROM LOCAL COMMUNITIES (2013: 84%)

COMMUNITY ENGAGEMENT AND DEVELOPMENT SPEND IN 2014: **R202.3 MILLION** (2013: R253.7 MILLION)

R5.4 BILLION PAID IN TAXES AND ROYALTIES IN SOUTH AFRICA IN 2014 (2013: R8.3 BILLION)

WHERE WE OPERATE



Corporate office

1 Centurion

Mining operations

2a Sishen mine

2b Kolomela mine

2c Thabazimbi mine

Port operations

3 Saldanha Bay

SISHEN MINE

- Near Kathu, Northern Cape province
- Our largest operation
- Opened in 1947
- Life-of-mine: 16 years
- Production design capacity: 38Mtpa
- Undergone a revised mining strategy that included operation optimisation and redesigned waste mining

IN 2014

- 229.9Mt total tonnes mined of which 35.5Mt final product and 187.2Mt waste
- 31.7Mt railed on the IOEC
- ISO 14001, ISO 9001, OHSAS 18001 certified
- Number of staff: 5,736 permanent full-time employees and 2,582 full-time contractors
- Total investment in social and community projects: R81.3 million
- Safety performance: LTIFR of 0.20, with one fatality
- Unit cash cost: R272/tonne
- Stripping ratio: 4.4

For more information see page 102

KOLOMELA MINE

- Near Postmasburg, Northern Cape province
- Our newest operation
- Opened in 2012
- Life-of-mine: 21 years
- Production design capacity: 11Mtpa

IN 2014

- 70.4 Mt total tonnes mined of which 11.6Mt final product and 55.5Mt waste
- 10.5Mt railed on the IOEC
- ISO 14001 and ISO 9001 certified and OHSAS 18001 compliant
- Number of staff: 1,205 permanent full-time employees and 1,955 full-time contractors
- Total investment in social and community projects: R48.1 million
- Safety performance: LTIFR of 0.34 and no fatalities
- Unit cash cost: R208/tonne
- Stripping ratio: 3.7

For more information see page 108

SALDANHA BAY PORT

- In Saldanha Bay, Western Cape province
- Connected to Sishen and Kolomela mines by rail, the Sishen/Kolomela-Saldanha iron ore export channel (IOEC) railway line
- Iron ore exported from here to Asia-Pacific, European and Middle East and North Africa (MENA) markets
- Owned and operated by Transnet – a state-owned entity

IN 2014

- Total volumes railed to Saldanha Bay: 42.2Mt
- Export sales: 40.5Mt
- Total shipping volumes: 40.1Mt
- Total CFR volumes: 23Mt
- Shipping profit: R309 million
- ISO/IEC 17025 accredited QC laboratory
- Total investment in social and community projects: R6.5 million
- Safety performance: LTIFR of 0 with no fatalities

For more information see page 98

THABAZIMBI MINE

- Near Thabazimbi, Limpopo province
- Our oldest operation
- Opened in 1931
- Life-of-mine: 9 years
- Future under consideration

IN 2014

- 33Mt total tonnes mined of which 1.1Mt final product and 31.6Mt waste
- 0.97Mt railed domestically to ArcelorMittal SA
- ISO 14001, ISO 9001, OHSAS 18001 certified
- Number of staff: 829 permanent full-time employees and 437 full-time contractors
- Total investment in social and community projects: R9.5 million
- Safety performance: LTIFR of 0.20, with no fatalities
- Unit cash cost: R682/tonne
- Stripping ratio: 25.4

For more information see page 104

OUR BUSINESS continued

Our strategy is built on the long-term sustainability of Kumba.

GOVERNANCE IN ACTION

The culture of a company is defined by the quality of its leadership. As a result, it is important for Kumba to have the right calibre of leaders in the right roles. It is through the right leadership that the company is able to achieve its strategic goals.

Our board of directors promotes sound corporate governance and provides the leadership that makes this possible. Each board member is appointed on the basis of their specific skills and business track record, to ensure that the board as a whole is not only able to contribute to our financial performance but is also able to support the company in achieving its operational, social and environmental objectives.

For more on our leadership team and their actions during 2014 see page 20.

UNDERSTANDING OUR CONTEXT

At Kumba, we understand that in order to perform well we need to understand and be responsive to our external environment. We do not work in isolation – we are part of a group, an industry, a community and a market that all need to be considered in order to make the best decisions for the long-term sustainability of Kumba.

The most significant external influence on Kumba in 2014 was the price of iron ore, which fell 47% from the start of the year to close at US$71.75/dmt (62 Platts IODEX, CFR China) at year end. This decrease has meant that we had to review our business to remain viable in the short term and sustainable in the long term. The demand for our high-grade ore remained high, which is supported by increased production and increased sales volumes. Much work is being done internally in terms of managing costs, efficiencies and internal improvements to enable us to face up to the challenge of falling prices. For more on this see page 65.

The labour relations environment, within the South African mining industry continued to be challenged during the year under review. The platinum sector five-month strike and the expulsion of NUMSA from Cosatu were some of the key events that exacerbated the volatile labour landscape. Despite these external labour challenges, Kumba continued to focus time and attention on rebuilding relationships with our trade unions. The recent three-year wage agreement achieved is testimony to the good working relationship that currently exists.

In response to the declining iron ore prices, Kumba initiated a project to review its business sustainability. Unfortunately this necessitated a redesign of organisational structures. This commenced with the head office structures in December 2014 which was completed at the beginning of 2015. Phase 2 of the redesign will commence at the mines in the first half of 2015, focusing on the support functions. For more on our relationships with our employees see page 84.

The end of 2014 was also the end of the second five-year Mining Charter period. We are pleased to have largely achieved or exceeded the Mining Charter's targets. Amendments to the Mineral and Petroleum Resources Development Act (MPRDA) were not enacted as had been expected, and further engagement between the various social partners is expected during the year ahead. Similarly, revisions to the Mining Charter are expected to be deliberated and new targets set.

LOOKING FORWARD

Our strategy is built on the long-term sustainability of Kumba, and the actions needed to ensure that. As a result we continue to invest in the development and expansion of Kumba – we spent R1.4 billion on growth projects, R5.3 billion on stay-in-business (SIB) initiatives and R1.8 billion on deferred waste stripping in 2014. To understand more on how these costs fit into our strategic goals see page 51.

Our immediate plans for 2015 are to continue improving efficiencies, increasing production and optimising our assets, which will, we expect, allow us to remain sustainable at the current iron ore price.

OBJECTIVES FOR 2015

IN 2015 WE AIM TO:

PRODUCE	ROLL OUT NEW	EXPORT ABOVE	ACHIEVE	CONCLUDE
36Mt at Sishen mine **11Mt** at Kolomela mine	**OPERATING MODEL** to the rest of Sishen and Kolomela mines	**43Mt** in sales	**ZERO HARM**	**REVIEW ON THABAZIMBI MINE**

SALIENT FEATURES

KEY STATISTICS

	2014	2013	2012	2011	2010
Production (Mt)					
Sishen mine	**35.5**	30.9	33.7	38.9	41.3
Kolomela mine	**11.6**	10.8	8.5	1.5	–
Thabazimbi mine	**1.1**	0.6	0.8	0.9	2.0
Sishen mine FOR[1] unit cost					
Unit cost (R/tonne)	**331.55**	325.28	257.39	178.90	128.65
Cash cost (R/tonne)	**271.84**	266.94	197.75	150.47	113.69
Unit cost (US$/tonne)	**30.60**	33.81	31.43	24.68	17.62
Cash cost (US$/tonne)	**25.09**	27.75	24.15	20.75	15.57
Kolomela mine FOR unit cost					
Unit cost (R/tonne)	**269.13**	240.97	255.69	–	–
Cash cost (R/tonne)	**207.60**	181.81	180.20	–	–
Unit cost (US$/tonne)	**24.84**	25.05	31.22	–	–
Cash cost (US$/tonne)	**19.16**	18.90	22.00	–	–
Stripping ratio					
Sishen mine	**4.4**	4.1	3.5	2.6	1.9
Kolomela mine	**3.7**	3.5	3.3	7.1	–
Thabazimbi mine	**25.5**	29.4	28.9	25.8	14.6
Logistics (Mt)					
Total volumes railed to port of Saldanha Bay (incl. Saldanha Steel)	**42.2**	39.7	40.0	39.1	36.5
Total volumes loaded at port	**40.1**	39.3	38.5	37.6	36.7
Sales volumes (Mt)					
Export sales	**40.5**	39.1	39.7	37.1	36.1
Domestic sales	**4.8**	4.6	4.7	6.4	7.0
LoM (years) (incl. inferred resources) (Mt)					
Sishen mine	**16**	19	18	21	20
Kolomela mine	**21**	25	29	27	28
Thabazimbi mine	**9**	10	6	6	6
LTIFR (per 200,000 hours worked)					
Sishen mine	**0.20**	0.21	0.10	0.08	0.15
Kolomela mine	**0.34**	0.20	0.04	–	–
Thabazimbi mine	**0.20**	0.14	0.10	0.1	0.25
CED expenditure (Rm)[4]					
Sishen mine	**81.3**	105.3	72.3	73.6	72.1
Kolomela mine	**48.1**	51.7	77.9	30.9	38.9
Thabazimbi mine	**9.5**	8.9	14.9	9.2	16.8
Amount spent on housing for employees (Rm)					
Sishen mine	**605**	551.8	398.1	181.0	44.0
Kolomela mine[2]	**–**	–	511.0	403.0	–
Thabazimbi mine[3]	**–**	–	9.0	10.3	7.1
Houses constructed/converted for employees (units)					
Sishen mine	**737**	310	1,166	172	39
Kolomela mine	**–**	103	335	280	–
Thabazimbi mine	**–**	–	–	–	–

	2014		2013		2012		2011		2010	
	Full-time	Contractors	Full-time	Contractors	Full-time	Contractors	Full-time	Contractors	Full-time	Contractors
Employees										
Sishen mine	**5,736**	**2,582**	5,104	3,099	5,303	2,910	4,412	3,425	4,173	4,217
Kolomela mine	**1,205**	**1,955**	1,065	1,649	1,030	811	771	640	534	28
Thabazimbi mine	**829**	**437**	791	269	852	470	815	889	806	974

[1] Free on rail.
[2] Spend for housing at Kolomela mine is part of the expansion project and included in capital expenditure.
[3] 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.
[4] Balance of CED spend at head office and Saldanha Bay.

OUR BUSINESS MODEL

	EXPLORATION	MINING	BENEFICIATING
WHAT IT IS	In South Africa exploration is focused on the Northern Cape, close to current operations, where we can leverage off existing infrastructure and experience. Greenfield exploration is done in prospective mineral belts such as west and central Africa. In addition, on-mine exploration and resource definition drilling is conducted to increase confidence in the geological models, which are updated on an annual basis in support of life-of-mine and long-term planning.	We extract our iron ore from mining the valuable iron ore bodies within our various mining leases. Mining is currently done by open pit methods. For more information visit pages 86 to 109	Beneficiation is the processing of ore for the purposes of regulating the physical properties of the finished product, removing impurities and improving product quality. We use 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, aware of the important role that mining companies have to play in this space.
KEY RESOURCES IT REQUIRES For details on these icons visit page 03			
WHAT RESOURCES IT PRODUCES	**INCLUSIVE MINERAL RESOURCES** **2,238.8Mt**	**EX-PIT ORE MINED** **59.0Mt** **WASTE MINED** **274.3Mt**	**TOTAL PRODUCTION** **48.2Mt**
WHAT EFFECT IT HAS ON RESOURCES	• Requires funding • Increases innovation • Improves geological confidence in existing mineral resources For more information visit pages 86 to 109	• Controlling costs and optimising production impacts revenue • Relationships with employees • Natural resources; both our mineral resources and the land we mine • The safety of our people	• Quality of our product, which has an impact on the prices we can achieve For more information visit pages 86 to 109
WHY THIS IS IMPORTANT TO KUMBA	In order to ensure the long-term success of Kumba we are focused on increasing and replenishing our mineral resource portfolio through both targeted South African growth and exploration in west and central Africa.	Mining is the core of what we do – by improving our performance in it we are able to improve, and sustain, our entire business.	We beneficiate our ore to sell niche products domestically and at a premium to international markets.
SP Strategic pillar	SP Delivery on growth projects SP Optimising value of current operations	SP Optimising value of current operations SP Organisational responsibility and capability	SP Capturing value across the value chain

BLENDING AND OUTBOUND LOGISTICS

Blending allows us to utilise products from our operations to provide niche specification products to our markets. Products are screened and sized to match customer requirements, and then transported through our outbound logistics chain.

For more information visit pages 86 to 109

RAILED
42.2Mt

- Agreement with Transnet relies on both parties meeting contractual obligations
- Relationship with customers

For more information visit pages 76, 84 to 85

Blending is an important consideration for satisfying the demands of the market and ensuring supply of our product, while our outbound logistics chain allows us to integrate mining, processing and blending facilities with the market, making us more efficient.

SP Capturing value across the value chain

SHIPPING, MARKETING AND SELLING

As a group, we sell iron ore domestically and internationally. Export customers are in a range of geographical locations around the globe, including China, Japan, India, South Korea and countries in Europe and MENA. Domestically, we sell ore to ArcelorMittal SA.

For more information visit pages 48 to 50

EXPORT SALES
40.5Mt

DOMESTIC SALES
4.8Mt

- Improves our relationships with customers
- Increases revenue

For more information visit page 85

Shipping is the link between our operations and our customers, allowing us to turn what we mine into profit and support the sustainability of the business.

SP Capturing value across the value chain

REHABILITATION AND ENVIRONMENTAL MANAGEMENT

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

For more information visit page 56

REHABILITATED
53ha

- Decreases financial liability
- Improves environment
- Improves relationships with communities through both skills development and leaving a lasting legacy

Rehabilitation is a key component of our integrated business model and reinforces our ideal of being a responsible corporate citizen.

SP Organisational responsibility and capability

CHAIRMAN'S REVIEW

Fani Titi
Chairman

"We have focused on building a resilient business this year, in an environment of falling prices."

Looking back on the events of the past year, it is clear that 2014 has been a period of consolidation and challenges. These challenges have stemmed particularly from the adverse changes in the iron ore market. Much of what is within our control, however, has been successfully managed by our leadership team. These include exceeding production targets, signing a three-year wage agreement with recognised unions, managing costs, improving efficiencies, increasing sales volumes and streamlining our project portfolio. Throughout 2014, we have enjoyed the support of our majority shareholder, Anglo American plc Group, in realising our goals and making our business more resilient in an environment of falling prices.

SAFETY – THE PARAMOUNT CONSIDERATION

Kumba aims to achieve Zero Harm – to ensure that working conditions and safety behaviour are such that all our people return home from work each day safe and unharmed.

Sadly in April 2014, one of our colleagues, Andre Muller, lost his life when a grating on the elevated walkway on which he was working gave way. Andre was a contractor working at Sishen mine, and I extend my personal and sincere condolences, and those of all my colleagues, to his family, friends and colleagues.

One of our safety initiatives in 2014 was to introduce a system at all of our mines whereby everyone is responsible for identifying and reporting potentially hazardous work situations or conditions. This is closely linked to our value of accountability – we are all responsible for the safety of our colleagues and ourselves. This approach has been welcomed and endorsed across our entire operation. However, like all mining companies, we cannot become complacent about safety. Even when we improve, we know that there is room for further improvement. As such, we will continue to strive for Zero Harm.

FLEXIBLE AND EVOLVING STRATEGY

The 47% decline in iron ore prices in 2014, and further price declines in the early part of 2015, has challenged the way we work, and will continue to work, at Kumba.

The reasons for the rapid price decline are explored more fully elsewhere in this report. Fundamentally, though, pressure has come on supply and demand. A substantial increase in production in Australia and Brazil has coincided with a slackening of growth for imported ore from China's steel industry, leading to an oversupplied market and significantly lower prices. All indications are that this situation is the new normal for the market, at least for the next few years.

Kumba is a smaller producer than the major companies that enjoy the lion's share of iron ore markets. To an extent, this implies that we are price-takers rather than price-setters. However, we have always differentiated ourselves in the market through the high-grade quality of our product. In this challenging time this differentiation remains more important than ever, and we will continue to work on both our processing and our relationship with customers. This work leaves me confident that Kumba can retain its market share, and increase its sales volumes, despite the challenging market.

During 2014, while reviewing our business and operating strategies in response to the changing market, we have ensured our strategy remained flexible. This flexibility has been crucial in dealing with the altered market situation. Our primary focuses have been on curtailing costs as much as possible and on ensuring that we maintained and can continue to maintain our share of the export market.

In the near term, we have set productivity targets and are targeting efficiencies that will allow us to optimise the value of our current assets. Further out, we continue to target the expansion of our operations, in order to leverage off existing infrastructure and our sound knowledge of the areas in which we mine. This expansion will provide us replacement resources that will ensure the sustainability of Kumba. Similarly, in the longer term, we work to extend our reach outside of our home country in partnership with the Anglo

American plc Group. However, this move is dependent upon the direction in which the iron ore market develops. During 2014 we reduced our spending on exploration and streamlined our project portfolio in response to lower iron ore prices.

Our strategy is not simply about mining though – one of its pillars is to act as a responsible corporate citizen. Later in this review I discuss some of the key relationships – with employees and communities – that allow us to do this.

For more details on our strategy, and our performance against it in 2014, see pages 26 to 27.

OPTIMISING OUR PORTFOLIO

As I noted in my review last year, taking pain early in managing the challenges faced by our operations would deliver greater confidence in our future plans. This proved to be the case in the year under review, as the work we've done over the last few years began to show its value. At all of our mines we targeted higher levels of efficiencies, in line with our strategy, and worked to meet production in the safest, most cost-effective way.

Sishen mine had an excellent year, as the work done in its mine redesign came to fruition. The mine exceeded its production target of 35Mt, producing 35.5Mt in 2014, and is on track to produce 36Mt in 2015.

Critical to the western expansion of the Sishen mine has been the need to relocate the people of the Dingleton community. The move by the residents of Dingleton North to new, well-equipped and serviced homes has been completed. Engagement with the balance of the residents and preparation for their move is underway.

Once again, in 2014 Kolomela mine exceeded its guidance production, delivering 11.6Mt of ore against guidance of 10Mt.

Thabazimbi mine produced 1.1Mt of ore in 2014, with the same tonnage targeted for 2015. Given the current market and the high costs and difficult conditions associated with Thabazimbi, we have initiated an investigation into the mine's continued viability and its place in our asset portfolio.

OUR PEOPLE COME FIRST

It would, perhaps, be trite to say that without our employees and their commitment to the company, Kumba would not be the success that it now is. But maintaining and building sound relationships calls for consistent engagement. In 2014 we negotiated a three-year wage agreement with our representative unions, and this contributed to the tranquillity of labour relations during the year.

The restructuring that we have undertaken at the corporate office, in response to the changes to the market, was a tough choice that no company wants to make. We have carried this out, we believe, with integrity and in the most responsible way possible. Of those who have left the company, half have done so voluntarily.

OUR COMMUNITIES – OUR SOCIAL PARTNERS

Ensuring mutually beneficial relationships with our host communities is central to Kumba's responsibility to society. We believe that we share the benefits from our business fairly with our stakeholders, balancing what is needed with what is possible. In the year under review we held our inaugural Stakeholder Day, which provided additional engagement with stakeholders, and was well received. More information on this day is contained on page 35 in the Sustainable Development Report 2014.

During 2014 we continued with our social investment programme. Regrettably, the sharp decline in the price of our ore and the related fall in our revenues meant a decrease in our social contributions. Kumba and its host communities depend upon each other, and it is on this understanding that we interact. We will continue to engage with local communities to find how best we can leave a meaningful legacy.

LEGAL AND REGULATORY ISSUES

Continuity and certainty are essential requirements of the legal and regulatory environments in which mining companies operate. It was pleasing, then, that the two major legal issues that had preoccupied us in 2013 had been settled favourably by the start of 2014 – our supply agreement with ArcelorMittal SA and the Constitutional Court case regarding the outstanding 21.4% mining right at Sishen mine.

We now have a firm and sustainable ore supply agreement with ArcelorMittal SA that was successfully implemented in 2014.

The Constitutional Court had ruled in 2013 that Sishen mine had the sole right to apply for the remaining 21.4% mining

CHAIRMAN'S REVIEW continued

right. We applied early in 2014 but the right was not granted in the year under review and we continue to engage with the DMR on this. Obtaining regulatory approvals, not only from the DMR but also from environmental regulators, is crucial to our continuing ability to win our social licences to operate. As a consequence, this is also critical to our ability to contribute to a larger group of stakeholders than those immediately affected by or benefiting from our operations.

After extensive engagement, through the Chamber of Mines, between the mining industry and government, the MPRDA Amendment Bill was approved by parliament and tabled to the State President for signing and promulgation. The President questioned the constitutionality of the Bill and, in January 2015, sent it back to parliament for reconsideration. Further engagement between the various parties is expected during 2015.

In parallel, the review of the Mining Charter that had been widely expected to occur in 2014 has been deferred to 2015. The review is necessary to provide a framework in which Kumba and other mining companies can work towards goals that benefit society at large.

Similarly, revisions to the Mining Charter are expected to be deliberated and new targets set. The end of 2014 was the end of the second five-year Mining Charter period and we are pleased to have largely achieved or exceeded its targets.

CORPORATE GOVERNANCE – VALUES WE CHERISH

Sound corporate governance is central to the manner in which Kumba's business is managed ethically. In this we are guided by the values of our parent company, Anglo American plc Group, as well as by the principles in King III. It is the responsibility of the group's board of directors to provide the leadership that ensures that our governance values permeate the entire organisation. Members of the board are selected for their business experience and abilities that complement those of their board colleagues.

I can confidently and proudly say that my fellow board members match up to the exacting criteria they are measured against. As a group, they are competent to set the values and to guide the company, particularly in this period of challenging market conditions. They ensure that strategic goals – operational, environmental, social and safety – are achieved. They also ensure that appropriate risk-management processes are in place and continuously assessed. It is on these bases that we ensure the sustainable advancement of Kumba.

Gert Gouws, our fellow director, who has served on the Kumba board for the past nine years, will be retiring from the board at the forthcoming AGM in May 2015. On behalf of the board and management of Kumba, I express my deep appreciation to Gert for his outstanding contribution over so many years. We wish him well in his future endeavours.

For more on how Kumba manages corporate governance see page 112.

RECOGNITION

In closing, I cannot but express my profound gratitude for the contributions made to Kumba by all of its people – colleagues who are its employees, its managers and its directors. Without their on-going support and loyalty, Kumba would not be the company that it is. Nor would it be the company it is without the sound relationship it fosters with its regulators, its host communities and the legislators who determine the environment in which we conduct our business, as well as the broader stakeholder community.

My sincere appreciation is finally also extended to Norman Mbazima, his executive and management teams for their continued stewardship of the company during extremely trying times. Under this team's guidance, I am confident that Kumba has in place the policies, the people and the skills to ensure a sound, progressive and sustainable future.

Fani Titi
Chairman

Top image
Lawrence Jannetjies and Gideon le Roux working on a bracket which holds part of an anti-rollback system developed for the haul trucks at Sishen mine. The system won an Anglo American Applaud award in the innovation category in 2014.

Bottom image
Sishen mine is Kumba's largest operation with a production design capacity of 37Mtpa.

CHIEF EXECUTIVE'S REVIEW

Norman Mbazima
Chief executive

"I promised that 2014 was to be a year of operational delivery and I am pleased to report that we have been able to deliver on this promise."

The iron ore market in 2014 presented a trying year, as we faced the now-entrenched structural changes of growing over supply and slackening demand that combined to more than halve prices. I believe it is often in the most difficult times that companies show their true mettle. I am confident that the changes we have made at Kumba in 2014 and early 2015 will allow us to emerge from this difficult phase stronger than before.

While market challenges characterised our year, they were not the only feature of 2014. Last year I promised that 2014 was to be a year of operational delivery and I am pleased to report to shareholders that we have been able to deliver on this promise.

OPERATING SMARTER

We have taken much direction and guidance in our strategy from Anglo American plc Group during the year under review and, on page 24, we indicate how our strategy is aligned with that of the broader group. The group's theme for reporting this year is Operating Smarter, something we have all been endeavouring to do. This is not a new approach for Kumba, but it has become even more imperative in the current market and requires that we focus on conserving capital and reducing costs, driving efficiencies, focusing on safety, sustaining sound relationships with stakeholders – including employees and shareholders – and managing our resources responsibly, now and for the future.

REPORTING ON WHAT MATTERS

Integrated reporting remains an important part of Kumba's business and reflects the way we conduct our business. We explain on page 60 the approach we take in deciding what we should report on, taking into account both our risk management strategies and the outcomes of our engagement with stakeholders.

While this report provides a detailed review of our financial and operational performance it does this within the context of the three principal material issues we identified, namely:

- Responding to changes in the iron ore market;
- Shifting stakeholder expectations; and
- Delivering a resilient business.

We welcome the feedback of shareholders and other stakeholders on our approach.

KEEPING OUR PEOPLE SAFE AND HEALTHY

No matter where we are in the market cycle, safety remains our first priority. Our aim is Zero Harm, ensuring that every day each one of us returns home unharmed and well.

Regrettably we suffered one fatality in 2014 when our colleague, Andre Muller, a crane technician with contractor Crane Aid, died after an incident at Sishen mine on 22 April 2014. The incident occurred at the mine's dense medium separation plant when the grating Andre was standing on collapsed and he fell more than eight metres. I extend my sincere personal condolences to Andre's family, friends and colleagues.

Immediately after this incident, structural inspections and audits of all walkways and ladders were conducted at Sishen, Kolomela and Thabazimbi mines, as well as at Saldanha Bay port and Value-in-Use facility. The necessary repairs and improvements were also promptly made, ensuring structural integrity. In addition, we continue to monitor high-potential incidents and accidents that have caused injuries so as to learn from them and improve safety behaviour.

Our serious injuries, or LTIs, increased, from 33 in 2013 to 44 in 2014. Analyses of these incidents showed that falls and material handling were the two largest contributors to safety incidents, and our training has focused on these.

We will continue to work with our employees and the regulatory authorities to understand and address safety risks and to improve our safety performance.

Exposure to noise and dust remain our top occupational health risks. We continued to reduce noise through engineering controls and issued customised hearing-protection devices to prevent noise-induced hearing loss (NIHL). To reduce exposure to dust we introduced closed-cabin drills at Kapstevel pit at Kolomela. This was the last of our operations to have this installed, meaning that this dust exposure measure has now been rolled out across Kumba. New identified cases of both NIHL and tuberculosis increased this year. It is important to remember two things when considering this. Firstly, the effects of noise and dust are not immediate – the initiatives we are putting in place today will show their worth in a few years' time, and the cases we treat now are due to past exposure. Secondly, we want to provide our employees with the best treatment we can and so have improved our medical surveillance. While this could mean identifying more cases it also means better management of these occupational health risks.

Our other healthcare programmes were successful during the year under review. One such project was our fatigue-management programme at Kolomela. Not only did it yield excellent results but it was also recognised by the Global Alliance when it received an Award of Distinction for public service at the Alliance's international COMM PRIX awards in September. Other successes during 2014 included our on-going chronic conditions programme, which assists employees to manage their existing conditions, as well as our voluntary HIV-testing programme, which exceeded its target of 90% participation.

DELIVERING ON OUR PROMISES

Our focus in 2014 was on the execution of the revised strategy developed in 2013, and I am pleased to report considerable progress.

The production recovery plan at Sishen mine was successfully executed during 2014, allowing us to exceed our production target of 35Mt. All of the key technical work was completed, and further ore was exposed. We are continuing to implement the pushback design and are on track to increase production at Sishen mine to 36Mt in 2015.

We also exceeded our production targets at the Kolomela and Thabazimbi mines, which produced 11.6Mt and 1.1Mt respectively. Technical mine studies at Kolomela mine have confirmed that the mine's capacity is now 11Mtpa, allowing us to sustain this increased production for the remainder of the mine's life.

This increase in production at all three operations led to an increase in sales; our export sales rose by 4% to 40.5Mt which helped us offset some of the effects of falling prices.

We focused on efficiency at all of our mines this year. We improved operational practices and equipment efficiencies through a variety of initiatives, including the implementation of the new Operating Model at Sishen mine and better use of our equipment fleet. This focus, combined with efforts to reduce costs, played a crucial role in our response to the decline in iron ore prices.

REGULATORY CERTAINTY

Good progress has been made in dealing with a number of regulatory issues during the year. The mining rights over the SWEP railway properties were granted in February 2014. In addition, the new Sishen waste dumps and their related water-use licence were approved, as were three prospecting right renewals. However, our application for 21.4% of the Sishen mining right in February 2014 has not yet been granted and we continue to engage with the regulatory authorities in this regard.

Something that remains to be dealt with during 2015 is the lack of clarity in respect of the Mining Charter, now that the initial 10-year Charter period has drawn to a close. I'd like to commend the commitment by the Minister to engage with the industry both in the review of performance against the targets for the period 2009 to 2014 and in developing a new Charter going forward. We at Kumba take pride in the achievements made in bringing the Charter to life within our company and communities, and trust that any review will reflect this.

Our actions have not been simply about compliance; they have been about achieving a meaningful change in our society. We must continue this work, while engaging to ensure that the goals set for us are clear and realistic. The combined effort of this, I believe, will help to stabilise local business and encourage foreign investment.

RESPONDING TO A CHANGING MARKET

I indicated above that the greatest challenge we faced in the year under review was the change in the iron ore market. At 31 December 2014 the iron ore price was US$71.75/dmt (62% Platt IODEX, CFR China) – fell by US$62.75 more than half of the US$134.50/dmt recorded at the end of 2013. A price drop of this magnitude is not a bump in the road, it represents a complete change of path. Demand growth, particularly from the all-important Chinese steel industry, slowed at a time when significant additions to supply came on-stream. We need to acknowledge that this lower price environment is here to stay and adapt our approach to operations accordingly.

It is important to understand the various factors underlying this change in iron ore prices. The biggest factor is that there has been a very significant increase in iron ore supply from the major producers in Australia and Brazil, to the extent that Australia increased supply by 24% or 139 million tonnes in 2014. And, that's unlikely to stop –the major producers have said they expect to continue increasing production in 2015 and beyond. At the same time, however, the rate of growth of demand for iron ore in China, the most important market, has slowed from 6.5% in 2013 to 4.5% in 2014. This is expected to slow down further in 2015 to less than 2%. As a result the market has been over supplied, causing prices to come down sharply. These market changes have caused many producers to cease production while others, although distressed, have continued to produce while they consider their options; the so called "sticky" production. At Kumba, the changes we're making to our business are to ensure that we can continue to produce at these prices.

The question we are often asked is whether the market will recover. While we, as an industry, are unsure of where the bottom of the market may lie, and whether some recovery may then ensue, it is unlikely that the prices will return to the heady days of 2010/11. Our job, therefore, is to ensure that Kumba continues to be resilient by: reducing capex, reconfiguring operating plans to focus on lowest cost production to fill rail capacity and reducing spend on exploration, technology and projects. The high quality of our product has been crucial in helping us increase export sales this year and achieve reasonable prices against the index, a factor on which we shall continue to capitalise in future.

CHIEF EXECUTIVE'S REVIEW continued

We have also needed to look at the internal structure of our business to help ensure its sustainability into the future. This has meant and will mean making some difficult choices.

The first of these choices involved organisational restructuring, which has seen a 40% reduction in the number of our corporate office employees in early 2015. This equates to around 140 people, 70 of whom have taken voluntary separation packages (VSPs). At a company where sound relationships with our employees are central to how we work, this has been a very trying time for everyone at Kumba. We have gone about this with as much empathy and support as we could provide, while not forgetting our reasons for doing it. Phase 2 of the redesign will commence at the mines in the first half of 2015, focusing on the support functions. Very few companies can survive around a 50% drop in prices and the effects it has on profitability but Kumba will continue to provide returns to its shareholders, which is a result of making decisions like this one. It might appear contradictory to speak about wanting to be an employer of choice in this context, but that played a big role in our headcount decision – we wanted to be sustainable and provide employment into the future.

The second fundamental review currently being considered is the viability of the Thabazimbi mine within the Kumba stable. Thabazimbi mine first came into production in 1931. When we took over management of Thabazimbi mine from Kumba Resources in 2006, the mine had a limited life span and its closure was deemed to be imminent. Nonetheless, we have managed to husband these resources, and have extended its life-of-mine year-on-year. As mine life has been extended through mining the residue, falls of ground and geotechnical difficulties have been commonplace and undermined our efforts at safe, profitable mining.

Following the conclusion of a new supply agreement with ArcelorMittal SA in 2013, we reported that Kumba would examine how we might reconfigure the mine and further extend its life. The changes in agreement were important for both parties. Thabazinbi mine is no longer a 'captive' mine and product may be delivered to ArcelorMittal SA from any Kumba mine at a Sishen-related cost. A combination of the low-price environment and the cost of developing and operating the technology needed to process lower-grade ore is proving this route to be less viable that originally envisaged. At this stage, the options available to the company are: to see if there is a viable way to mine, placing the mine on care and maintenance, closing the mine or selling it. We appreciate what the implications are to a number of stakeholders of any decision taken.

BUILDING LASTING PARTNERSHIPS

Relationships remain at the heart of what we do at Kumba. We place a great deal of emphasis on engagement to be able to understand how stakeholders perceive and experience our business. Among our key stakeholders are our employees, the communities surrounding our operations, government and regulatory authorities and our investors.

We approach all of our relationships on a human level – we as the people of Kumba engage directly with our stakeholders and want them to know they can always interact with us. At the end of the day, there is no substitute for speaking to one another, to foster trust and build lasting relationships.

Employees are, and always have been, one of our most critical stakeholders – they are the people who make up Kumba and are the key to our success. We, in return, try to be the key to their success too, through various training and development initiatives to help them increase their skill set and advance their careers. This is an approach I believe in – increasing skills allows employees to move into fulfilling work and higher-paid roles, which is also a sustainable way to address the disparities that are found in South Africa.

During the year under review, we concluded a three-year wage agreement with our recognised unions which became effective on 1 July 2014, with no disruption to work. I think that to have such a steady relationship in South Africa's sometimes fractious labour environment speaks volumes about the engagement we have both with the trade unions and with our employees.

Envision has continued this year, paying out R169 million in dividends to the participating employees. We have spoken at length in the past about how an employee share scheme allows employees to share in the success of the company. However, the other side of that coin is that when prices fall or profits decrease everybody receives a smaller share. We are focusing communication about Envision on this topic.

This is also a conversation to have with our other shareholders this year. Dividends have always been a significant part of our investment case. We want shareholders to know how we are working to capture long-term value, and to feel that their investment in us is still a solid one, despite the current reduction in return on investment. We are fortunate to have the support in this of our largest shareholder, Anglo American plc Group.

We aim to have mutually beneficial relationships with the communities around our operations. We seek to understand and address the legitimate aspirations of the people in these communities, for themselves, their families and their society. But we know that sometimes these aspirations are way beyond what we can satisfy as a company in isolation without collaboration with government and other organisations. In 2014 we spent R202.3 million in these communities on projects that included early childhood development centres, mobile clinics, hospitals, enterprise development, a youth graduate development programme and infrastructure. We work with members of the local communities and municipalities to ensure these projects meet their needs and can be sustained well into the future. Even in our cash-constrained environment we will continue to deliver on our promises.

This year 71 households were rehoused as we began the next phase of the Dingleton relocation. Thanks to extensive engagement with the affected community this relocation project remains on schedule, and we plan to have rehoused the remaining families by the end of 2016. We have ensured that this move will improve the quality of life for those affected, and have put in place extensive infrastructure, including schools, churches, offices, community centres, playgrounds and the necessary services.

PLANNING FOR THE FUTURE

2015 is shaping up to be a challenging year. I am confident though that the solid base built over the past year will enable us to continue to deliver value to all stakeholders. To meet the challenges of still-lower ore prices we aim to increase production and to fully utilise the rail capacity while keeping our product quality above an average of 64% Fe and our lump:fine ratio around 67:33. This makes our iron ore more attractive to customers, particularly in an over supplied market, which helps improve our realised prices. We are targeting export sales volumes above 43Mtpa in 2015, alongside the 6.25Mtpa contracted to ArcelorMittal SA.

In the medium term (three to five years) we are targeting incremental growth of around 5Mt, focused specifically in the Northern Cape. In the longer term growth will come from the expansion of Kolomela mine and low-grade projects at Sishen mine, both in the Northern Cape, and then from exploration in Central and West Africa. In order to do this, it will be necessary for the expansion of the rail and port facilities to take place – a matter on which our discussions with Transnet continue.

The combination of factors I described above means that a major recovery in ore prices is unlikely, and we will continue to adapt our business to take this into account. The decisions that are being made now will not only help Kumba withstand the current changes in the market, but are all decisions that will make this business more resilient and sustainable well into the future.

Ultimately, though, we will continue with our aim of operating at the best possible level in all that we do, whether it be relationships or operations, and will work to manage our costs and return benefits to shareholders and other stakeholders.

APPRECIATION

To close, let me extend my thanks to all those who play a role in making Kumba what it is. Thank you to the people of Kumba, who have shown dedication and determination over the past year, despite the challenges we have faced. Thank you to management and the board, who have helped to lead the company in this period and have supported me in my task as chief executive. Companies are defined by their people, and I am confident looking at the skills and values that surround me that we have the right people to effect the change necessary at this time and emerge a thriving, resilient organisation.

Norman Mbazima
Chief executive

OUR LEADERSHIP

BOARD

Fani Titi
Chairman, independent non-executive director (52)

BSc Hons (Maths), MA (Maths), MBA

Fani joined the Kumba board on 1 October 2012 and is a member of the human resources and remuneration committee and chairs the NomGov committee. He is a non-executive chairman of Investec Bank Limited, and of Investec plc and Investec Limited. 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.

Norman Mbazima**
Chief executive (56)

CV available on page 22.

Allen Morgan
Independent non-executive director (67)

BSc, BEng (Elect), Pr Eng, CDSA*

Allen joined the Kumba board on 9 February 2006, chairs the Remco, is a member of NomGov committee and is the lead independent director. He is also a member of the audit committee, risk committee, and social, ethics and transformation committee. 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.

Buyelwa P Sonjica
Independent non-executive director (65)

BA, BA (Hons)

Buyelwa joined the Kumba board on 1 June 2012 and is a member of the risk committee and the social, ethics and transformation 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 trade and industry.

* Chartered Director (South Africa).


Fani Titi


Norman Mbazima


Allen Morgan


Buyelwa Sonjica


Dolly Mokgatle


Frikkie Kotzee


Gert Gouws


Khanyisile Kweyama


Litha Nyhonyha


Tony O'Neill


Zarina Bassa

Dolly Mokgatle
Independent non-executive director (58)

BProc, LLB, HDip Tax Law

Dolly joined the Kumba board on 7 April 2006, chairs the social, ethics and transformation committee and is a member of the audit, risk and NomGov 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, Zurich Insurance in October 2012 and as chair of Total South Africa Proprietary Limited at the end of 2012.

Frikkie Kotzee
Chief financial officer (43)

CV available on page 22.

Gert Gouws
Non-executive director (56)

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 (50)

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 (56)

BCom, CA(SA)

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

Tony O'Neill†
Non-executive director (57)

BASc (Eng), MBA

Tony joined the board of Kumba on 30 September 2013. He is also a member of the Anglo American plc 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 (50)

BAcc, CA (SA)

Zarina joined the Kumba board on 2 December 2008, chairs the audit committee and is a member of the risk and NomGov committees. 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 Financial Services Board, and Investec Bank Limited, Investec Limited and Investec Plc. She was a partner at Ernst & Young where she spent 17 years in the Durban, Johannesburg and UK offices. She then spent six years at Absa Bank Limited as executive director. 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.

† Australian.

** Zambian.

COMBINED KEY SKILLS OF THE BOARD

- Leadership
- Strategy
- Strategic finance
- Business acumen and experience
- Technical knowledge
- Corporate governance
- Environmental knowledge
- Stakeholder engagement

For the composition of our board see page 112

OUR LEADERSHIP continued

EXECUTIVE COMMITTEE (Exco)

Norman Mbazima
Chief executive (56)

FCCA, FZICA

Norman joined the Kumba board on 1 September 2012. He joined the Anglo American plc 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.

Frikkie Kotzee
Chief financial officer (43)

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.

Andrew Loots
Executive head of operations (47)

BEng (Mech), MBA

Andrew was appointed to his current position on 1 March 2013. He has had a successful career within the Anglo American plc 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.

Yvonne Mfolo
Executive head of public affairs (47)

BA (Communications), Advanced Journalism Certificate

Yvonne joined Kumba on 1 August 2011, from the Anglo American plc 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 and was spokesperson for the minister.


Norman Mbazima


Frikkie Kotzee


Andrew Loots


Yvonne Mfolo


Alex Mgadzah


Billy Mawasha


Timo Smit


Virginia Tyobeka

Alex Mgadzah
Executive head of safety and sustainable development (45)

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

Billy Mawasha
Executive head of technical services (36)

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.

Timo Smit
Executive head of marketing and seaborne logistics (46)

MSc (Applied Physics), PhD (Materials Science and Engineering)

Timo joined Kumba in September 2007 and moved to Singapore in August 2012. He was previously employed by TechnoServe as country director South Africa. His academic background and industry experience adds international depth to the Kumba team. Timo is based in Singapore, close to key markets.

Virginia Tyobeka
Executive head of human resources (49)

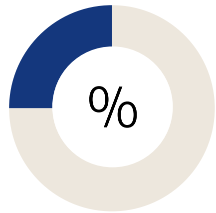
BAdmin, BAdmin (Hons), MAP

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.

COMBINED KEY SKILLS OF EXCO

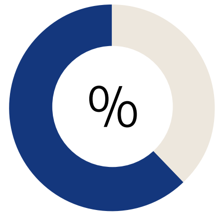
- Corporate finance
- Human resources
- Environmental management
- Engineering
- Industrial relations
- Stakeholder management
- Investor relations
- Marketing
- Business development
- Accountancy
- Technical knowledge
- Health and safety management
- Community relations
- Logistics
- Public affairs
- Project management
- Leadership
- Legal knowledge
- Corporate governance

Exco composition by gender



Men	75
Women	25

Exco composition by HDSA



HDSA	38
Non-HDSA	62

OUR STRATEGY

OUR MISSION

To be a sustainable, effective business that adds value to all our stakeholders

WHAT INFORMS OUR STRATEGY

In 2014 we sought to cement the strategy we had revised in 2013. We, as Kumba, are also shaped by Anglo American's targets and strategy. Kumba remains a key component of Anglo American's portfolio and its ambition to be a leading diversified miner. Anglo American aims to invest the right resources in the right processes at the right time in each of its business units. A consequence of Anglo American's strategy review has been the development of a revised Operating Model, which was piloted at our Sishen mine. This process supports and adds impetus to our own drive for efficiency and increased production.

ALIGNING OUR STRATEGY WITH ANGLO AMERICAN'S STRATEGY

STRATEGY AND STAKEHOLDER ENGAGEMENT

OPERATING SMARTER

Sustainability is at the heart of our strategy, and this is impossible if we do not earn and maintain our licence to operate. When reviewing our external environment, it became more apparent that working in the South African mining industry exposed us to increased stakeholder activism, which draws attention to employee relations, housing and accommodation, operating safely and meeting regulatory and perceived social obligations. These aspects have been incorporated into our stakeholder engagement programme which is an intrinsic part of our strategy, and helps us to manage some risks while capitalising on some opportunities in order to realise our strategy. For more on stakeholder engagement see page 36 and to read more about our risks and opportunities see page 28.

OUR STRATEGIC OBJECTIVES

Our strategic redesign in 2013 entailed a shift from fixed production within a specific time period, to a more flexible strategy that envisages the achievement of three goals within three time horizons:

- System and asset optimisation in the **short term** (one to two years) to preserve margins and increase productivity
- Growth in South Africa in the **medium term** (up to five years)
- The development of a second footprint in central and west Africa in the **long term** (longer than five years)

Our revised strategy was evaluated in the first quarter of 2014 through a consultative process involving the executive committee and heads of departments. This strategy was then reviewed by the board at a workshop at the end of May.

In support of the strategic priority to ensure the long-term sustainability of Kumba's current operations, especially in the current price environment, a programme support office (PSO) was set up to support strategy implementation. This PSO reports directly to the chief executive. The strategic objectives were broken down into different initiatives, each with its own sponsor who reports on the process to the executive committee.

UNPACKING THE KUMBA STRATEGY

OUR WORLD	It is impossible to implement a strategy successfully without being aware of the systems and society in which we operate. By understanding our market, our stakeholders, and our external environment we are able to adapt our strategy and its implementation to ensure it remains appropriate and achievable.
OUR AMBITION	At the core of our strategy is what we want to achieve, and who we aim to be as a company – this informs our actions and goals. This ambition speaks to our integrated approach, taking into consideration both how we operate and what we contribute.
HOW WE DELIVER	Our strategy is entrenched in all that we do at Kumba and is supported by four strategic pillars, each with its set of deliverables. By measuring these deliverables we are able to understand how much closer we are to our goals, and alter our implementation as necessary.

KUMBA'S SIX VALUES

- Safety
- Care & Respect
- Integrity
- Accountability
- Collaboration
- Innovation

OUR STRATEGY AND LOWER PRICES

While we remained focused on the delivery of our revised strategy, the decline in iron ore prices in 2014 meant that we needed to review our strategy further, to ensure that we are able to secure our strategic goals, while preserving margins. For more on what the company is doing to ensure sustainability in the face of falling prices see pages 31 and 65.

OUR VALUES AND CULTURE

Our strategy is underpinned by our values and culture, which inform how we act in day-to-day business. Our culture is one in which we encourage every member of Kumba to constantly strive for excellence, knowing that by doing the best we can in the best way we can, together, we build the best type of business. This culture is supported by our six values, above, which are markers against which employees can measure their actions.

OUR STRATEGY continued

STRATEGIC PILLAR ONE

Optimise the value of current operations through business performance improvement programmes, along with a system-operations approach to manage the marginal cost of production.

Key initiative:
Optimising the value of existing operations through the execution of plans to increase Sishen mine production to 38Mtpa (including the modular plant) and grow Kolomela mine to 13Mtpa. Another key initiative has been the implementation of the new Operating Model.

Which objectives does this support?
System and asset optimisation

Related material issues:
Delivering a resilient business

What resources do we need to achieve this?

- Financial
- Assets
- People
- Relationships
- Environment

How do we measure success?
Safety and health
Costs
Production
Environment

How did we perform in 2014?

- ✓ Exceeded 35Mt at Sishen mine
- ✓ Key technical work completed
- ✓ Kolomela mine capacity improved to 11Mtpa
- ✓ Operating Model pilot completed
- ✓ Production of 11.6Mt at Kolomela mine
- ✗ One fatality and LTIFR of 0.23

Planning for 2015
Roll out of Operating Model to operations
Production of 36Mt at Sishen mine
Production of 11Mt at Kolomela mine
0 fatalities
Complete review of Thabazimbi mine

STRATEGIC PILLAR TWO

Capture value across the value chain by tailoring the product portfolio to best suit customer requirements, maintaining a balanced customer portfolio across geographies, continuously developing new customers, adapting pricing mechanisms to market developments, and by minimising the cost of freight through a combination of spot and long-term freight options.

Key initiative:
Product development to match customer needs against resource capabilities. Continuous monitoring of price performance by measuring all sales prices achieved against a quality-adjusted reference price. Optimisation of logistics to maximise port throughput while minimising demurrage. Customer development in new geographies and continuous adaptation of the customer portfolio. Development of a portfolio of shipping instruments, including COA's, spot charters, time charters.

Which objectives does this support?
System and asset optimisation

Related material issues:
Responding to changes in the iron ore market
Delivering a resilient business

What resources do we need to achieve this?

- People
- Innovation
- Relationship
- Assets

How do we measure success?
Performance against reference price
Average realised prices
Shipping cost
Export sales volume

How did we perform in 2014?

- ✓ Beat reference price
- ✓ Record export sales, facilitated by MPT shipments
- ✓ Successful customer development across Asia
- ✓ Market leader in India

Planning for 2015
Export sales over 43Mt

STRATEGIC PILLAR THREE

Deliver on growth projects to realise growth in South Africa that adds value while facilitating an expansion of the iron ore export channel. This includes developing options for our operations in the Northern Cape. In addition, we plan to consider growth in west and central Africa by developing entry options into those regions.

Key initiative:
Deliver growth through the execution of high-priority growth projects in the Northern Cape, while developing exploration and low-grade opportunities, to find the best way to secure growth and sustain operations. In the long term, find and secure low cost, value accretive options in west and central Africa.

Which objectives does this support?
South African growth
Second footprint in Africa

Related material issues:
Responding to changes in the iron ore market
Delivering a resilient business

What resources do we need to achieve this?
- Financial
- Innovation
- People
- Relationship
- Environment

How do we measure success?
Financial returns
Costs
Production
Resources and reserves
Technical implementation

How did we perform in 2014?
- Successful Dingleton North relocation
- Completed studies in Liberia and Gabon
- Mineral resources added at Kolomela mine following successful exploration
- Sishen mine modular plant constructed
- Developed and secured funding for technology strategy
- Rationalised and optimised project portfolio

Planning for 2015
Begin Dingleton South relocation
Commissioning and ramp-up of Sishen mine modular plant
Deliver concept studies on Sishen mine low-grade beneficiation
Deliver mineral resources inventory
Northern Cape exploration

STRATEGIC PILLAR FOUR

Ensure organisational responsibility and capability, allowing us to be a responsible corporate citizen and deliver on our safety, health and environment imperatives as well as our corporate social development objectives.

Key initiative:
Maintain our licence to operate and improve business efficiencies. This will be done through a number of programmes, including creating a safe, healthy and secure working environment for all employees, engaging in meaningful communication with all stakeholders, and aligning Kumba to Anglo American's driving value initiative.

Which objectives does this support?
System and asset optimisation
South African growth
Second footprint in Africa

Related material issues:
Shifting stakeholder expectations
Delivering a resilient business

What resources do we need to achieve this?
- Financial
- People
- Relationship
- Innovation

How do we measure success?
Safety and health
Environment
People
Socio-economic

How did we perform in 2014?
- One fatality and LTIFR of 0.23
- Railway property mining right granted
- Authorisations critical to operational performance granted
- Three-year wage agreement signed
- Successful Stakeholder Day held
- Restructuring began at head office

Planning for 2015
Continue journey to Zero Harm
Continued engagement with key stakeholders
Finalise the granting of the remaining 21.4% of the Sishen mining right
Deliver high impact socio-economic development projects
Engage with all relevant stakeholders on the Thabazimbi mine review
Complete Mining Charter review
Finalise the organisational restructure at head office and support functions at the operations
Sustain high levels of employee performance and improve morale

MANAGING OUR RISKS AND OPPORTUNITIES

The past year has highlighted the importance of effective risk management. As we have restructured the business in the face of falling iron ore prices it has become clear that a resilient business is one that can adapt to change. A vital part of this is anticipating what that change might be and how best to manage it, making risk management an essential part of our business – we need to ensure we adapt and improve our planning process, and performance, in a proactive manner.

RISK STRATEGY/AGENDA

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

- Foster a risk management culture that furthers the delivery of the organisational goals by being well informed, proactive, responsive and accountable
- Enhance decision making on the identification and management of risks and align this to the strategic, operational, reputational and compliance objectives
- Ensure that as the business grows and changes it is supported by an effective risk framework that promotes resilience under adverse and changing business conditions
- Ensure that a clear understanding of our risks assists in the design of policies and forms the basis for 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

The maturity of our risk management culture is continuously assessed by the risk committee, using the following key drivers:

- **Governance** – Execution of the risk programme in line with the mandate provided by the board and adequate oversight over this process through full implementation of our risk framework which outlines policy, standardised and aligned risk matrices and appropriate systems to enable monitoring and reporting on risk activity
- **People** – ensuring that the function is adequately resourced with the requisite skills and competencies to manage risk
- **Methods, practices and systems** – using the right methodology, technology, integration, alignment, matrices and monitoring tools, as well as reporting frameworks

Highlights for 2014 and key themes for 2015

To achieve a robust enterprise-wide approach to risk and performance and continuously improve on our existing risk management practices, we identify key focus areas for each year. As in 2013, the following were key areas carried over to 2014:

- 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
- Enhancement of our top-down and bottom-up reviews from members of management and members of the board in order to align the view on risk by those responsible for governance within the organisation

In order to build a stronger risk management culture and to drive risk governance from a holistic business perspective the company defined risk tolerance and appetite levels. These tolerance levels have been translated into rand value terms in 2014, in order to manage each category of risk within limits that are tolerable to the board. To further entrench this work, the model used and the tolerance levels for 2015 have been reset.

Our approach

In mining, like any industrial environment, risk, or the likelihood of experiencing loss, injury or damage is inherent. While specific risks may not be accurately predictable or entirely avoidable, our role is to identify these and mitigate their outcome in a way that both minimises their impact and improves the resilience of the organisation. A robust risk management culture enables the business to identify key opportunities that can sustain and grow the company for the benefit of all stakeholders.

This work is guided by the principles/themes outlined below:

Enabling risk culture

Risk tolerance	Risk appetite
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 set on an annual basis.	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.

We aim to achieve the right balance between identifying and understanding our key risks, opportunities that are at our disposal and allocating the right levels of resources to optimise the two.

Roles and responsibilities

In order to manage risk across the company Kumba has a risk-policy standard in place, which is supported by an integrated framework. The risk committee, a subcommittee of the board, oversee risk management on behalf of the board. This is done through regular feedback by management on all risk management activities.

These activities include:

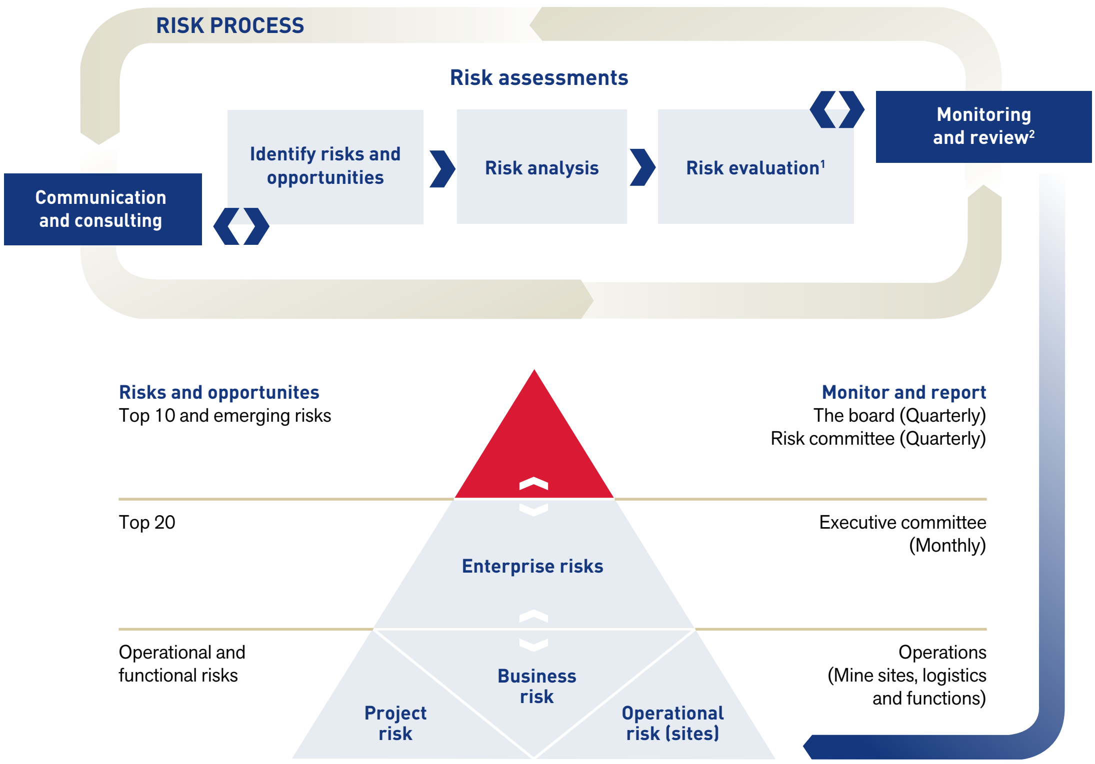
- Ensuring that internal controls are in place and operate effectively across the company in contributing to the delivery of business objectives
- Ensuring that all key operations and support functions are covered by our risk management process
- Ensuring there are adequate monitoring and control functions responsible for the various lines of defence within the company's combined assurance framework

Risk management process

Risk-assessments are key in the execution of our risk management process. These are carried out through a structured risk management framework and methodology that is used to identify key risks and opportunities throughout the organisation. The risk assessments are conducted through facilitated workshops where multi-disciplinary teams identify risks. These are thoroughly interrogated to ensure that they are adequately understood and enable appropriate evaluation using our standardised risk matrices. The risks are then prioritised and mitigation actions are captured in our risk reporting systems to enable monitoring and reporting of risk activity.

An overview of our risk management process is outlined below:

Kumba's risk management process



[1] Ensure that appropriate controls and responses are in place to mitigate the risks and manage identified opportunities (recorded in risk registers).
[2] Regularly analysing and monitoring the effectiveness of current controls (three lines of defence).
[2] Regular and timely reporting to the executive committee, the risk committee and the board.
[2] Risk management is integrated within management's everyday agenda to ensure that mitigation actions for identified risks are implemented.

MANAGING OUR RISKS AND OPPORTUNITIES continued

IDENTIFYING AND PURSUING OPPORTUNITIES

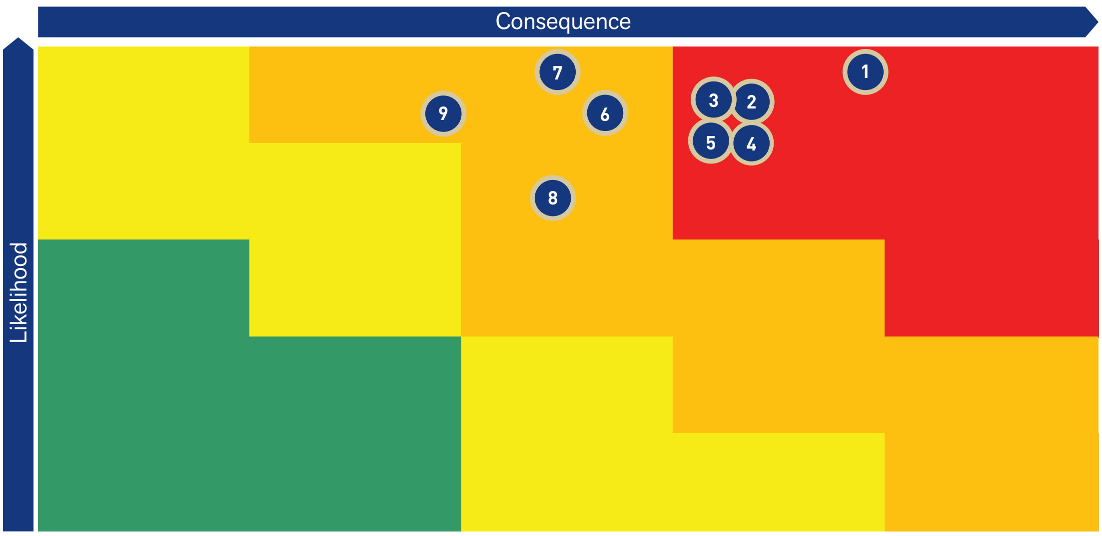
Risk management is not only about understanding what threatens our business, it is also about finding out what can strengthen it. As a result, we use this process, as outlined above, to identify opportunities that Kumba has, both now and in the future, and find ways to leverage these. Kumba's management considers the company's key opportunities to include:

- Reconfiguring our operating plans to focus on lowest cost production units to fill the rail capacity
- With the increased production at Sishen and Kolomela mines, the alignment with Transnet to use all available opportunities (on the rail and in the port) to increase our volumes railed and shipped
- The study of technology to treat low-grade resources at Sishen mine to extend the life of the operation post 2030
- Implementing value adding technology into our mining and beneficiation processes to reduce our unit cost and make our operations safer
- Implementation of a work management system (Anglo Operating Model) at our operations to ensure that all work is adequately planned, scheduled and resourced

OVERVIEW OF KEY RISK FACTORS

An overview of our key risks and how these are aligned to Kumba's material issues and strategic objectives is outlined on pages 60 and 63, as well as in the heat map below.

RISK MAP



Risk rating

High Significant Medium Low

1	Commodity markets and foreign exchange fluctuations	6	Operational performance
2	Fiscal compliance	7	Stakeholder relationships
3	Reliance on third-party infrastructure	8	Securing our growth (funding and execution of projects and reserves and resources)
4	Workers' safety and health	9	Organisational redesign, skills and labour relations
5	Mining legislation and regulatory authorisations		

The following is a detailed outline of Kumba's key risks as identified during 2014, 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.

Risk description and potential impact	Mitigation of risk	Risk rating as at December 2014	Risk rating as at December 2013
COMMODITY MARKETS AND FOREIGN EXCHANGE FLUCTUATIONS We have high exposure to market risk due to the demand for our product, iron ore, being influenced by global economic conditions. The sharp decline in the iron ore price has had a major impact on our revenue. The fundamentals for the iron ore market remain weak as demand growth slows at a time of further seaborne iron ore capacity expansion. For more details on this see pages 65 to 69. Our revenue is earned in US$ while our costs are largely incurred in rand. Exchange rate movements can therefore present a risk of revenue loss. In the period under review, the weakened rand alleviated losses resulting from the steep decline in the iron ore price.	We constantly monitor key iron ore market indicators and trends to allow a prompt response to changes and ensure that optimal prices are realised for our product. These responses are supported by carefully managing our product levels to match the availability of transport infrastructure. We have responded to the low iron price environment by: • Streamlining our project portfolio and reducing our capital expenditure requirements • Reconfiguring operating plans to focus on lowest cost production units to fill rail capacity • Restructuring which reduced the number of head office roles • Implementing a new Operating Model at Sishen mine to improve operational efficiencies Our policy is not to hedge currency risk. Mitigation in the form of foreign exchange hedging is limited to capital expenditure in major projects.		
FISCAL COMPLIANCE Our business is required to comply with an existing fiscal regime and should continuously adapt to developments and changes in fiscal legislation. We are currently engaged in discussion with SARS around on-going tax matters with a view to seeking resolution. For more details on this, see the contingent liability disclosure on page 59. In the case of non-compliance, our cash flow may be impacted by penalties and higher taxes. Furthermore this has reputational consequences for the organisation and affects our ability to satisfy the expectations of our stakeholders.	Adequate policies and procedures have been implemented by Kumba to ensure compliance with all applicable legislation. We remain proactive in managing compliance with legislation through regular review of our compliance programme and engagements with the authorities and experts in this field.		

MANAGING OUR RISKS AND OPPORTUNITIES continued

Risk description and potential impact	Mitigation of risk	Risk rating as at December 2014	Risk rating as at December 2013
RELIANCE ON THIRD-PARTY INFRASTRUCTURE 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 infrastructure such as power, water and roads. An adverse impact on logistical capabilities, shortage of capacity and failure to obtain supporting facilities 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.	We work closely with suppliers of infrastructure and also align our activities with the owners and operators in order to manage both risks and opportunities in a proactive manner. This includes: • The management of our relationships with major suppliers (Transnet and Eskom) on an on-going basis • Long-term agreements to secure supply of services • We have started utilising the Multi-purpose Terminal (MPT) for exports at Saldanha in order to mitigate capacity challenges • Optimising our ship loading and vessel utilisation activities and continued placement of stockpiles at ports close to major markets		
WORKERS' SAFETY AND HEALTH Failure to maintain high levels of safety management can result in harm to our employees, contractors and communities near our operations. One of our high priorities is ensuring that each of our employees and contractors goes home safely and remains healthy. A significant increase in waste mining and production volumes increases the resultant risk of exposure to injuries and related consequences to our employees and contractors. We at Kumba continue to focus on meeting our commitment to Zero Harm to our employees as one of our key 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. Apart from the personal impacts of accidents or poor health, failure to deal with these risks ranges from damage to employee health and morale, reputational damage, a failure to meet production targets, regulatory fines and stoppages.	A number of safety initiatives have been embedded into our business processes that include: • Safety risk management process • Safety standards and assurance programme • Reporting, analysis and investigation of incidents including near-miss actual incidents • Annual safety and health improvement plan which prioritises focus areas based on risk and performance 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. SD For more on our safety and health initiatives see detailed sections in our Sustainable Development Report 2014		

Risk description and potential impact	Mitigation of risk	Risk rating as at December 2014	Risk rating as at December 2013
MINING LEGISLATION AND REGULATORY AUTHORISATIONS 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. Furthermore our ability to obtain regulatory approvals is key to obtaining new and maintaining existing licence to operate. The recent referral of the MPRDA Amendment Bill back to National Assembly due to concerns about its constitutionality raised concerns on regulatory uncertainty in this sector. The changes in legislative environment can present challenges that may impact the way we mine and further contribute to challenges relating to managing our cost to mine. In December 2013 the Constitutional Court ruled that SIOC had a 78.6% undivided share of the Sishen mining right and that, based on the provisions of the MPRDA, only SIOC can apply for the residual 21.4%. At the beginning of 2014, SIOC applied for this mining right, but is still awaiting approval.	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. In conjunction with other mining industry participants, we continue to engage with government on the matter of changes to the MPRDA, principally through the Chamber of Mines. We continue engaging with the DMR on agreeing on conditions, within the MPRDA realm, for the granting of the 21.4% Sishen mining right.		
OPERATIONAL PERFORMANCE Our ability to meet operational performance targets is impacted by various risk exposures which primarily include: slope failure and pit constraints, waste backlog, clay content, failure of key logistics equipment, rail and port constraints and contractor performance. Failure to meet production targets may result in increased unit costs, thus affecting our operational and financial performance. Inability to deliver on our operational performance targets will have a direct impact on our ability to meet commitments to our various stakeholders.	Kumba's drive for efficiency at all our operations is built on three pillars: efficiency, success and sustainability. Vital aspects of mitigating this risk include: • Management oversight of operating performance through regular operational and executive management briefings • Continuous focus on improvement of operations. Kumba has implemented the first phase of the new Operating Model at Sishen mine – a work management system to ensure that all work is adequately planned, scheduled and resourced Implementation of action plans derived from this process will ensure that we are geared to meet our operational targets. Further mitigation is based on focused Remco and management oversight of KPIs with a specific focus on achieving waste removal and production targets.		

MANAGING OUR RISKS AND OPPORTUNITIES continued

Risk description and potential impact	Mitigation of risk	Risk rating as at December 2014	Risk rating as at December 2013
STAKEHOLDER RELATIONSHIPS 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. In the current environment of low iron ore prices, there is a greater need to communicate our ability to meet our commitments and also manage stakeholder expectations. Failure to appropriately manage these demands could lead to our inability to deliver on earlier promises aligned with stakeholder expectations. Following challenges experienced with high costs and uncertainty related to the geology at Thabazimbi mine, its future is currently under consideration. The results of the review could impact our stakeholders which include employees, communities, government and investors.	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. A comprehensive stakeholder engagement roadmap of the Thabazinbi mine review is in place.		
SECURING OUR GROWTH (FUNDING AND EXECUTION OF PROJECTS AND RESERVES AND RESOURCES) Kumba's project pipeline is affected by the capital-constrained environment and by delivery complexities. This risk is further exacerbated by macro-economic uncertainties. Given the current economic environment, we require an optimal project portfolio that will support current operations and future expansion requirements in order to create sustainable value for our stakeholders. 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 65 to 66. The inability to drive an optimal project portfolio in the current capital constrained environment may hamper our ability to react to/take advantage of the upturn in the market in the future thus impacting the sustainability of the organisation. Failure to meet project delivery timetables and budgets may delay cash inflows, increase capital costs, incur contractual penalties and reduce profitability as well as have a negative impact on Kumba's reputation.	In response to the low iron ore price environment, Kumba has embarked on an exercise to configure the project portfolio to align with capital availability with focus on supporting operations and securing future growth opportunities. Kumba has, subsequent to year end, increased its total committed debt facilities to R16.5 billion to ensure that we have adequate funding to support our portfolio. Kumba deploys 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. An ore replacement strategy is in place.		

Risk description and potential impact	Mitigation of risk	Risk rating as at December 2014	Risk rating as at December 2013
ORGANISATIONAL REDESIGN, SKILLS AND LABOUR RELATIONS Kumba requires an adequately skilled and focused workforce to implement our business strategy and objectives and deliver on our commitments to shareholders given the current challenging operational and economic environment. The organisation relies on large numbers of variously skilled labour to sustain our mining operations. Inability to retain skilled employees or to recruit appropriate employees committed to a culture of high performance may impact on our ability to meet our performance objectives and deliver to our stakeholders. 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. 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.	A review of our organisational structure and implementation of the restructuring process is being conducted to re-align our business to ensure we build a resilient and efficient workforce to deliver on our commitments in the current and foreseeable future given the challenging economic environment we face. We on labour and stakeholder relations using innovative as well as conventional engagements. We have broader constructive dialogue with employees and unions, ensuring that both sides understand and appreciate the other's position. The signing of the three-year wage agreement for bargaining category employees, in July this year, has restored the confidence in the effective functioning of the bargaining system in delivering negotiated agreement and further served to improve relations with unions. For more details on our employment and collective bargaining practices see page 73.		

ENGAGING WITH OUR STAKEHOLDERS

WHY THIS IS IMPORTANT

To achieve our business strategy we rely on a stakeholder engagement framework that supports the company's goals and objectives, maintains and improves our reputation, and is in the interest of long-term sustainability and growth. Our relationships with stakeholders play an important role in maintaining our licence to operate.

OUR APPROACH

We recognise that our mining operations are located in areas where sustainable social and economic development is most needed. Our goals therefore go beyond compliance with legislative requirements, as we strive for excellence and best practice in development.

Kumba's stakeholder engagement strategy takes cognisance of our values and various business risks faced by the company, and responds to concerns, issues and expectations articulated by all our stakeholders. See the section on Identifying our material issues on page 60. This strategy aims to achieve the following objectives:

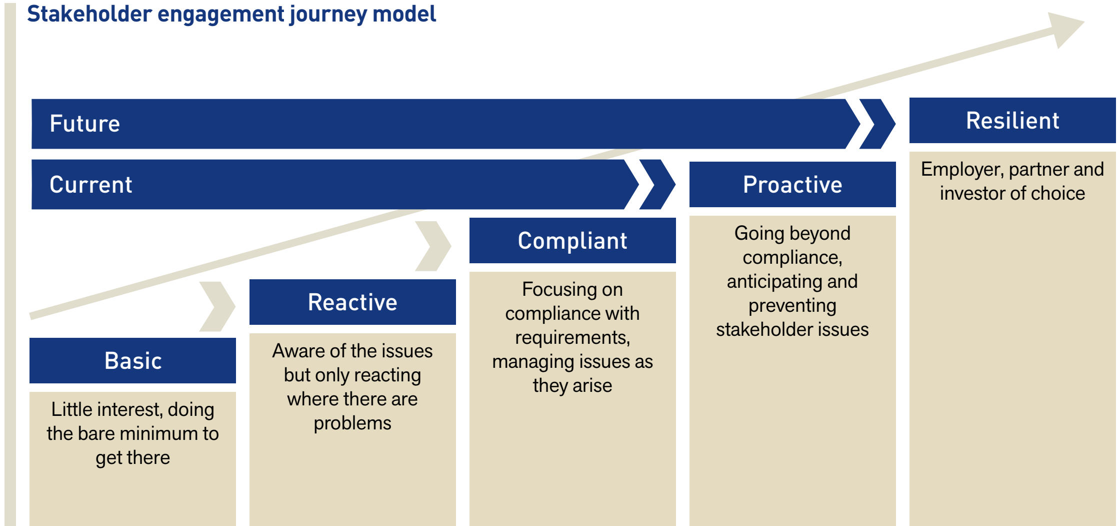
- Position Kumba as the iron ore mining partner of choice in sustainable development and long-term growth
- Be a preferred employer with an attractive employee value proposition
- Ensure we are experienced as being a valued and engaged partner by the South African government
- Secure well-managed strategic business relationships
- Be compliant, and be viewed as responsive to related stakeholder concerns
- Inspire stakeholder confidence in our ability to execute our vision and strategy
- Effectively participate in public policy development

STAKEHOLDER ENGAGEMENT JOURNEY MODEL

The diagram below illustrates our model of stakeholder engagement. We believe that we are currently at the proactive phase of engagement and seek to move towards resilience.

As part of our stakeholder management policy requirements, we review our stakeholder strategy annually to account for

Stakeholder engagement journey model



KUMBA'S PHILOSOPHY ON STAKEHOLDER ENGAGEMENT

OPERATING SMARTER

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

new stakeholders as well as shifting interests and concerns, and to set new performance indicators. At the end of 2014 we reviewed our strategy, integrating new stakeholder interests as well as Kumba's material issues into our primary stakeholder issues. Stakeholder interests are collated from our regular interactions with stakeholders, using diverse platforms including meetings, workshops, inspections, investor days, complaint registers, safety, health and environment (SHE) forums, socio-economic assessment toolbox (SEAT) processes and stakeholder days.

This prioritisation of issues is an important element of the stakeholder engagement strategy as it aligns the strategy with the company's business objectives.

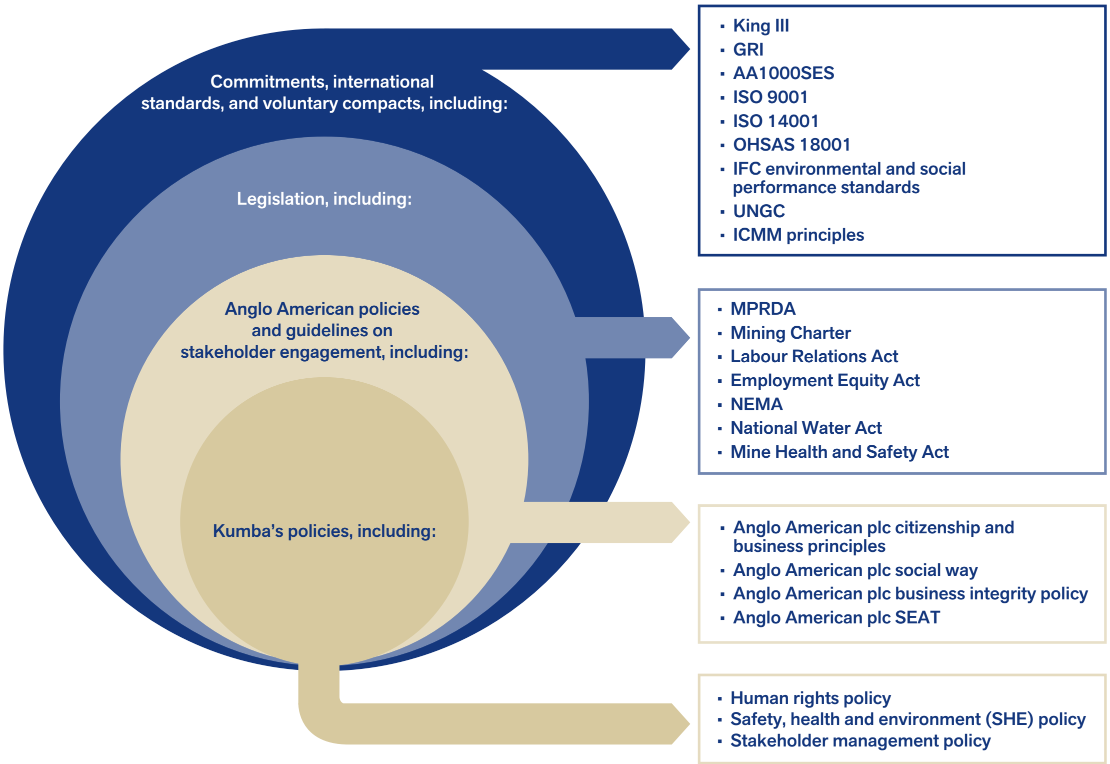
Material issues	Response to material issues
Responding to changes in the iron ore market	• Engaging with stakeholders on the impact of the structural changes in the iron ore market on Kumba • Review of Thabazimbi mine • Restructuring of head office • Restructuring of support services at our operations • Reduced CSI spend
Shifting stakeholder expectations	• Engaging with the DMR • Inputting to regulatory changes and the Mining Charter review • Maintaining legislative and social licence to operate
Delivering a resilient business	• Aligning of permitting systems with operational plans to timeously obtain authorisations • Engage local suppliers on opportunities in mining • Implement municipal infrastructure development programme • Relocate Dingleton South

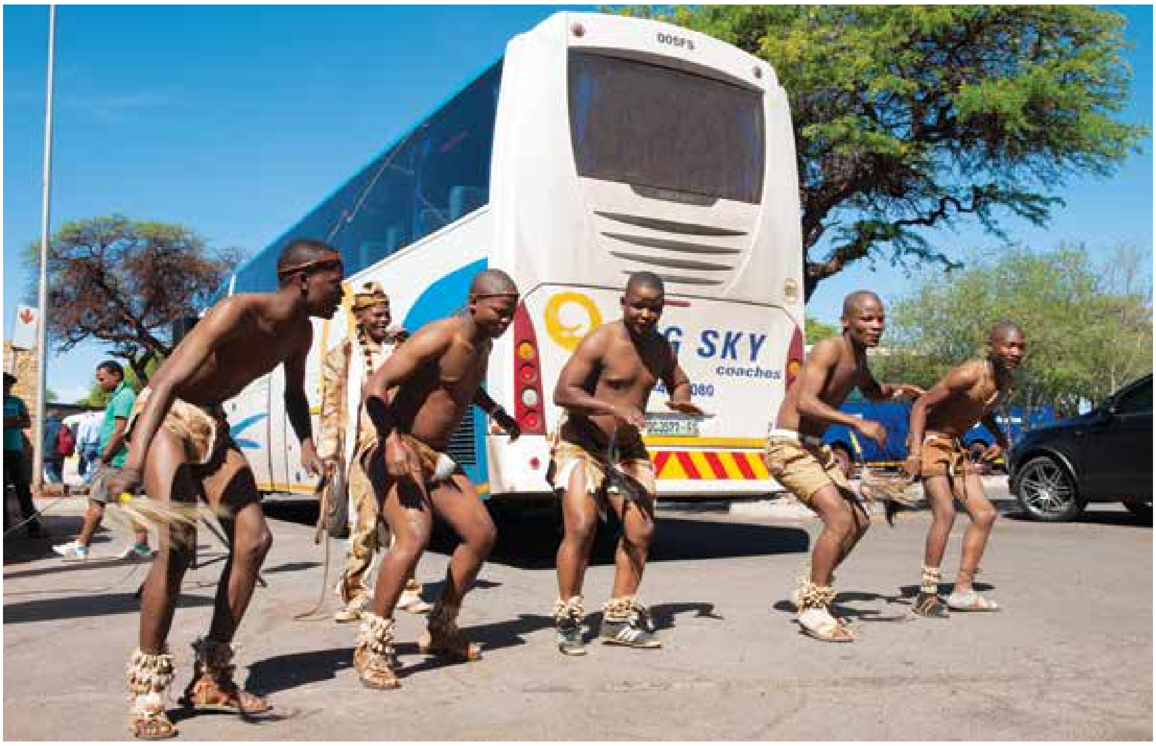
Opposite
Joseph Kgakatsi, Lukas Kaalman and Florence Dikolenyane represented the Heuningpot Beekeeping primary co-operative, a Sishen mine funded project at the stakeholder day held in Kathu.

ENGAGING WITH OUR STAKEHOLDERS

continued

Kumba's stakeholder engagement governance framework





Opposite
The Laaithies traditional dance group from the local community entertained guests at the stakeholder day held in Kathu in 2014.

In addition, the primary issues identified for focus in 2015 are closely related to our 2014 material issues.

We also monitor the complex environment within which we operate and identify emerging issues, in order to allow for proactive interaction. Two of the most significant issues that surfaced during the reporting period were changes in the iron ore market and the rise in demand for local supplier opportunities in mining.

Our engagement strategy is also governed by a number of international standards and practices as well as various Anglo American plc Group policies. Internally, we have developed tools and guidelines that support the implementation of the engagement strategy, and adhere to internal policies that regulate stakeholder engagement.

At the heart of our stakeholder engagement framework is our stakeholder management policy which describes:

- Our stakeholder engagement objectives
- The strategy we will implement to achieve these
- The indicators that we will use on an annual basis to measure and evaluate our performance

STAKEHOLDER GROUPS

Stakeholders (individuals and groups) are important to Kumba's success, and the achievement of our strategic objectives. Our stakeholders are those impacted by the organisation, or with the potential to impact the organisation, and those that are interested in the organisation. Critical stakeholder groupings include:

- **Internal stakeholders**, including employees, unions, management, Kumba and SIOC boards, and Anglo American plc Group.
- **Government and political groups**, including national, provincial and local government, major political parties and relevant parliamentary portfolio committees.
- **Civil society** comprising community groups, traditional leadership, church leaders, non-governmental organisations (NGOs) and community-based organisations (CBOs).
- **Business partners and business organisations.** This includes suppliers comprising both large **suppliers** and local small-scale enterprises
- **Customers**, who buy our products on the basis of Kumba's reputation for quality, consistency and reliability.
- The **investment community** comprising shareholders, potential investors and financiers, whose interests are in the value, growth and sustainability of the company, with a growing awareness of social development imperatives.
- The **media**, who can rapidly influence the reputation of the company.

OUR PERFORMANCE IN 2014

We continued to implement our stakeholder engagement strategy, focusing on improving stakeholder engagement planning, execution and evaluation, which allowed for

ACHIEVEMENTS AND CHALLENGES

✓	Approval of crucial mining authorisations	✗	Structural changes in iron ore market
✓	Relocation of Dingleton North residents	✗	Restructuring of operations, including reducing employee numbers
✓	Certain IOEC tariff agreements concluded with Transnet	✓	Improved relationship with the regulator
✓	Three-year wage agreement reached with recognised labour unions	✓	Mining Charter targets largely met
✓	Successful Stakeholder Day hosted at Kathu	✓	Enhanced sales diversity due to increased engagements with India
✓	Local procurement initiatives with major suppliers	✓	Improved technical engagements with Japan and South Korea
✗	Increase in safety incidents	✗	Granting of 21.4% share of Sishen mining right not finalised
✗	Regrettably a fatality at Sishen mine	✗	Regulatory uncertainty persists – MPRDA promulgation delayed; Mining Charter review not finalised
✗	Delays in granting of several mining and water use authorisations		
✓	Railway properties mining right granted	✓	Number of section 54 notices reduced

ENGAGING WITH OUR STAKEHOLDERS
continued

HOW THIS IMPACTS OUR RESOURCES

Leads to stable relationships	Ensures community investment is spent on the right projects
Improves employee relations	Ensures regulatory and licence to operate and co-exist with communities
Secures investments	Secures markets

structured and constructive engagements at various levels of the organisation. This engagement approach has increased the level of trust between Kumba and its key stakeholders, although more work remains to be done. In particular, our relationship with our primary regulators, the Department of Mineral Resources (DMR), Department of Water Affairs (DWA) as well as the Northern Cape provincial and local governments, communities, unions and employees benefited from this effort.

Indicators that our strategy is achieving the desired results are the following in terms of the approval of critical 2014 mining and environmental authorisations at Sishen mine being granted.

- The allocation of the railway property mining right
- The renewal of prospecting rights
- Environmental amendments for waste rock dumps
- Construction of the HME filling station
- The Dingleton relocation

These authorisations were critical for the mine to reduce operational costs and reach its future production targets. The application for the 21.4% share of the Sishen mining right is yet to be granted.

Engagements with the relevant authorities on environmental and safety compliance issues were also undertaken, with the intention of ensuring mutual control and collaboration in finding long-term solutions. This, together with measures taken to mitigate environmental impacts and enhance safety, led to improved incident reporting and a decrease in the number of findings against Kumba operations, in relation to sections 54 and 93 of the Mine Health and Safety Act (MHSA)

Opposite
In 2014, Sishen mine held a stakeholder day in Kathu to facilitate interaction and promote dialogue between Kumba and its stakeholders. As part of the programme the stakeholders visited one of the employee housing projects in Sesheng.

and the Mineral and Petroleum Resources Development Act (MPRDA) respectively.

Communicating our performance against Mining Charter targets was another significant undertaking during this reporting period, in light of the 10th anniversary of the Charter. The company has largely achieved these targets and has notably gone beyond compliance on ownership, preferential procurement, housing and human resource development elements. Kumba continuously promotes transformation and monitors compliance to ensure that we secure and maintain our licence to operate. See page 16 of our Sustainable Development Report 2014 for our Mining Charter compliance, and page 38 of our Sustainable Development Report 2014 for some details on our transformation efforts.

Through rigorous engagement, the industry and government managed to resolve a number of contentious issues that were contained in earlier drafts of the 2013 MPRDA Bill. While the Bill was passed by Parliament in 2014, it has yet to be enacted and was returned to Parliament for further work. The anticipated review of the Mining Charter did not commence and is anticipated to be undertaken in 2015.

With regard to the iron ore export channel (IOEC), certain tariff negotiations with Transnet were concluded during the year. This is a positive step in securing future growth in capacity. Kumba also continued to facilitate access for emerging miners on the IOEC, while at the same time maintaining the efficiency of the system. See page 30 of this report for more details.

Despite the volatile labour relations climate that prevailed throughout the South African mining industry in previous years, Kumba concluded a three-year wage agreement without industrial action. See page 73 for detailed discussions on the labour relations climate.

The launch of the Kumba Stakeholder Day in Kathu on 18 September 2014 provided significant insights into stakeholder perceptions, and revealed that we need to work harder to partner with all our stakeholders to realise shared value. Declining iron ore prices continue to have an impact on the company's profitability and the need to shift community expectations in line with what is possible has become increasingly relevant. See the case study on page 35 of the Sustainable Development Report 2014.

STAKEHOLDERS' NEEDS AND CONCERNS

During 2014, we tracked stakeholder concerns raised during our interactions with them and through social-economic assessment toolbox (SEAT). This enabled us to acknowledge their material needs and to provide us with a platform from which to effectively respond to them. See the table on the next page for more details.

Opposite
More than 182 stakeholders, representing local and district municipalities, national and provincial government, organised labour, business (including neighbouring mining companies, suppliers and business forums), development partners, communities and civil society, participated in the stakeholder day held in Kathu in 2014.

ENGAGING WITH OUR STAKEHOLDERS
continued

Stakeholder group	Stakeholder concerns	Impact on Kumba	Impact on stakeholder	Kumba's response
Government, regulatory and political role players (national, including the DMR, DWS and Department of Environmental Affairs (DEA); provincial and local government, parliament)	Safety and environmental impacts	Safety-related operational stoppages and environmental non-compliance findings affect production and reputation	Increasing safety and environmental investigations	Technological innovations to enhance safety Mitigate environmental impacts and maintain compliance
	Compliance with regulatory requirements	Lack of compliance will result in loss or suspension of mining rights	Government unable to meet transformation objectives	Revise Social and Labour Plan (SLP) targets and maintain compliance 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 not contributing to local beneficiation	Government unable to meet industrialisation objectives	Role in supply of 6.25Mt at locally agreed prices Research in beneficiation technology and skills development Work with the DMR through Anglo American plc Group to co-create investor-friendly legislation
	Kumba's role in community development given current prices Capability and capacity of municipalities to provide for needs of communities and growing local industry	Unstable, under-developed communities causing unrest Capacitated municipalities delivering service and enabling Kumba to deliver on SLPs	Pressure exerted by local mining operations on basic infrastructure Lack of development Increased activism by communities and possible social instability	Build partnerships with suppliers to maintain existing projects and implement planned projects Focus on implementing high impact projects Demonstrate commitment to developing communities Implement municipal development programme Partner with municipalities and assist with delivery on developmental projects
Civil society (impacted communities, farmers, development partners and unions)	Providing opportunities for employment and skills development	Dissatisfaction among these stakeholders affects company's social licence to operate Community unrest	Communities not benefiting from the mineral resources extracted in their areas	Form business partnerships to implement high-impact developmental projects identified Information sharing on progress and challenges
	Impact of mining operations on 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

Stakeholder group	Stakeholder concerns	Impact on Kumba	Impact on stakeholder	Kumba's response
	Benefit sharing	Scrutiny by regulators and potential suspension of licences	Lack of service or municipal infrastructure	Continue to engage and partner with local authorities to address local needs
	Financial compensation for Dingleton community	Some homeowners refusing to move, impacting on production Potential litigation Disruptions at operations	Miss the opportunity of new modern houses close to amenities Missed opportunities for skills development and employment Procurement opportunities	Continue to demonstrate value of relocation to the new site (new and modern houses, proximity to amenities and job opportunities) Demonstrate that fair compensation has been received
Business and industry:			Transnet achieving its strategic objectives	Continued engagements and support on achieving additional allocation and efficiencies
• Suppliers	Expansion of IOEC	Availability of rail to export ore through Saldanha port	Additional revenue from expanded rail infrastructure	
• Local businesses	Lack of procurement opportunities for local suppliers	Not giving local suppliers opportunities causes instability and unrests which affects production	Local businesses not able to thrive	Progress 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	Stringent, certified quality assurance process
Investment community (analysts, financiers, shareholders including BEE shareholders)	Sishen mine constraints Costs, growth and sustainability of the company Dividend Progress on mining rights applications Other regulatory issues Litigation and labour relations	Loss of confidence in the company Decline in investment, share price and market capitalisation	Value erosion	Continue to implement initiatives for cost containment and asset optimisation, growth strategy, and the Sishen mine turnaround plan Continue compliance and improving stakeholder relations Maintain sound labour relations policies and practices
Employees/unions	Restructuring Housing Progression opportunities Developments in the company Wages	Low productivity levels Loss of revenue Safety compromised Labour unrest Strained relations	Job dissatisfaction Injuries Loss of income during unprotected strikes	Address identified issues Emphasise and prioritise safe working practices Improve communication
Media	Company's operational and financial performance Good corporate citizenship Labour relations Regulatory and legal issues Transparency	Reputation and brand enhanced or negatively affected	Publishing of good or negative news depends on our performance against these concerns	Transparent engagements Ensure stakeholders have an objective and balanced view

ENGAGING WITH OUR STAKEHOLDERS

continued

KEY ENGAGEMENT PLATFORMS AND COMMUNICATION CHANNELS

The most prominent engagement platforms and communication channels used for key strategic stakeholders are illustrated in the table below:

Channel categories and specific channels	Internal	Civil society	The media	Business and industry	Investment community	Government, regulatory and political
Leadership/ management communication Face-to-face communication	Operational leadership teams (GMs and HODs) Kumba executives (chief executive and Exco) Visible felt leadership (VFL) Safety indaba Training shift meetings Caucus meetings	Stakeholder Day Presentations Meetings	Mine visits Press conferences Media launches Results presentations	Mine visits Workshops Presentations Meetings	Investor days Mine visits Workshops Results presentations Roadshows	Mine visits Workshops Presentations Meetings
Newsletters Convey company-wide or operation-specific news, as well as human interest stories	*InSite*, *Boswa Ba Rona*, *Line of Site*, Dingleton *Resettlement News*, *Digging Deeper*, *Thaba Junction*	*Dingleton Resettlement News*	–	–	–	*Dingleton Resettlement News*
Electronic communication Quick, paperless distribution of news, content can be tailor-made for specific employee sub-groups	Electronic notice boards/ public display screens The Source (Anglo American plc Group intranet/My Workspace) Sishen Blitz Bulk email/ communication mailboxes	Anglo American and Kumba websites	Anglo American and Kumba websites	Anglo American and Kumba websites, Electronic notice boards/public display screens	Anglo American and Kumba websites	Anglo American and Kumba websites, electronic notice boards/public display screens
Printed communication channels Focused on sharing details of Kumba's financial and social performance	*Let's Connect* *A Magazine* Posters Flyers	Anglo American Transformation report	Integrated Report Sustainable Development Report SEAT Report Anglo American Transformation report	Integrated Report Sustainable Development Report Anglo American Transformation report	Integrated Report, Sustainable Development Report Anglo American Transformation report	Integrated Report Sustainable Development Report Anglo American Transformation report
Mobile and social media Used to distribute information or to respond to issues or enquiries in a quick and efficient manner	SMS Anglo American Facebook page Anglo American Twitter feed	Anglo American Facebook page Anglo American Twitter feed	Anglo American Facebook page Anglo American Twitter feed	Anglo American Facebook page Anglo American Twitter feed	Anglo American Facebook page Anglo American Twitter feed	Anglo American Facebook page Anglo American Twitter feed
Other communication channels Special purpose events used as engagement platforms with key stakeholders		Press releases Press conferences	Press releases Press conferences	Press releases Press conferences		Press releases Press conferences

OBJECTIVES FOR 2015

During 2015 we aim to implement the stakeholder strategy that was revised in 2014 and effectively manage the company's primary issues, while also monitoring emerging issues.

More work also needs to be done in reinforcing a positive stakeholder engagement culture that promotes meaningful partnerships and sustainable growth. We will seek to enhance existing relationships and build new ones to ensure our resilience as the company navigates current headwinds. Particular emphasis will be laid on reducing and mitigating safety and environmental impacts through dialogue with affected stakeholders; enriching partnerships to deliver on socio-economic development, promoting empowerment and transformation; and maintaining relationships with authorities, labour and communities. We aim to align our systems to more efficiently plan and timeously obtain authorisations from government.

It is envisaged that the Mining Charter audits undertaken by the DMR to determine the mining industry's level of compliance will be concluded in 2015. The review that will follow will require us to participate effectively to shape the provisions of the revised Mining Charter.

Opposite left - top
The Deputy Minister of Mineral Resources Godfrey Oliphant, MEC for Social Development in the Northern Cape Province, Mxolisi Sokatsha, members of the board and other stakeholders representing local and district municipalities, national and provincial government, organised labour, business, development partners, communities and civil society, participated in the stakeholder day held at Kathu in 2014. The Kolomela housing project was one of many projects showcased at this event.

Opposite right - top
The main performer of the Laaithies traditional dance group that entertained guests at the stakeholder day held in Kathu in 2014.

Opposite left - bottom
Yvonne Mfolo, executive head of public affairs at Kumba delivered a presentation on the progress made by Kumba in achieving mining charter targets at the stakeholder day held in Kathu in 2014.

Opposite right - bottom
Members representing the Bakotudi farm funded by Kumba in the Thabazimbi area showcased their produce at the stakeholder day held in Kathu. The farm grows and distributes vegetables to the local markets in the area.


NO SMOKING

FOCUS: MAXIMISING VALUE

Top image
The Tom Selmer is a German registered ore carrier loading ore at the Saldanha Iron Ore terminal. The ship is capable of carrying 172,000 tonnes of ore and the loading process takes about 36 hours to complete.

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

CHIEF FINANCIAL OFFICER'S REVIEW

Frikkie Kotzee
Chief financial officer

"Kumba continues to deliver value to shareholders, with a solid operational performance for the year. The production recovery plan at Sishen mine was executed and the strong performance at Kolomela mine continued. However, the significant drop in the iron ore price more than offset these operational improvements. While the decline in the iron ore price resulted in a decrease in our earnings, we continued to invest in our business and our balance sheet remains strong."

The iron ore price had a significant impact on the financial results. The average of the 62% Platts index declined 28% - from US$135 to US$97 per tonne. Kumba's achieved average FOB export prices were down US$34 per tonne, or 27% from US$125 to US$91 per tonne. The weaker average ZAR/US$ exchange rate partially countered the effects of the price decline. As a result operating profit (EBIT) decreased 32% to R19.2 billion (2013: R28.4 billion) and headline earnings of R11 billion were 29% lower than the R15.4 billion achieved in 2013. Attributable and headline earnings for the period were R33.44 and R34.32 per share respectively (2013: R48.09 and R48.08).

While the market was tough during the year with iron ore prices declining throughout, we are pleased with our stable operational performance overall. Although our operating margin decreased by 12% it is still strong at 40% (2013: 52%), while the group's mining margin remained healthy at 45%. The board has declared a final cash dividend of R7.73 per share, giving a total cash dividend of R23.34 per share for the year.

Financial overview

Rand million	31 Dec 2014	31 Dec 2013	% change	31 Dec 2012	31 Dec 2011
Revenue	**47,597**	54,461	(13)	45,446	48,553
Operating expenses	**(28,405)**	(26,076)	9	(21,800)	(16,587)
Operating expenses (excl. royalty and deferred stripping costs)	**(29,067)**	(24,742)	17	(21,191)	(14,825)
Mineral royalty	**(1,176)**	(2,157)	(45)	(1,127)	(1,762)
Deferred stripping capitalised	**1,838**	823	123	518	-
Operating profit	**19,192**	28,385	(32)	23,646	31,966
Operating margin (%)	**40**	52		52	66
Profit attributable to:	**14,148**	20,300	(30)	16,455	22,298
Equity holders of Kumba	**10,724**	15,446	(31)	12,486	17,042
Non-controlling interest	**3,424**	4,854	(29)	3,969	5,256
Headline earnings	**11,006**	15,443	(29)	12,472	17,048
Effective tax rate (%)	**25**	28		25	25
Cash generated from operations	**21,769**	29,354	(26)	24,688	32,814
Capital expenditure	**8,477**	6,453	31	5,917	5,849
Net debt/(cash)	**7,929**	1,796	341	4,342	(1,551)
Equity	**27,001**	27,184	(1)	19,664	20,592

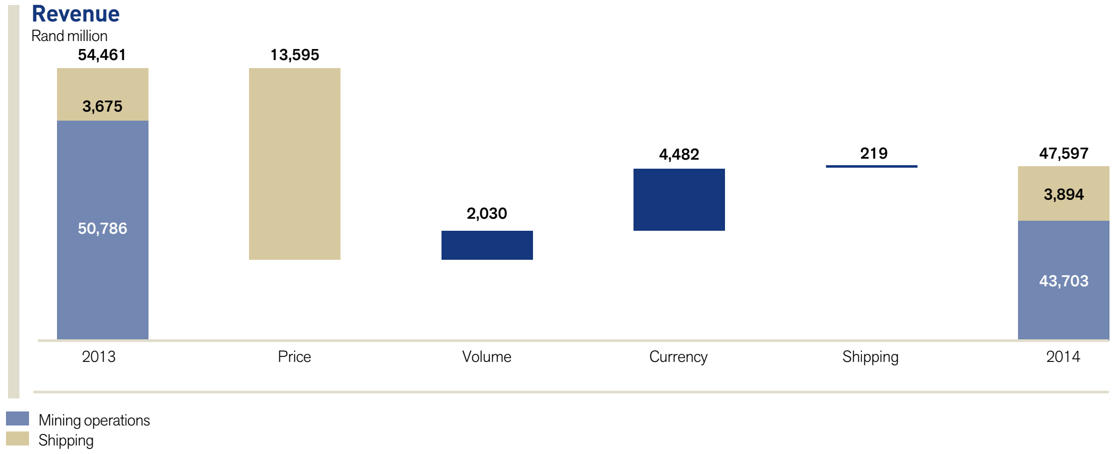
FINANCIAL PERFORMANCE

Revenue

The group's total revenue of R47.6 billion for the year decreased 13% from R54.5 billion in 2013, mainly as a result of the significant drop in average realised iron ore prices (2014: US$91/tonne; 2013: US$125/tonne) offset to an extent by the weaker average ZAR/US$ exchange rate (2014: R10.83; 2013: R9.62), as well as 4% higher total sales volumes of 45.3 Mt.

The export price at the beginning of the financial year was US$135/tonne, falling to a five year low of US$72/tonne by the end of December 2014, following strong growth in supply, particularly from the major suppliers, and slower crude steel production growth in China. As a result, lower achieved iron ore prices significantly reduced our revenue line with R13.6 billion compared to the 2013 base. Lower freight rates have supported FOB prices and higher grade materials have maintained their premium. On average for the year, the spot lump premium was around US$11 per tonne. The premiums Kumba achieved on its lump products and the higher lump:fines export ratio partially countered the effects of the price decline.

The average Rand/US$ exchange rate of R10.83 was 13% weaker than the R9.62 achieved in 2013, increasing revenue



by R4.5 billion when compared to the 2013 base, as all our export sales are denominated in US$. Furthermore, higher total sales volumes added an additional R2 billion to our revenue line as the group's total sales volumes increased by 1.6 Mt to 45.3Mt in 2014 (2013: 43.7Mt) from a 4% increase in both domestic and export sales volumes, to 4.8Mt (2013: 4.6Mt) and 40.5Mt (2013: 39.1Mt) respectively. The higher domestic sales volumes were supported by improved production at Thabazimbi mine while improved export sales volumes are the result of better production at Sishen mine and Kolomela mine. In addition, Saldanha's multi-purpose terminal (MPT) allowed for the export of additional tonnage, particularly towards the end of the year. In the fourth quarter, the MPT accounted for 0.7 Mt of exports.

Export sales to China accounted for 57% of the company's total exports in 2014, compared to 67% in 2013. Exports to Japan, South Korea and the rest of Asia remained at 22% of the total while sales to Europe and MENA made up 10% of total sales during the year. India took up 11%. In 2014, Kumba was rewarded for its customer development efforts in India and elsewhere in the past few years in line with our strategy to broaden the customer base. Most sales to China are on a CFR basis, whereas Indian sales are mostly FOB. CFR shipments therefore, have fallen slightly accounting for 62% of export sales (2013: 63%).

Export sales volumes geographical split (%)

	2014	2013	2012
China	**57**	67	69
Japan, South Korea and rest of Asia	**22**	22	18
India	**11**	-	2
Europe and MENA	**10**	11	11
Total	**100**	100	100

Although the weakening of the Rand/US$ exchange rate and the increased sales volume worked in our favour, our revenue line was significantly impacted by the decline in the iron ore price. Our revenue remains sensitive to iron ore prices and the Rand/US$ exchange rate. Subsequent to year end, iron ore prices continued to decline.

Operating expenses

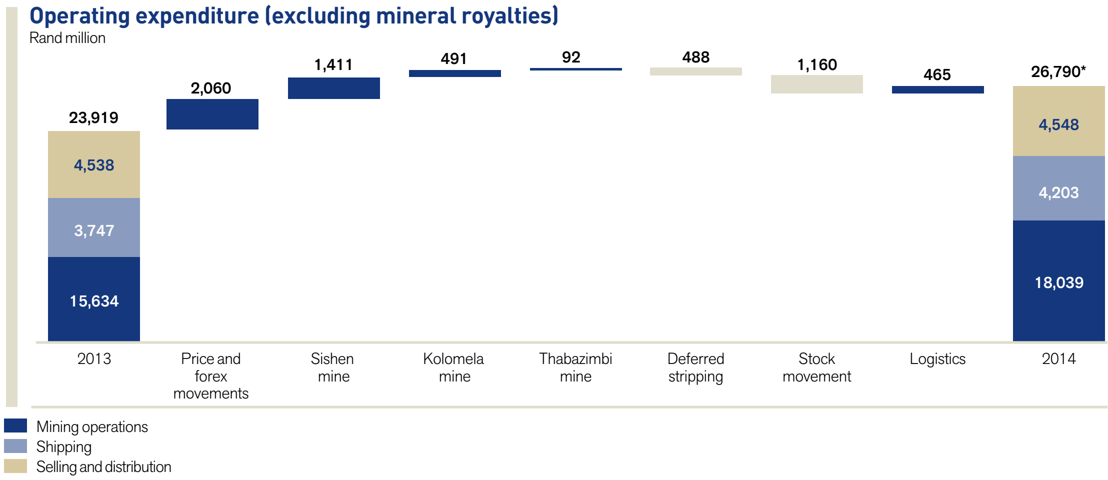
Operating expenses increased 12% year-on-year to R26.8 billion, excluding the mineral royalty and impairment charge, driven primarily by 37Mt growth in total mining volumes and cost increases in labour, diesel, mining contractor rates and rail and port tariffs.

Total tonnes mined at Sishen mine rose 10% to 229.9Mt (2013: 208.8Mt) and at Kolomela mine 18% to 70.4Mt (2013: 59.9Mt). On the back of the growth in total mining volumes at Sishen and Kolomela mines, mining operating costs increased by R1.4 billion and R491 million respectively. The impact of the increased mining activity at Sishen and Kolomela mines was offset by higher waste stripping deferred to the balance sheet, reducing mining operating costs by R488 million. Finished product inventory at the mines and ports rose to 6.5Mt from 2.9Mt at the end of 2013 reducing mining operating costs by a further R1.2 billion. The net impact of the above is that Kumba's mining operating costs increased by R345 million (excluding price and foreign exchange movements of R2.1 billion).

The group's total logistic costs were R465 million higher than the 2013 base with shipping costs contributing R456 million incurred on 23Mt sold on a CFR basis. The Sishen-Saldanha iron ore export channel (IOEC) continued to support the increased production as 42.2Mt were railed to Saldanha, an increase of 6% (2013: 39.7Mt). Kumba shipped 40.1Mt from the Saldanha port for the export market, 2% more than the 39.3Mt in 2013. The increase in railed and shipped volumes led to higher selling and distribution costs, offset by penalties and super tariff volumes recorded in the previous year. Minimal penalties were recorded in 2014 on rail and port performances.

CHIEF FINANCIAL OFFICER'S REVIEW
continued

Operating expenditure (excluding mineral royalties)



*Excluding mineral royalty and impairment charge.

Going forward, the group expects a positive impact on overhead costs from the restructuring of head office and support functions at our operations currently underway and the implementation of the Operating Model at mining and plant operations.

Unit cash cost

Sishen mine

Overall, Kumba showed a marked improvement in production as plans implemented over the past few years yielded benefits. Sishen mine production increased by 15% to 35.5Mt (2013: 30.9Mt) with total tonnes mined at Sishen mine rising 10% to 229.9Mt (2013: 208.8Mt) with waste amounting to 187.2Mt (2013: 167.8Mt), an increase of 12% compared to the prior year. Waste removal run rates are now meeting targets and were complemented by the implementation of the Operating Model at internal waste and ore mining in the Sishen North mine in August 2014. The model is already yielding results including improving scheduled work, now over 70% compared to 20% on commencement, a 50% reduction in waiting time on shovels, and 23% efficiency improvements in total tonnes handled since June 2014.

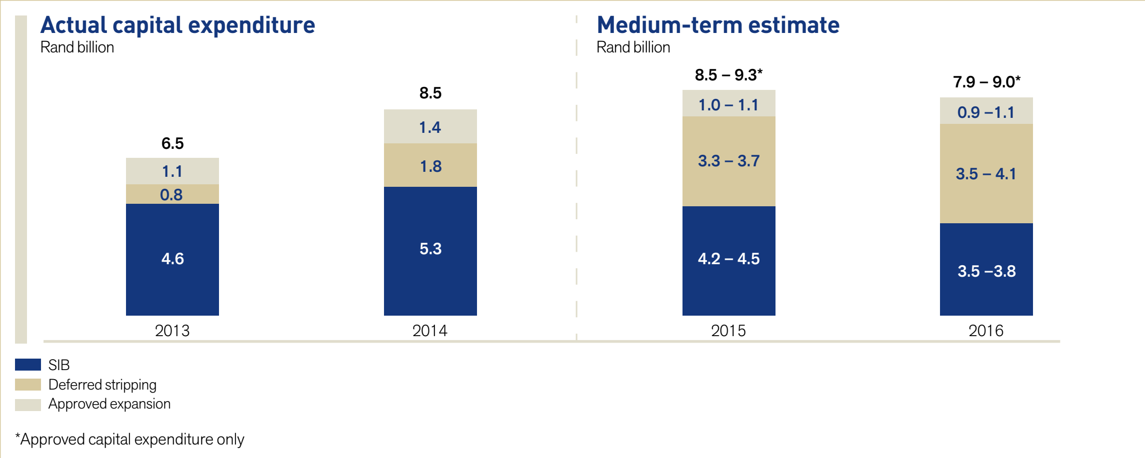
One of the benefits of the successful recovery was that unit cash costs at Sishen mine were contained around R272/tonne compared to R267/tonne in 2013. This was achieved despite a challenging South African cost environment. The input cost pressures of inflation and prices added R20/tonne, while higher mining volumes added R28/tonne. These were offset by higher production volumes of R40/tonne and deferred stripping of R13/tonne. Rising mining contractor rates were impacted by longer hauling distances and increased vertical lift in the pit. In US dollar terms, mining cost per tonne decreased by 4%.

As Sishen mine approaches its peak of the waste mining, unit cash cost growth for the mine is expected to peak in 2015 and flatten thereafter. Going forward we should also see a benefit from the reduction in oil prices, increasing productivity and the Operating Model. If the average Brent crude oil price of US$99/barrel in 2014 realised at the current ~US$60/barrel, the lower oil price would have benefited unit cost at Sishen mine by R1.35/mining tonne or R10.65/production tonne.

Execution of the pit redesign plan has resulted in 780Mt of waste taken out of the revised life-of-mine plan, with an 87Mt reduction in reserves, increasing the net present value of the mine. The outcome was a reduction in the average life-of-mine stripping ratio from 4.4 to 3.9. As a result the remaining life-of-mine of Sishen mine has reduced from 18 years to 16 years at the end of 2014. The increase in the proved to probable ore reserve ratio from 49:51 in 2013 to 70:30 in 2014, is primarily the result of the reversal of the downgrading of 225Mt reserves from proved to probable in 2013 at Sishen, subsequent to the granting of the mining right over the Sishen Rail properties in February 2014.

Kolomela mine

At Kolomela mine unit cash costs of R208/tonne were incurred, a 14% increase on 2013 due to increased input costs on diesel, and drilling and blasting material. Mining contractor rates rose because of greater travelling distances. Cost escalation added R13/tonne, in line with inflation. Further waste mining growth increased unit costs by R31/tonne which included 2.5Mt from the third pit as pre-stripping was completed in October. This was offset by the impact of increased production volumes and deferred stripping each around R15/tonne. Other cash costs, at around R12/tonne, included additional drilling to ensure optimal placement of waste dumps, reclaimer related maintenance and exploration drilling to increase geological confidence in the resource, in line with Kolomela mine's 11Mt life-of-mine production capacity.



With the establishment of the third pit, waste levels going forward are expected to come down and normalise. The new steady state production capacity is 11Mtpa, up from 10Mtpa. As a result, the remaining reserve life of Kolomela mine has reduced from 24 years to 21 years at the end of 2014 (from 19 years to 16 years excluding inferred resources).

Thabazimbi mine

Thabazimbi mine has performed well as a domestic supplier of ore. The mine produced 1.1Mt (2013: 0.6Mt), an increase of 83% which benefited unit costs, containing it to R682/tonne, a net increase of only 6%, mainly due to 20% improvement in mining volumes.

An impairment charge of R439 million was recognised, which relates to Thabazimbi mine's deferred stripping asset. As part of the review of Kumba's entire portfolio, the future of Thabazimbi mine is still under consideration, and future capitalisation of deferred stripping costs will be reviewed accordingly.

Taxation

The group's effective tax rate decreased to 25% (2013: 28%). 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. As at 31 December 2014 the group was engaged in discussions with SARS around certain tax matters with a view to seeking resolution. These matters have been considered in consultation with external tax and legal advisors, who support the group's position.

Refer to the contingent liability disclosure in the Annual Financial Statements 2014 mentioned on page 69.

Capital expenditure

Kumba continues to invest in the development and expansion of its business, to ensure future sustainability. In 2014 R8.5 billion (2013: R6.5 billion) was spent on capital. Expansion capex of R1.4 billion focused on the Dingleton relocation project and R7.1 billion on stay-in-business (SIB) (2013: R5.4 billion) activities (including heavy mining equipment, infrastructure, housing and deferred stripping). In light of the current pricing environment, the group has reduced capital expenditure guidance (excluding deferred stripping) for 2015 and 2016 from what was previously guided, and optimised our project portfolio resulting in the deferral of some of the capital spend to later years. The group expects capital expenditure for 2015 to be in the range of R8.5 billion to R9.3 billion and for 2016 to be between R7.9 billion and R9.0 billion (excluding unapproved projects).

Deferred stripping capital expenditure estimates per mine are shown in the table below.

		(unaudited)	
Rand million	**2014**	**2015**	**2016**
Sishen mine	**1,025**	2,450 – 2,750	3,100 – 3,650
Kolomela mine	**351**	450 – 500	350 – 450
Thabazimbi mine	**462**	400 – 450	Under review
Total	**1,838**	3,300 – 3,700	3,450 – 4,100

The increase expected at Sishen mine is mainly due to higher stripping ratios expected in certain areas of the pit as a result of the pushback design.

CHIEF FINANCIAL OFFICER'S REVIEW

continued

Cash flow

The group continued to generate substantial cash from its operations; R23 billion for the year (before mineral royalties) (2013: R31.4 billion) before a net working capital decrease of R1.1 billion (2013: R749 million decrease). The cash was used to pay income tax of R4.2 billion (2013: R6.2 billion), mineral royalties of R1.2 billion (2013: R2.1 billion) and dividends of R15.2 billion (2013: R13.7 billion). Dividends paid to Kumba shareholders came to R11.5 billion while our empowerment partners received R3.7 billion.

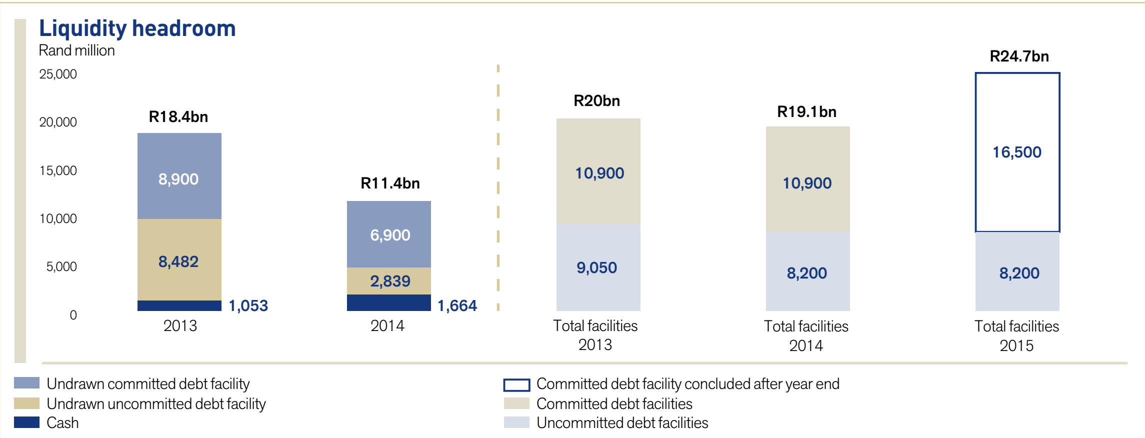
The group's working capital position remains healthy, ensuring sufficient reserves to cover short-term positions. Higher stock levels added R2.2 billion to net working capital.

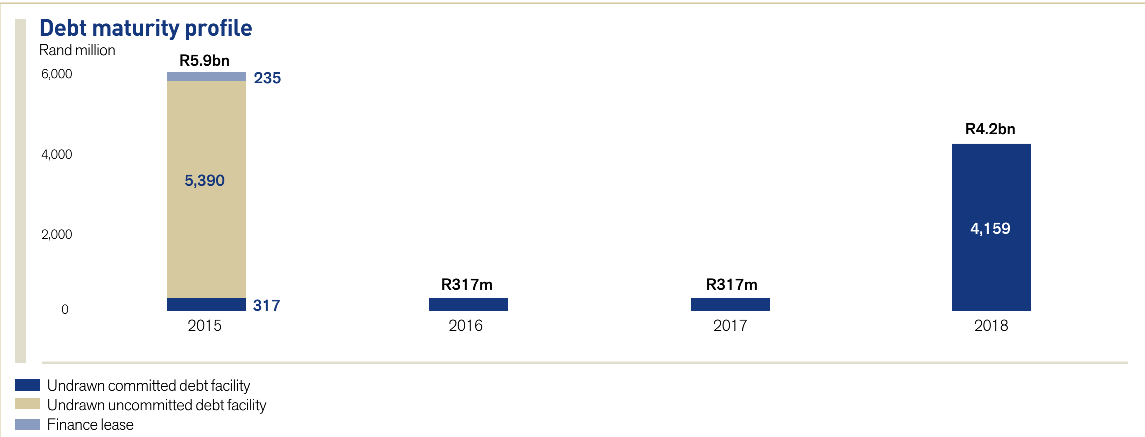
Net debt and liquidity

Kumba ended 2014 with net debt of R7.9 billion, which is R6.1 billion higher than our net debt of R1.8 billion at the end of 2013. Total debt facilities at year end amounted to R19.1 billion, of which R9.7 billion was undrawn. We have recently signed a new five-year committed facility of R16.5 billion at attractive rates.

The group's gearing (net debt as a percentage of equity) increased to 29% from 7% in 2013 with an interest cover for the year at 44 times compared to 108 times in 2013.

On a pro-forma basis, after payment of the final SIOC and Kumba dividends, net debt will peak at around R11.3 billion, before cash generation between end December and the dividend payment date. The group aims to manage debt levels between R11 billion and R16 billion.





SHAREHOLDER RETURNS

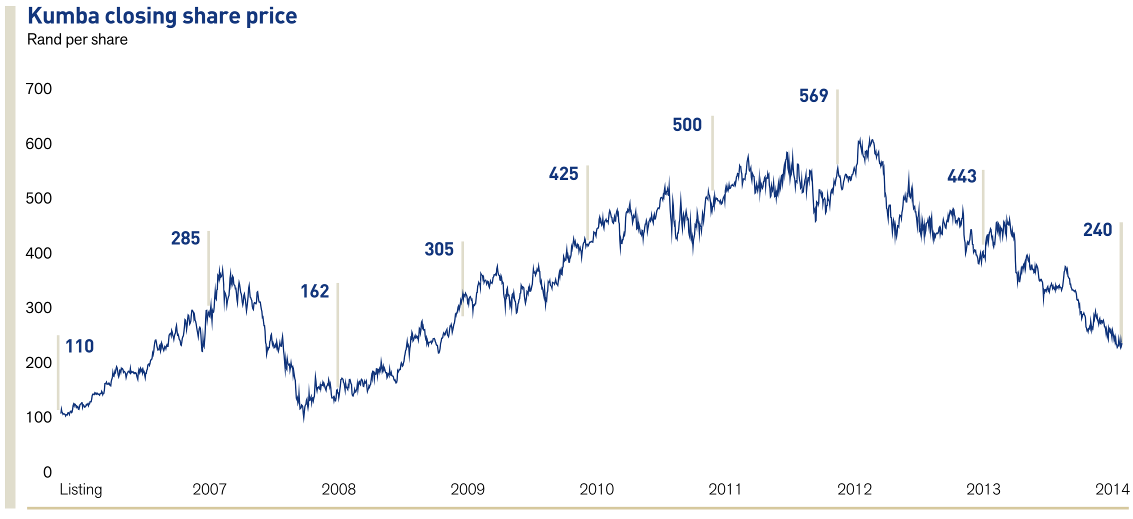
Total shareholder returns

The total shareholder return for Kumba over the eight years since listing is 287% up to 31 December 2014, which is a reflection of the share's solid performance and the consistent cash dividend returns over the period.

Share price

Kumba's share price declined during the year from R443 at 31 December 2013 to R240 at 31 December 2014. Notwithstanding this decline, the share price has grown at a compound annual growth rate of 10% from the listing share price of R110 at the end of 2006.

The share price history since listing is presented below.



Dividends

A final cash dividend of R7.73 per share was declared by the board, at a 1.7 times cover. The full year dividend amounts to R23.34 per share, at 1.4 times cover (2013: R40.04). The increase in dividend cover from 1.3 times from the 2014 interim dividend to 1.7 times for the final 2014 dividend recognises the impact of lower iron ore prices on the company's cash generation and seeks to protect Kumba's balance sheet amidst the continued uncertain market environment.

It remains the group's intent to continue to pay excess cash to its shareholders, after considering growth and investment opportunities, while remaining within its committed debt facilities. In line with the board's policy, the dividend cover will be reviewed at each declaration, after considering, amongst other factors, the low iron ore price environment and the group's capital expenditure profile. We accordingly envisage further increases to dividend cover in the next dividend cycle.

Key factors affecting future operating results

Export iron ore sales prices and volumes

Crude steel production is forecast to grow by approximately 2% in 2015, with slower growth of 1% to 2% in China and slightly stronger in the rest of the world. We do not expect a major recovery in the average iron ore price and the group has undertaken a number of decisive actions to ensure that Kumba remains a resilient organisation in a low iron ore price environment which we expand on elsewhere in this report (see page 65).

The production outlook for Sishen mine is 36Mt in 2015. Following the planned commissioning of a new modular plant in 2015, production guidance for Sishen mine has been increased for both 2016 and 2017 to 38Mt. Kolomela mine is expected to produce 11Mt in 2015 and 12Mt in 2016. It is expected that waste volumes will reach between 240Mt and 250Mt at Sishen mine and between 42Mt and 46Mt at Kolomela mine in 2015. Export sales volumes for 2015 are targeted at above 43Mt.

CHIEF FINANCIAL OFFICER'S REVIEW
continued

Domestic sales volume of up to 6.25Mtpa is contracted to ArcelorMittal SA in terms of the supply agreement.

Exchange rate
A significant portion 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 13% during the year. The eight-year exchange rate history is presented in the graph at the bottom of the page.

ACCOUNTING MATTERS

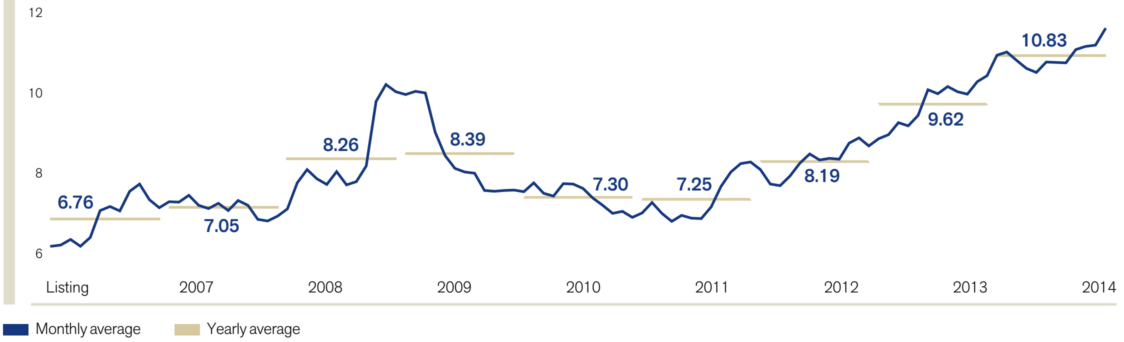
Change to accounting estimates: environmental rehabilitation and decommissioning provisions
The measurement of the environmental rehabilitation and decommissioning provisions is a key area where management's judgement is required. The closure provisions are measured at the present value of the expected future cash flows required to perform the rehabilitation and decommissioning. This calculation requires the use of certain estimates and assumptions when determining the amount and timing of the future cash flows and the discount rate. The closure provisions are updated at each balance sheet date for changes in the estimates of the amount or timing of future cash flows and changes in the discount rate. 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. Management has revised the Sishen and Thabazimbi mines' life-of-mine during the period under review as well as assumptions on the discount rate and inflation rate used to calculate the provisions for the three mines.

The change in estimate in the environmental rehabilitation provision was applied prospectively from 1 January 2014. The effect of this change is a net decrease in the environmental rehabilitation provision of R7 million and an increase in the decommissioning provision of R16 million. The total rehabilitation and decommissioning provisions of the group were R1.9 billion at the end of 2014 (2013: R1.8 billion).

In 2015, we expect further changes in the provisions as a result of the life-of-mine changes reported in the Ore Reserves and Mineral Resources section on page 86.

Thabazimbi mine impairment charge
The group recorded an impairment charge of R439 million relating to Thabazimbi mine's deferred stripping asset.

Rand/US$ exchange rate



Due to the low iron ore price environment in which the company is now operating, the future of this mine is being reconsidered. After a detailed impairment assessment it was concluded the carrying value is not considered recoverable. As a result, the carrying value of Thabazimbi mine's deferred stripping asset of R439 million was impaired to RNil.

The recoverable amount of RNil was measured based on a discounted cash flow model. The cash flow projections were based on the pricing mechanism contained in the supply agreement between SIOC and ArcelorMittal SA incorporating economic assumptions and forecast trading conditions drawn up by management. Key assumptions are long-term iron ore price lines, the Rand/US$ exchange rate, inflation, the remaining life of the mine and the discount rate. The recoverable amount is sensitive to the discount rate used in its measurement.

CONCLUSION

While the company successfully navigated a very tough year we do not expect a major recovery in iron ore prices. It is for that reason that we have made some tough calls now. We spent the year revising our business and operating strategy to ensure we are as flexible as we are sustainable. We are confident that the steps we have put in place to counter declining prices will make us more resilient than ever.

I would like to thank the finance team for their support and commitment in delivering quality financial information to our stakeholders during the year under review. We look forward to another productive year in 2015.

Frikkie Kotzee
Chief financial officer

SUMMARISED CONSOLIDATED BALANCE SHEET as at

Rand million	31 December 2014	31 December 2013
Assets		
Property, plant and equipment	**35,170**	29,922
Biological assets	**6**	6
Investments held by environmental trust	**791**	737
Long-term prepayments and other receivables	**555**	605
Deferred tax assets	**871**	920
Non-current assets	**37,393**	32,190
Inventories	**7,366**	5,171
Trade and other receivables	**4,476**	6,124
Cash and cash equivalents	**1,664**	1,053
Current assets	**13,506**	12,348
Total assets	**50,899**	44,538
Equity		
Shareholders' equity	**20,764**	20,831
Non-controlling interest	**6,237**	6,353
Total equity	**27,001**	27,184
Liabilities		
Interest-bearing borrowings	**4,000**	2,234
Provisions	**1,964**	1,809
Deferred tax liabilities	**8,201**	7,888
Non-current liabilities	**14,165**	11,931
Interest-bearing borrowings	**5,593**	615
Provisions	**92**	355
Trade and other payables	**3,493**	3,888
Current tax liabilities	**555**	565
Current liabilities	**9,733**	5,423
Total liabilities	**23,898**	17,354
Total equity and liabilities	**50,899**	44,538

None of the assets are encumbered as security for any of the group's liabilities, nor is the title to any of the assets restricted, except for the assets under finance lease amounting to R232 million.

These investments may only be utilised for the purposes of settling decommissioning and rehabilitation obligations.

The group's working capital position remains healthy, ensuring sufficient reserves to cover short-term positions. Net working capital increased by R942 million from 31 December 2013 to R8.3 billion. This increase is mainly due to an increase in the inventory balance of R2.2 billion which was offset by a R1.6 billion decrease in trade receivables. Finished product inventory at the mines and ports rose to 6.5Mt from 2.9Mt at the end of 2014.

Kumba ended 2014 with net debt of R7.9 billion, which is R6.1 billion higher than the net debt of R1.8 billion at the end of 2013. Total debt facilities at year end amounted to R19.1 billion, of which R9.7 billion was undrawn. Interest-bearing borrowings drawn down at 31 December 2014 of R5.4 billion (2013: R568 million) was from facilities with Anglo American SA Finance Limited, a subsidiary of Kumba's holding company.

Subsequent to year end, a new committed debt facility was negotiated increasing the total committed debt facilities of the group to R16.5 billion.

The total rehabilitation and decommissioning provision of the group was R1.9 billion at the end of 2014 (2013: R1.8 billion). The measurement of this provision is a key area where management's judgment is required. Management has revised the Sishen and Thabazimbi mines life-of-mine during the period under review as well as assumptions on the discount rate and inflation rate used. The change in estimate was applied prospectively from 1 January 2014. The effect of this change was a net decrease in the environmental rehabilitation provision of R7 million and an increase in the decommissioning provision of R16 million.

During the year the group issued additional financial guarantees in favour of the DMR in respect of its environmental rehabilitation and decommissioning obligation to the value of R225 million, bringing the total as at 31 December 2014 to R2.3 billion (2013: R2.1 billion).

Included in this amount are financial guarantees for the environmental rehabilitation and decommissioning obligations of the group in respect of Thabazimbi mine of R438 million (2013: R331 million). ArcelorMittal SA has guaranteed R429 million of this amount by means of bank guarantees issued in favour of SIOC.

SUMMARISED CONSOLIDATED INCOME STATEMENT for the year ended

Rand million	31 December 2014	31 December 2013
Revenue	47,597	54,461
Operating expenses	(28,405)	(26,076)
Operating profit	**19,192**	28,385
Finance income	84	117
Finance costs	(519)	(396)
Loss from equity accounted joint venture	(5)	(46)
Profit before taxation	18,752	28,060
Taxation	(4,604)	(7,760)
Profit for the year	**14,148**	20,300
Attributable to:		
Owners of Kumba	10,724	15,446
Non-controlling interest	3,424	4,854
	14,148	20,300
Earnings per share for profit attributable to the owners of Kumba (Rand per share)		
Basic	33.44	48.09
Diluted	33.38	48.03
Headline earnings per share attributable to the owners of Kumba (Rand per share)		
Basic	34.32	48.08
Diluted	34.26	48.02

A

Revenue declined by 13% with the decline in the iron ore price having the biggest impact. This was to some extent offset by the weaker Rand/US$ exchange rate and higher sales volumes.

B

Operating expenses increased 9% mainly due to growth in mining volumes and cost increases in labour, diesel, mining contractor rates and rail and port tariffs. Sishen mine unit cash cost was contained around R272/tonne (2013: R267/tonne). Kolomela mine unit cash cost increased by 14% to R208/tonne (2013: R182/tonne).

C

Operating profit (EBIT) decreased 32% to R19.2 billion (2013: R28.4 billion). Although our operating margin decreased by 12% it is still good at 40% (2013: 52%), while the group's mining margin remained healthy at 45%.

The group's effective tax rate decreased to 25% (2013: 28%).

The year under review

Reconciliation of headline earnings (Rand per share)	2014	2013
Basic earnings per share	33.44	48.09
Impairment charge	0.76	–
Net loss/(profit) on disposal or scrapping of property, plant and equipment	0.18	–
Reclassification of exchange differences on translation of foreign operations	(0.06)	–
Net profit on disposal of investment	–	(0.1)
Basic headline earnings per share	34.32	48.08

Segment analysis (Rand million)

	Sishen mine	Kolomela mine	Thabazimbi mine	Logistics	Shipping operations	Other	Total
A Revenue							
2014	33,094	9,437	1,172	–	3,894	–	47,597
2013	36,685	13,022	1,079	–	3,675	–	54,461
B Depreciation							
2014	1,858	643	36	6	–	93	2,636
2013	1,441	570	1	5	–	22	2,039
Staff costs							
2014	2,605	572	420	26	–	957	4,580
2013	2,121	482	364	20	5	682	3,674
C Operating profit							
2014	20,423	5,906	(706)[1]	(4,548)	(309)	(1,574)	19,192
2013	24,888	9,296	301	(4,538)	(72)	(1,490)	28,385

[1] After impairment charge.

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended

Rand million	31 December 2014	31 December 2013
Total equity at the beginning of the year	**27,184**	19,664
Changes in share capital and premium		
Shares issued during the year	–	2
Treasury shares issued to employees under employee share incentive schemes	**93**	87
Purchase of treasury shares	**(107)**	(265)
Changes in reserves		
Equity-settled share-based payment	**525**	504
Vesting of shares under employee share incentive schemes	**(93)**	(91)
Total comprehensive income for the year	**11,036**	15,917
Dividends paid	**(11,521)**	(10,561)
Changes in non-controlling interest		
Total comprehensive income for the year	**3,430**	4,953
Dividends paid	**(3,657)**	(3,146)
Movement in non-controlling interest in reserves	**111**	120
Total equity at the end of the year	**27,001**	27,184
Comprising		
Share capital and premium (net of treasury shares)	**(311)**	(297)
Equity-settled share-based payment reserve	**1,685**	1,236
Foreign currency translation reserve	**1,256**	1,010
Fair value reserve	**74**	8
Retained earnings	**18,060**	18,874
Shareholders' equity	**20,764**	20,831
Attributable to the owners of Kumba	**19,925**	19,977
Attributable to non-controlling interest	**839**	854
Non-controlling interest	**6,237**	6,353
Total equity	**27,001**	27,184
Dividend (Rand per share)		
Interim	**15.61**	20.10
Final *	**7.73**	19.94

* The final dividend was declared after 31 December 2014 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 2015.

Summarised consolidated statement of comprehensive income

Rand million	31 December 2014	31 December 2013
Profit for the year	**14,148**	20,300
Other comprehensive income for the year, net of tax	**318**	570
Exchange differences on translation of foreign operations	**352**	570
Reclassification of gain relating to exchange differences on translation of foreign operations	**(34)**	–
Total comprehensive income for the year	**14,466**	20,870
Attributable to:		
Owners of Kumba	**11,036**	15,917
Non-controlling interest	**3,430**	4,953
	14,466	20,870

Total shares in issue was 322,085,974 (2013: 322,085,974) and treasury shares held were 1,533,346 (2013: 1,444,526). All treasury shares are held as conditional award under the Kumba bonus share plan.

A final cash dividend of R7.73 per share was declared at a 1.7 times cover. The increase in dividend cover from 1.3 times for the 2014 interim dividend to 1.7 times for the final 2014 dividend recognises the impact of lower iron ore prices on the company's cash generation amidst the continued uncertain market environment. The full year dividend amounts to R23.34 per share at 1.4 times cover (2013: R40.04).

SUMMARISED CONSOLIDATED CASH FLOW STATEMENT for the year ended

Rand million	31 December 2014	31 December 2013
Cash generated from operations	**21,769**	29,354
Net finance costs paid	**(285)**	(161)
Taxation paid	**(4,165)**	(6,171)
Cash flows from operating activities	**17,319**	23,022
Additions to property, plant and equipment	**(8,477)**	(6,453)
Investments in associate and joint ventures	**(5)**	(17)
Proceeds from the disposal of property, plant and equipment	**78**	37
Deconsolidation of subsidiary	**–**	5
Cash flows from investing activities	**(8,404)**	(6,428)
Shares issued	**–**	2
Purchase of treasury shares	**(107)**	(265)
Dividends paid to owners of Kumba	**(11,450)**	(10,500)
Dividends paid to non-controlling shareholders	**(3,728)**	(3,207)
Net interest-bearing borrowings raised/(repaid)	**6,744**	(3,332)
Cash flows from financing activities	**(8,541)**	(17,302)
Net increase/(decrease) in cash and cash equivalents	**374**	(708)
Cash and cash equivalents at beginning of year	**1,053**	1,527
Foreign currency exchange gains on cash and cash equivalents	**237**	234
Cash and cash equivalents at end of year	**1,664**	1,053

The group continued to generate substantial cash from its operations; R23 billion for the year (before mineral royalties) (2013: R31.4 billion) which benefited our stakeholders. The cash was used to pay income tax of R4.2 billion (2013: R6.2 billion), mineral royalties of R1.2 billion (2013: R2.1 billion), dividends of R15.2 billion (2013: R13.7 billion) and R3.9 billion (2013: R3.1 billion) to employees in salaries and wages. Dividends paid to Kumba shareholders came to R11.5 billion (2013: R10.5 billion) while our empowerment partners received R3.7 billion (2013: R3.2 billion). Kumba continues to invest in the development and expansion of its business, to ensure future sustainability. In 2014 R8.5 billion (2013: R6.5 billion) was spent on capital.

Segment analysis (Rand million)

Capital expenditure	Sishen mine	Kolomela mine	Thabazimbi mine	Logistics	Shipping operations	Other	Total
2014							
Expansion capex	**826**	**370**	**–**	**–**	**–**	**237**	**1,433**
Stay-in-business capex	**4,281**	**915**	**–**	**10**	**–**	**–**	**5,206**
Deferred stripping	**1,025**	**351**	**462**	**–**	**–**	**–**	**1,838**
	6,132	**1,636**	**462**	**10**	**–**	**237**	**8,477**
2013							
Expansion capex	484	285	8	108	–	247	1,132
Stay-in-business capex	3,933	564	1	–	–	–	4,498
Deferred stripping	637	186	–	–	–	–	823
	5,054	1,035	9	108	–	247	6,453

Contingent liability

As at 30 June 2014, the group reported that it had certain tax matters under review with the South African Revenue Service (SARS). As at 31 December 2014 the group was engaged in discussions with SARS around these matters with a view to seeking resolution. These matters have been considered in consultation with external tax and legal advisors, who support the group's position. We believe that these matters have been appropriately treated in the results for the year ended 31 December 2014.

Regulatory update

21.4% undivided share of the Sishen mine mineral rights

There have been no significant changes to the matters reported on for the year ended 31 December 2013. SIOC has not yet been awarded the 21.4% Sishen mining right, which it applied for early in 2014 following the Constitutional Court judgment on the matter in December 2013. The Constitutional Court ruled that SIOC held a 78.6% undivided share of the Sishen mining right and that, based on the provisions of the MPRDA, only SIOC can apply for, and be granted, the residual 21.4% share of the mining right at the Sishen mine. The grant of the mining right may be made subject to such conditions considered by the Minister to be appropriate. Kumba is actively continuing its engagement with the DMR in order to finalise the grant of the residual right.

MATERIAL ISSUES – DEFINING OUR FOCUS

WHAT IS MATERIALITY?

Kumba's definition of materiality is broad and dynamic, and is aligned with the <IR> Framework's definition of materiality as those "matters that substantively affect the organisation's ability to create value over the short, medium and long term".

OUR PROCESS

We take our materiality determination process seriously. While the documentation of this process is done primarily for the purposes of reporting, the process is an integral part of our approach to risk management and reputation management. Consequently, we see this process as an opportunity to gauge where we are as a business – internally and externally – and to ensure we are focusing our energy and resources on the correct activities.

As a start, our executive committee members and their teams reflect on their engagement with key stakeholders over the last year in order to review what the perceptions are of the company, how each stakeholder group can impact our strategy and what specific issues our stakeholders are concerned with. For more on our engagement with stakeholders see page 36.

This, in turn, forms the basis of our conversation at the materiality workshop, which is attended by the executive committee, the chief executive, the chief financial officer, various discipline and operational heads and the external auditor of our Sustainable Development Report 2014, PwC. This workshop, which is facilitated by our report writers, provides a place for critical external and internal issues to be discussed, so as to understand what our most material issues are. These material issues are then submitted to the board for approval and steer the content of our report to ensure that we reflect the crucial work being done in the business.

Some of the criteria for materiality considered during this process included: what matters were important to internal and external stakeholders, if the matters would impact the viability of the business, what the extent of these impacts would be, and how the matters affect the company's ability to meet the needs of the present without compromising the needs of the future. By understanding the importance and impact of matters, as well as the interaction with resources, we were able rank the three most material issues for 2014.

Our material issues this year all speak to one another and are aligned to timelines to indicate how they affect our ability to create value in the short, medium and long term. In addition, these material issues are tied closely to our strategic objectives. For more on their relationship with our strategy see page 26.

Opposite image
Sishen mine's fleet of mega-size haul trucks ensures the efficient hauling of waste and ore.

Short term

RESPONDING TO CHANGES IN THE IRON ORE MARKET

This year has been challenging, not only for Kumba but for all companies in the iron ore market, as the price fell to a five-year low. This decline in prices has caused a margin squeeze within the company – while production and sales increased in 2014 the 47% decrease in iron ore prices (62% Platt IODEX, CFR China) since the start of the year meant that the company had to make some difficult decisions in order to be resilient. Low prices affect not just our revenue but also our investment case, our project pipeline, our overall contribution to the fiscus, and has had a direct impact on our people. In response to this, we have streamlined our project portfolio, focused on controlling costs and improving efficiencies, and reviewed our organisational structure.

For more on this material issue see page 65

Opposite image
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.

Short to medium term

SHIFTING STAKEHOLDER EXPECTATIONS

Historically, Kumba has delivered on its promises and, in many cases, exceeded them. However, in the current market conditions, it is no longer guaranteed that we can deliver what we used to – there are, unfortunately, fewer benefits to share. With this in mind, we have had to take into consideration what our stakeholders expect from us and how best to align these expectations with what we can deliver at this time. The decisions we make are to both maintain strong stakeholder relations and remain a sustainable company. This has involved extensive communication and stakeholder engagement, as well as a solid understanding of our own business.

For more on this material issue see page 71

Opposite image
Learnership students at the Tshipi skills development centre at Sishen mine learning plumbing skills.

Long term

DELIVERING A RESILIENT BUSINESS

While the company must deal with its short-term issues it also needs to keep its future in mind – the long-term sustainability of Kumba is the basis of our strategy. We want to ensure that we safeguard the future of the company in this difficult market. While this is a long-term issue it is one that we need to continually consider while making short-term decisions. Our approach to this is supported by a threefold approach. Firstly, we focus on our people; keeping employees safe and healthy, and working with them, local communities and other stakeholders to ensure long-term success. Secondly, we focus on our product by using technology and efficient production methods to ensure we continue producing high-quality products and by developing a growth plan that secures resources for years to come. Finally, we focus on our performance: operational, social and environmental.

For more on this material issue see page 79

Opposite image
Kolomela mine's fleet of haul trucks ensures the efficient hauling of waste and ore.

RESPONDING TO OUR MATERIAL ISSUES

MATERIAL ISSUE 1: RESPONDING TO CHANGES IN THE IRON ORE MARKET

STRATEGIC LINKS

- Deliver on growth projects
- Capture value across the value chain

RELATED RISKS

- Commodity market and foreign fluctuations
- Operational performance
- Organisational redesign, skills and labour relations
- Workers' safety and health

RELEVANT STAKEHOLDERS

- Internal stakeholders
- Business partners and business organisations, including suppliers and customers
- Investment community

OPERATING SMARTER

SCORECARD

Production recovery plan
- Exceeded 35Mt at Sishen mine
- Implementing pushback design
- Mine to plan adherence achieved
- Required exposed ore level achieved
- Key technical work completed

Waste removal below target but sufficient ore exposed to increase flexibility and meet 2015 production target

Improved operational practices and equipment efficiencies
- Implemented Operating Model
- Unit costs contained at Sishen mine

Kolomela mine capacity improved to 11Mtpa

1Mt at Thabazimbi mine

Increased export sales volumes and logistics

Streamlined project portfolio

Successful Dingleton North relocation

For more on this material issue see page 65

Material issues and resources

Everything we do is impacted by our resources – we consider what we need to use to work effectively and try to understand what the impact of this use will be. More information on the relationship between our resources and our material issues is available in the sections on each material issue.

WE RESPOND TO OUR MATERIAL ISSUES THROUGH MANAGING RISKS AND OPPORTUNITIES

Refer to page 28 for our dynamic risk management process

MATERIAL ISSUE 2: SHIFTING STAKEHOLDER EXPECTATIONS

STRATEGIC LINKS

- Ensure organisational responsibility and capability

RELATED RISKS

- Stakeholder relationships
- Organisational redesign, skills and labour relations
- Mining legislation and other regulatory changes

RELEVANT STAKEHOLDERS

- Internal stakeholders
- Government and political groups
- Civil society
- Business partners and business organisations, including suppliers and customers
- Investment community
- Media

SCORECARD

	2014	2013
Transformation		
• HDSA in management (%)	**58**	55
• Women in core mining (%)	**13**	13
Employee training and development		
• Spend (R million)	**285.5**	276.7
• Training hours per employee (on average)	**82**	72
Housing units constructed for employees	**737**	413
Community engagement and development (R million)	**202.3**	253.7
Envision dividends 2014 (R million)	**169**	144

For more on this material issue see page 71

MATERIAL ISSUE 3: DELIVERING A RESILIENT BUSINESS

STRATEGIC LINKS

- Deliver on growth projects
- Optimise value of current operations

RELATED RISKS

- Securing our growth
- Operational performance
- Reliance on third-party infrastructure
- Commodity markets and foreign exchange fluctuations

RELEVANT STAKEHOLDERS

- Internal stakeholders
- Business partners and business organisations, including suppliers and customers
- Investment community

SCORECARD

		2014	Target	2013
Zero Harm	✗			
• LTIFR		**0.23**	0.1	0.18
• Fatalities		**1**	0	0

Lower cost production	✓	**Implementation of the Operating Model**	✓
Filled rail capacity	✓	**Lower costs and overheads**	✓
Streamline project portfolio	✓		

For more on this material issue see page 79

Top image
Kenneth Mooketsi washing one of the dump trucks at Kolomela mine. All mining equipment need to be washed before it enters the workshop for routine maintenance and service.

Bottom image
A view from one of the stacker-reclaimers at the stockyard at Sishen mine.

FOCUS: MEETING OUR TARGETS

RESPONDING TO CHANGES IN THE IRON ORE MARKET

IN THIS SECTION

- The market in 2014
- The effects of the lower price on Kumba
- Returns to stakeholders
- Becoming a more efficient business
- Getting the best prices
- Refining our growth strategy

WHY THIS IS IMPORTANT TO KUMBA

Iron ore prices (62% Platt IODEX, CFR China) have fallen by 47% in 2014 and have continued to decline in 2015. While commodities markets tend to be cyclical this indicates more than just a dip in price – it is indicative of a structural change in the market. The lower prices seem to be here to stay. In order to ensure the sustainability of Kumba it is essential we react to this change accordingly and are able to emerge as a stronger, more resilient business.

ACHIEVEMENTS AND CHALLENGES

✗ Iron ore prices fell from $134.50/dmt at the start of 2014 to $71.75/dmt at the end of the year (62% Platts IODEX, CFR China)	✓ Growth portfolio adapted to suit cash constrained environment
✓ Kumba has implemented various initiatives in response to this change	✓ New five-year committed debt facility of R16.5 billion negotiated at attractive rates
✓ All operations on a drive to become more efficient	✓ During 2014 Kumba exceeded production targets and increased export sales, highlighting the demand for our products
✓ 780Mt waste removed from Sishen mine life-of-mine, plus 87Mt reserves reduced, increasing value of mine	✓ Sishen mine life-of-mine stripping ratio reduced

HOW THIS IMPACTS OUR RESOURCES

Organisational restructuring resulted in a 40% reduction in head office workforce	Improved operational plans in order to increase production and sales
Revenue decreased by 13%	Focus on fleet efficiency at operations ensures our existing assets are better utilised
Increased focus on research and innovation	

The year under review

RESPONDING TO CHANGES IN THE IRON ORE MARKET continued

THE MARKET IN 2014

The past year has been challenging, highlighting the volatility of commodity markets for many iron ore miners. Given the combination of slowing demand from and growth in China and a surge of new production capacity coming on stream mostly in Australia but also in Brazil – the world's two largest exporters – prices have been falling steadily.

Towards the end of the year, the price of standard 62% Fe fine ore delivered cost and freight (CFR) to Qingdao in China had fallen to a five-year low of $66.25/dmt (Platts IODEX), down almost two-thirds from the $193/dmt all-time high reached in February 2011, and the lowest price since mid-2009. While this will test all iron ore producers competing in the export market, the very nature of our business and operations ensures that we take a longer-term view.

On a global basis, we forecast that crude steel production will grow comparatively slowly – at a compound annual growth rate (CAGR) of 2.8% from 2013 to 2018. This compares with a CAGR of 6.9% for 2009 to 2013.

The changes now taking place reflect a shift in the Chinese economy. The country's government, which had been seeking to maintain growth rates by public sector infrastructure spending that is, by its nature, steel-hungry, is now supporting private sector spending and investment, which is less demanding of steel.

In 2014, China imported 933Mt of iron ore, an increase of 14% on 2013 and reflecting the greater availability of lower-cost imported iron ore that has replaced production from China's own poorer-grade mines. Low-grade Chinese miners have been closing or curtailing operations. While the Chinese appetite for iron ore has decreased, a new outlet has opened up – India, which became a net importer in the second half of 2014. Nevertheless, there is little prospect of India's rising demand meeting the global supply in the short term. In the longer term, India's steelmakers are expected to offer the brightest demand prospects for seaborne iron ore as Chinese steel production starts to flatten out.

Elsewhere on the consumption front, little growth in steel production capacity is expected from China's neighbours – Japan, Taiwan and South Korea – where all major blast furnace expansions were completed in 2013 or earlier. And while Europe and the rest of the world registered modest growth in iron ore imports during 2014, most of the tonnage was sourced from Brazil and Canada.

The difficulty iron ore exporters face is that capacity has increased sharply this past year – largely in Australia but also in Brazil. Of the 150Mt increase in seaborne supply in 2014, 139Mt will be from the three Australian majors, all scrambling to sell into a market gripped by glut and falling prices and all bringing new capacity on stream ahead of schedule. At the same time production is being ramped up in Brazil, even though prices are increasingly under pressure.

In September 2014, market-analyst associates at Anglo American estimated that the global surplus would rise to almost 150Mt by 2017. In other words, there is little prospect of prices increasing for at least five years and for competition for volume sales into our major markets to increase.

EFFECTS OF THE LOWER ORE PRICE ON KUMBA

This change to the market has had a fundamental impact on Kumba's business strategy. As a price taker, Kumba has been affected by falling prices over the past year; a drop in prices as

Image
Ore being loaded in the Leeuwfontein pit at Kolomela mine.

significant as the one seen in 2014 impacts every aspect of our business. Selling our product for almost half of what we did 12 months ago impairs our ability to grow our business, to increase profits and to return sustainable profits to shareholders, including employees and communities.

RETURNS TO STAKEHOLDERS

One of the predicaments we face, as a company, is understanding the knock-on effect of the change in the market. Our business extends further than our operations - we are also part of a larger community that we have been working with and investing in over the last few years. A change in our market will affect the contributions we can make to communities around us and the country as a whole. We discuss this change management in detail on page 68.

As a responsible corporate citizen, we view paying taxes and mineral royalties as a moral obligation to the country in which we work. While all stakeholders impact our business, our relationship with the government is more complex than most, due to the integral role they play in various levels of our business. Not only are they our partners in many community projects, they are also responsible for granting our mineral rights, which form the basis of our ability to mine. In order to maintain these licences it is essential that we pay taxes and royalties as stipulated. In years, such as 2014, when our profit is driven down by external pricing systems it is crucial that we communicate openly with the government to ensure they understand why these payments are less, in order to maintain this very important relationship.

The lower iron ore prices will also affect our ability to pay dividends and thus our relationship with our investors. We have always had a dividend policy that returned excess cash to shareholders and Kumba has had one of the highest dividend yields. Our shareholders include Anglo American, our communities through the SIOC-CDT and our employees through Envision. As a result, any decrease in dividends due to the decline in prices must be dealt with appropriately and be accompanied by honest conversations to ensure the stability and longevity of our business.

Safeguarding our future while optimising our present

We cannot simply sit back and ignore the changing market or ignore our longer-term strategic imperatives- we need to rethink the way we do business and find ways to be more efficient.

BECOMING A MORE EFFICIENT BUSINESS

The theme of this year's integrated report is "Operating Smarter", which is something we have always strived for but, in light of the falling prices, we have placed even more emphasis on working efficiently. This change has forced us to innovate and we have put in place a number of measures to help us survive this change in the market. While some of these were short-term actions, we have also taken time to refocus the business and make it more resilient and sustainable in the long run.

The focus was to streamline our project portfolio, control our costs and increase our efficiencies. This, combined with a focus on meeting production targets, formed the basis for the

Image
Electrical technicians, Petrus Johannes Ludwick and Gideon le Roux working on the anti-rollback system circuit board they developed for the Komatsu haul trucks at Sishen mine.

RESPONDING TO CHANGES IN THE IRON ORE MARKET continued

work done at our operations in 2014. All our operations exceeded their production targets in 2014, which allowed us to increase our sales volumes – something that is vital at the current price. In addition, we rolled out various initiatives, including the implementation of the Operating Model at Sishen mine to ensure they are able to maintain production while keep employees safe and driving costs down. There are also ongoing reviews of our life-of-mine plans to squeeze our further value. The future of Thabazimbi mine is also being considered and its low-grade project has been suspended.

Organisational restructure

More importantly though, this challenge has led to an organisational restructure at Kumba, which has resulted in a 40% reduction in the head office workforce. A review of the support services at the operations will be completed by the end of this year.

Capital structure review

Taking cognisance of the reduction in cash flow due to the decline in iron ore prices and the increasing capital expenditure requirements we have renegotiated our debt facilities and increased total committed facilities to R16.5 billion, split between a term facility of R4.5 billion and a revolving credit facility of R12 billion.

OPERATING SMARTER

In order to address falling prices and build a resilient business we have put in place five initiatives this year, all with the aim of more than offsetting local cost inflation.

Five key initiatives:

- Reconfigure operating plans to focus on lowest cost production units to fill rail capacity
- Streamlined project portfolio
- Capex reduced and re-phased and exploration, technical and project studies costs halved
- Around a 40% reduction in head office roles
- Sishen mine life-of-mine plan optimised

GETTING THE BEST PRICES

Producing in line with targets, both financial and mining, while driving efficiencies is only part of making our overall process more efficient. It is also important that we are able to transport our ore at the lowest possible cost and that we are able to sell the ore at the best possible price.

We have benefited from the weak shipping market and the consequent fall in freight rates, particularly towards the end of the year, and are able to achieve lower freight rates on a portion of our shipped tonnages by committing to index-linked Contract of Affreightment (COAs) or combining freight routes so as to achieve higher vessel utilisation rates.

Our high-quality products continue to be sought after in the market. While we continued selling to our key markets such as China, Japan, South Korea, Europe and – to a lesser extent – the Middle East, in 2014 we saw a very sharp increase in our sales to India. Where India was a net exporter of iron ore until recently, in the latter half of 2014 India became a net importer. This was a direct result not only of the change in government in India and consequent change in business sentiment but also of falling prices of seaborne ore, which made imported seaborne ore very competitive compared to domestic ore.

We have also managed to further increase our lump:fine ratio – with approximately two-thirds of our exports now consisting of lump ore. This serves us well as lump premia reach record highs.

The strong demand for Kumba products has allowed us to be somewhat more selective. As a result, we have been able to improve our prices achieved relative to the market. While the effect of better relative prices is meaningful, like all other iron ore producers, we operate in an environment of significantly lower absolute prices.

THE OPERATING MODEL

OPERATING SMARTER

The Operating Model was piloted at ore and internal waste operations at Sishen North mine in August 2014 and has already delivered three significant benefits:

- Improved scheduled work from 20% to ~70%
- 23% efficiency improvement in total tonnes handled
- 50% reduction in waiting time on shovels.

A further roll-out is planned in 2015 at Sishen pre-strip and Kolomela plant, with roll-out at all other areas to follow

The Operating Model fundamentally redesigns how work is planned, scheduled and executed. The master operating schedule, containing all important activities, is now developed with more rigour. To execute this schedule, work flow and accountabilities are redefined and business processes are redesigned. In addition, resource planning and scheduling is also done in detail. The three basic principles underpinning the Operating Model are:

- Stability in operations that deliver predictable outcomes, experience lower operating costs and fewer capital expenditure requirements;
- Lower variation in operational performance to increase capability and efficiency
- Team members having a clear understanding of their own work, and how their team works

The sum of these changes is that the right person is doing the right work to the right specifications.

	Units	2014	2013	2012	2011	2010
Total volumes railed to Saldanha Bay (including Saldanha Steel)	Mt	**42.2**	39.7	40.0	39.1	36.5
Total volumes loaded at Saldanha Bay	Mt	**40.1**	39.3	38.5	37.9	36.7
Export sales	Mt	**40.5**	39.1	39.7	37.1	36.1
Domestic sales	Mt	**4.8**	4.6	4.7	6.4	7.0
Total volumes shipped by Kumba	Mt	**23**	25.7	24.1	21.7	18.7
Shipping (loss)/profit	R million	**(309)**	(72)	(30)	337	319

For more on shipping and logistics see page 85

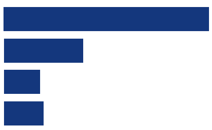
REFINING OUR GROWTH STRATEGY

During 2014, in line with our cost-cutting initiatives, we reviewed our growth strategy. This was necessary, to ensure that we only invested in projects that were likely to offer short-term return on investment.

One of the biggest changes we made was to bring technology, exploration and projects together into one integrated portfolio. While reviewing our growth strategy in 2014, we realised that to understand our future plans holistically, they needed to be integrated. This way we could make holistic decisions about which technology, growth and exploration projects were best suited to advance Kumba in the short, medium and long term. For more on our project pipeline and changes made to it in 2014, see page 34.

Export destinations and export volumes 2014

	%
China	57
Japan and South Korea	22
Europe and MENA	10
India	11



We have rationalised the portfolio and reduced capital expenditure. The focus is on low capital intensity brownfield projects for the short to medium term.

In the Northern Cape province, exploration and project studies are in progress to ultimately produce from additional pits in and around Kolomela mine. Studies continue on the UHDMS plant at Sishen mine which is designed to treat lower-grade ore at Sishen mine. The technology applied at this plant was proved in 2013 and the project was formally signed off in March 2014. It is now in project development phase and is expected to add to production in the short to medium term.

Opportunities in West and Central Africa are still being considered for the longer term.

FOCUS: SUSTAINING OUR RELATIONSHIPS

Top image
Pontsho Molusi, a drill operator and Baitshepi Mosiapoa, a drill assistant verifying the sample data that has been drilled at Sishen mine.

Bottom image
Kolomela mine has contributed R9.5 million towards the construction of a new primary healthcare facility in Postmasburg as part of the expansion of the local district hospital.

SHIFTING STAKEHOLDER EXPECTATIONS

IN THIS SECTION

- Understanding our stakeholders
- Aligning expectations
- Meeting employee needs
- Understanding community expectations
- Dingleton relocation
- Implementation of South African's mineral beneficiation strategy
- Maintaining our licence to operate

WHY THIS IS IMPORTANT TO KUMBA

Kumba has a track record of delivering on its promises and, in many cases, the company has exceeded expectations. Examples include early delivery of the Kolomela project; market-beating returns to shareholders; and unprecedented returns to employees through the employee share ownership scheme, Envision. While the company's strategy has been a core component of Kumba's ability to deliver these results, the extraordinary performance of the market in recent years was fully recognised as having played a significant role.

Prevailing market conditions have inevitably led to lower prices, which has meant a decline in financial performance in 2014, despite solid operational performance. Particularly insofar as community and employee expectations are concerned, mining companies across South Africa (including Kumba) are increasingly being looked at to deliver both upliftment and infrastructure that should be the remit of the institutions of state. While companies can partner with government in social delivery, they cannot assume the role of such delivery.

With this in mind, we have had to take into consideration what our stakeholders expect from us and how best to align these expectations with what we can deliver in a sustainable manner. This process involves intensive and extensive communication and stakeholder engagement, as well as a solid understanding of our own business and its capacity to deliver.

ACHIEVEMENTS AND CHALLENGES

✓ Met all Mining Charter requirements	✓ Concluded three-year wage agreement
✓ Completed Phase 1 of Dingleton relocation	✓ 1,120 children in our 13 education centres
✓ Stable stakeholder relations	✓ 90% of workforce participated in HCT

HOW THIS IMPACTS OUR RESOURCES

Dingleton budget of R4.2 billion in total	R202.3 million spent on community engagement and development
R9.3 million spent to fund 25 SMEs in local communities	Improves relationships with communities, government and employees
R14.4 billion spent on BEE procurement	

SHIFTING STAKEHOLDER EXPECTATIONS
continued

UNDERSTANDING OUR STAKEHOLDERS

Who our stakeholders are

We define our stakeholders as groups or individuals who have a significant interest in the business and its performance, on whom our operations and their success will have an impact, or who may have an impact on our ability to implement our strategy and achieve our objectives. This, we acknowledge is a broad definition. While we provide an extensive schedule of stakeholders on pages 42 and 43 of this report, for the purpose of this section of the report we have divided our stakeholders into the following key groups:

- Internal stakeholders, including employees and employee representatives
- The investment community, comprising shareholders and market analysts
- Civil society, which comprises community members and their advocates (NGOs and CBOs)
- Government and political groups
- Business and industry stakeholders, including suppliers and customers
- The media

How we engage with stakeholders

Constructive, regular and transparent stakeholder engagement makes good business sense and will enable us to implement our strategy today and in the future. We seek to proactively identify and engage with our stakeholders, and are informed by our values in undertaking this process. We will always:

- Demonstrate respect for all stakeholders
- Seek to understand stakeholder needs, concerns and expectations
- Act with integrity, fairness and in good faith
- Seek to collaborate with our stakeholders in achieving mutually beneficial outcomes
- Ensure that stakeholder engagement is planned, considered and forms an integral part of our business planning
- Measure and review our performance

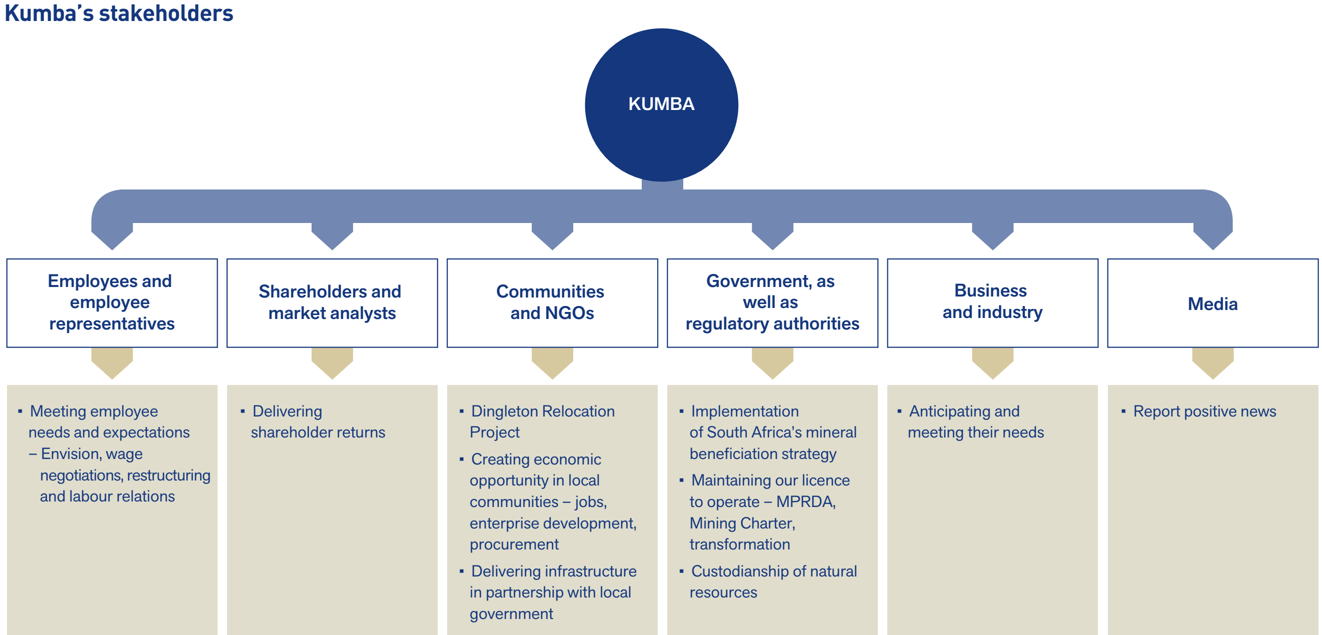
Our stakeholder engagement framework (see page 38) operates at four inter-connected and inter-dependent levels. For more details see Stakeholder engagement on page 36.

At the heart of our stakeholder engagement framework is our stakeholder management policy which describes:

- Our stakeholder engagement objectives
- The strategy we will implement to achieve these
- The indicators that we will use on an annual basis of measure and evaluate our performance

For our performance against these high-level objectives in 2014, see page 37 of this report.

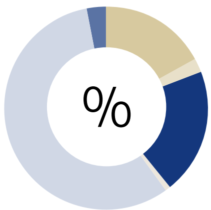
Kumba's stakeholders



ALIGNING EXPECTATIONS

We report below on the progress made in the engagement with stakeholders on a number of priority issues, and the ways in which we seek to align expectations.

Value distributed in 2014



Employees	17.2
Providers of finance	2
Government	20
Community spend	0.8
Shareholders	57
Value re-invested	3

Our value-added statement is on page 14 of the Sustainable Development Report 2014.

MEETING EMPLOYEE NEEDS

We seek to be a fair and responsible employer, and the employer of choice in our sector. Kumba is a significant provider of employment in the regions in which our mines are located, and with this position come additional responsibilities for local recruitment, the training and development of employees and potential employees, job security and post-employment planning.

Pleasingly, Kumba was again recognised as a premier employer in the mining industry by Top Employers Institute South Africa. While both internal and external employee satisfaction surveys indicate that Kumba is indeed meeting employee needs and expectations, we rely on evidence such as turnover rates, number of days lost as a result of industrial action, and comparative remuneration benchmarks as independent measures of performance.

At the end of 2014, Kumba employed 14,040 people (2013: 13,305 people) – 8,191 full time employees, 4,987 contractors and 862 employees engaged in learnerships (2013: 7,433 full-time employees; 5,037 contractors; and 835 learnerships).

The average age of our employees was 38 years, with the average length of service of 10 years, indicating a stable workforce. The gender balance within the company is improving – 20% of employees are women, with women representing 13% of employees in core mining positions. Kumba's turnover in 2014 was again low – at 3.8% (2013: 4.2%), which is well below the industry benchmark of 7.6% as reported by PwC Remchannel. However, given the restructuring process that was initiated in late 2014, and will be completed in 2015, this turnover rate is expected to rise. To understand more about this restructuring see page 18. Absenteeism levels decreased in 2014 from 11% to 9.5%, following internal interventions undertaken during the year.

Kumba upholds employees' rights to collective bargaining, and adopts an inclusive approach to labour relations. The labour relations climate in 2014 was constructive and stable, and unaffected by labour relations strife in other sectors of the economy.

In 2014, 83.2% of our workforce was represented by a recognised union. This includes non-unionised employees (around 6.6% of the workforce), who are covered by an agency-shop agreement. A three-year wage agreement was concluded with recognised unions, the National Union of Mineworkers (NUM) and Solidarity, and which was effective from 1 July 2014. The agreement provided for increases ranging from 10% for lower-level employees to 8.5% for higher-level employees in the first two years; and between 9% and 7% in the third year.

Union representation as at 31 December 2014

Total employees

	%
NUM	56.7
Solidarity	18.6
BAMCWU	7.8
Agency shop	6.9
Amcu	10.0

OPERATING SMARTER

Kumba has set a target of making home ownership possible for all employees. Our three-pronged housing strategy encourages home ownership; offers housing to support recruitment and retention; and ensures accommodation options are available to employees.

Since 2007, Kumba has spent R1.9 billion on constructing 4,222 homes for employees.

SHIFTING STAKEHOLDER EXPECTATIONS
continued

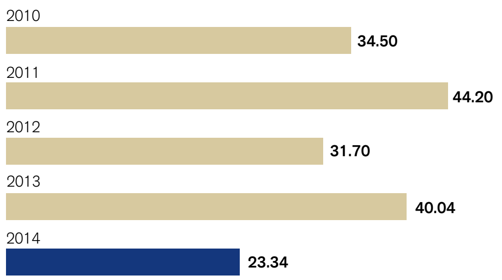
Envision continues to deliver
Kumba's broad-based employee share ownership scheme, Envision, continued to pay dividends to employees in 2014. In the 2014 financial year, the Envision trust received a dividend of R478 million, of which R169 million was paid out to eligible employees.

Due to changes in the iron ore market it is expected that these dividends, like all Kumba dividends, will decline in the next few years and we are engaging with employees to make sure they understand the reason for this.

Delivering shareholder returns
Delivery to shareholders is dependent on operating and financial performance, and can be viewed at two levels:

- Through its listing on the JSE Limited, Kumba's primary shareholders are Anglo American plc Group (69.7%) and the Industrial Development Corporation of South Africa (IDC) (12.9%). The balance of the company's shares (17.4%) are held by both institutional shareholders and retail investors. For more on this see page 98 in the Annual Financial Statements.
- Through the contribution of SIOC, which is managed by Kumba, and whose ownership structure is as follows: 73.9% held by Kumba, and 26.1% owned by BEE shareholders. See page 75 for further details. SIOC's BEE shareholders received dividends of R2.7 billion in 2014 (2013: R4.5 billion).

Dividends declared to ordinary shareholders
(Rand per share)



UNDERSTANDING COMMUNITY EXPECTATIONS

Our Sustainable Development Report 2014 provides a detailed account of the way in which we seek to understand the needs and expectations of our stakeholders, and how we can best respond to and meet these.

Community engagement and development
Our community engagement and development (CED) initiatives are extensive and seek to:

- Contribute to enterprise development at all levels
- Create and grow educational projects from early childhood development to tertiary level
- Ensure that young people are taught by competent, qualified teachers in suitable facilities
- Offer portable and technical skills development programmes to young people and people leaving employment
- Ensure our communities, our employees and their dependants have access to well run and equipped health and welfare facilities

In total, we spent R202.3 million on community development projects in 2014. Our CED expenditure has decreased since 2012 as company profitability has declined in tandem with iron ore prices. Our CED expenditure is determined by 1% net profit after tax (NOPAT).

Transforming our supply chain
We have significantly transformed how we do business and with whom we do business over the past decade, as the management of our supply chain has transformed in line with the objectives of the Mining Charter. Importantly, we have not only focused on achieving and exceeding Mining Charter targets in respect of BEE procurement, but also aim to do as much business as we can locally, with emerging companies and with businesses in which women and the youth play a role.

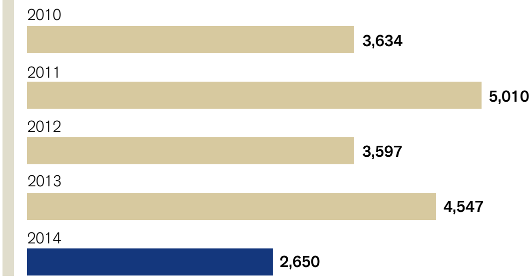
We have increasingly scrutinised our supply chain to ensure that Kumba's values are entrenched at every level, including in respect of human rights. The supplier sustainable development code established by Anglo American plc Group continues to guide our sourcing and supply chain

OPERATING SMARTER

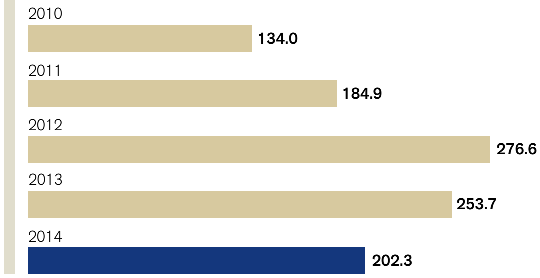
GETTING COMMUNITIES TO WORK - ZIMELE BUSINESS DEVELOPMENT HUBS

Our Zimele business development hubs contribute to community upliftment by developing and nurturing commercially viable and economically sustainable businesses. Through these hubs we undertake capacity-building and funding for small and medium enterprises (SMEs). Through the hubs, SMEs are mentored and coached in bookkeeping, how to access markets, budgeting, how to expand, and how to register with relevant prescribed bodies. In 2014, Kumba spent R9.3 million to fund 25 SMEs who in turn created around 240 new jobs.

Dividends paid by SIOC to BEE shareholders
(Rand million)



Community engagement and development expenditure (Rand million)



management. This code covers employment and labour rights, safety and health, environmental management, HIV/AIDS, and business integrity and ethics. Through its implementation, we aim to reduce risk to both Kumba and our suppliers, while raising sustainable development awareness and performance throughout the value chain. We regularly inform our suppliers of our group's standards and any amendments.

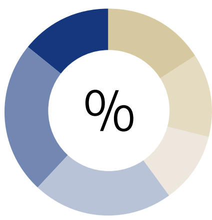
Pleasingly, Kumba has been able to exceed the BEE procurement targets set in the Mining Charter, namely 40% of capital goods, 50% of consumer goods and 70% of services. Our preferential procurement policy follows a systematic supply chain procedure that:

- Affords BEE suppliers a preference in the submission of tenders and quotations for goods and services
- Requires prime suppliers and contractors to sub-contract a percentage of contract value directly to a BEE supplier or through a JV
- Makes available negotiable payment terms options and post-tender negotiation
- Ensures constant monitoring to ensure transformation takes place within the specified period as per agreement
- Blocks non-compliant suppliers from future procurement opportunities

Procurement performance summary (Rand billion)

	2014	2013	2012	2011	2010
Total payments	**25.2**	23.7	19.8	17.3	12.3
Discretionary payments	**20.2**	18.4	15.1	13.2	9.5
BEE payments	**14.4**	11.1	9.0	6.0	3.9
BEE as a % of discretionary spend (%)	**71.4**	60.6	60.2	45.6	40.74

CED expenditure in 2014



Education and skills development	16
Health and welfare	13
Enterprise development and alleviation	11
Infrastructure development	22
Institutional capacity development, staff time and donations	24
Other	14

Our local procurement policy seeks to ensure sustainable, responsible local procurement that makes a positive contribution to a resilient supply chain and the economic and social development of the communities in which we operate. Local procurement plays a key role in securing and maintaining our right to mine, in developing thriving and healthy host communities, in creating efficiencies in our supply chain and in ensuring reliable access to critical supplies.

In short, our local procurement policy enables access by local businesses to supply chain opportunities that arise from the presence of our projects and operations.

SHIFTING STAKEHOLDER EXPECTATIONS
continued

SEEKING SOLUTIONS

As iron ore prices and consequently profitability have declined, so the funds available for community development have declined. This is in the face of continually rising expectations from communities and government from mining companies to deliver social change. Evidence of the misalignment between these expectations and the realities of the business was the violent and illegal protests by the Tsantsabane Black Business Forums (TBBF) in September 2014. The protest action brought operations at Kolomela mine to a halt. The TBBF is seeking supply chain opportunities. In response, Kumba has sought to engage directly with the TBBF, and through local forums, has set up a task team to identify potential supply chain opportunities, and will be partnering with SIOC-CDT in boosting our joint Supplier Development Programme.

DINGLETON RELOCATION

Over the past few years, significant progress was made with the Sishen Western Expansion Project – a project developed to extend Sishen mine, making mining more efficient and increasing the mine's life. In order to do this, the Transnet railway line had to be relocated from its previous position west of the current Sishen pit to the far western extent of the SIOC property. This relocation was completed in May 2013, after which SIOC applied to the DMR for the mining right in relation to those rail properties. This mining right was granted to SIOC on 11 February 2014.

In order to support this western expansion of Sishen mine, the community of Dingleton is currently being relocated to a new location closer to Kathu. The focus for this move has been on improving the quality of life for residents, with Kumba investing around R4.2 billion in building high-quality housing, as well as business premises, schools, churches, clinics, parks, a town hall and a police station, as well as any necessary sanitation and infrastructure. During the planning phases of this there was some resistance from residents, but we have spent time engaging with residents to prevent this becoming a legal matter.

The relocation was undertaken in line with the International Finance Corporation's (IFC) guidelines, which provide for compensation for loss of assets at full replacement cost, livelihood restoration and informed consultation and participation. See further information below and in our Sustainable Development Report 2014.

OPERATING SMARTER

DINGLETON RELOCATION UNDERWAY

The first phase of the relocation of Dingleton commenced in November 2014, with 17 private home owners and the occupants of 54 municipal houses in the northern section of Dingleton having been relocated by the end of December 2014. The remaining residents will be relocated by the end of 2016.

The township of Dingleton was established in the 1950s by the then state-owned mining company, Iscor, to accommodate Sishen mine employees. Over the years around 80% of the freehold properties were sold. Over time the mine's pit boundary extended closer to Dingleton, and in light of the mine's western expansion project (SWEP), the need to relocate the community became more urgent. Legislation stipulates that no human settlement may exist within 500m of an open-pit boundary. Even prior to the commencement of SWEP, however, mining activities led to complaints from residents and the town infrastructure was not being maintained and had fallen into disrepair.

During 2007, in response to requests from the Dingleton community, the SIOC and Kumba boards agreed to investigate the feasibility of relocating Dingleton residents and the associated town infrastructure. This was agreed to on the proviso that the overwhelming majority of Dingleton residents were in favour of moving; that local, district and provincial governments approved the conditions for the resettlement project; and that Kumba believed that the resettlement project was feasible and complied with best practice for the resettlement of communities.

More than 500 new homes built in Kathu will replace the 309 privately owned houses, as well as 204 houses owned by Kumba, Transnet, the SANDF and the municipality, to accommodate the 3,400 people who remained in the town. Also included in the relocation are 24 businesses, educational and medical facilities, including a new clinic, a satellite police station and related infrastructure, seven churches (serving 16 church denominations), a town hall, offices and a community centre, roads, parks, an environmentally friendly water, energy and sanitation supply, as well as all the necessary bulk services.

The relocation plan makes provision for support for various training and educational programmes, as well as small enterprise development. Once relocated to Kathu, residents will have easier access to potential sources of employment, such as the town's commercial and industrial centres, and Sishen and other surrounding mines; as well as to skills training and educational facilities.

Image
Johannes Davies, a training officer training students, Haword Gedulo, Heireich Hofmeester, Sylvester Modise, Jan Plaatjie, Gavin Hunter, Tyron Visagie and Bradley Page in bricklaying skills. The students are all part of the Dingleton relocation project and attend the classes to gain additional skills.

IMPLEMENTATION OF SOUTH AFRICA'S MINERAL BENEFICIATION STRATEGY

We are the world's only major iron ore producer that beneficiates and upgrades its ore prior to sale (see our Business Model on page 10 for more). South Africa, like many countries, would like to ensure that the country is able to benefit from being involved in a downstream industry of the steel industry. These benefits can include employment, technology development, skills development and a variety of locally produced good supporting infrastructure development – all important benefits to an emerging market. As a result there has been some discussion in the last few years regarding South Africa's beneficiation strategy and we have been sure to be part of these discussions with government, as changes to this strategy can change our business. In addition, through our supply agreement with ArcelorMittal SA, we will continue to contribute to sustaining and developing the local steel industry.

MAINTAINING OUR LICENCE TO OPERATE

Our approach is – at minimum – to ensure compliance with legislation and regulations. Where legislation or legislative amendments are being considered, we seek to actively engage with stakeholders – directly or through the Chamber of Mines – to influence these.

The end of 2014 saw the conclusion of the second phase of the Mining Charter's tenure. While Kumba has largely met the requirements of the Mining Charter we understand that transformation is not achieved simply by a tick-box approach. It requires changing the culture within our organisation so that we live up to our values, and that our demographic profile is aligned with that of our broader society. For more detail on our compliance with the Mining Charter see our Sustainable Development Report 2014 – page 16.

A prominent issue in the mining sector in 2015 is likely to be the review of the Mining Charter. See page 41 for further discussion on our external environment. As has become practice, we are confident that government will take cognisance of the positions of all social partners, and that business will have the opportunity to engage with the state prior to the finalisation of any new regulations.

Expectations that the MPRDA Amendment Bill would be enacted into law following its ratification by parliament in March 2014 have not been realised. The president sent the bill back to parliament in January 2015 for reconsideration and we are awaiting an update on this.

For more on how we manage natural resources see page 83

For more on our relationship with our customers see page 85

Image
Jaco Lambrechts, an environmental specialist at Kolomela mine inspecting rehabilitated soil at the bioremediation facility where the hydrocarbon contaminated soil collected is mixed with organic material which breaks down the hydrocarbons.

Top image
Sishen mine accounts for the bulk of Kumba's production.

Bottom image
Sishen mine's fleet of mega-size haul trucks ensures the efficient hauling of waste and ore. At the end of each day shift the haul trucks are parked in a safe area ready for the night shift.

FOCUS: PROTECTING OUR FUTURE

DELIVERING A RESILIENT BUSINESS

IN THIS SECTION

- Protecting our people
- Optimising our operations
- Sustaining our resources
- Mitigating our impact
- Leveraging our relationships

WHY THIS IS IMPORTANT TO KUMBA

Ensuring that Kumba creates value responsibly today and in the future is a key strategic priority. To achieve this goal, we need to find ways to ensure our business remains resilient. We take a holistic approach that recognises what we need to successfully conduct our business – from resources to relationships – and to sustain and safeguard these for the future.

ACHIEVEMENTS AND CHALLENGES

Optimised resource utilisation	Mined 274.3Mt waste
Reviewed growth portfolio	Continued striving towards Zero Harm, with three focus areas in 2014
Added flexibility to the mine plans of Sishen and Kolomela mines	

HOW THIS IMPACTS OUR RESOURCES

Rehabilitated 53Ha	Energy savings of 105,006GJ and emissions savings of 9,467t CO_2e against BAU
R3.9 billion paid in wages and salaries in 2014	Water savings of 7 million m^3 against BAU
Produced 48.2Mt	Unit cash cost of R272/tonne at Sishen mine
Unit cash cost of R208/tonne at Kolomela mine	Unit cash cost of R682/tonne at Thabazimbi mine

IN MEMORIAM

It is with sadness that we report the death, on 22 April 2014, of Andre Muller, a crane technician employed by contractor Crane Aid, while he was working at Sishen's dense medium separation plant. Andre fell from the access walkway of an overhead crane when the grating on which he was working collapsed. The board and management of Kumba extend our condolences to Andre's family, friends and colleagues.

This tragic event was a severe blow to Kumba's safety efforts. Prior to this accident, Kumba had operated for 16 months without a fatality. Immediately after this incident structural inspections and audits of all walkways and ladders were conducted at Sishen, Kolomela, Thabazimbi mines, Saldanha and head office by a high-level Anglo American plc Group investigation team, reporting to Kumba's chief executive, executive head of operations, and executive head of safety and sustainable development. Deviations from standards were investigated and remedied.

DELIVERING A RESILIENT BUSINESS
continued

This material issue is focused on the long term, yet is rooted in what we do today as we lay the foundations for a sustainable business in our current activities. Delivering a resilient business requires that we:

- Protect our people
- Optimise our operations
- Sustain and indeed grow our current resources
- Mitigate our impact
- Leverage our relationships

PROTECTING OUR PEOPLE

Keeping our employees safe and healthy is a key priority for the company. Our aim is Zero Harm, which implies that all employees must return home safely at the end of each day. A safe workplace and healthy employees also improve quality of life, increase productivity and maintain our social licence to operate.

To achieve Zero Harm, we have to continuously be willing to learn and adapt. We regularly review our safety policies and place great emphasis on each individual's accountability towards safe behaviour; both management and employees are expected to always follow the correct procedures. We believe that all incidents are preventable, but that we have to understand how to prevent every incident and teach employees to do the same. We investigate all incidents and potential incidents, and use various methods, including change management, hazard identification and basic safety principles, to prevent a recurrence.

Partnerships underlie many of our safety initiatives. We work closely with our employees to ensure that they understand procedures and feel comfortable speaking out when they see unsafe behaviour or encounter an unsafe situation. We engage with the government to find preventative solutions, and to ensure that we comply with safety legislation and regulations. We also encourage employees to work in partnership with each other to make their working environments safer.

While there has been a decrease in Section 54s, from 12 in 2013 to five in 2014, the increase in the FIFR and LTIFR has been a cause for concern in 2014. Safety remains a key priority for us in 2015 and we will continue to work to understand why accidents happen and improve safety behaviour.

The health of our employees has an impact on their safety and well-being, as well as productivity. Our efforts to reduce the incidence of occupational health risks, such as exposure to noise and dust, are integrated within our holistic approach to healthcare. Employees also have access to treatment and counselling for HIV/Aids and tuberculosis (TB) and other chronic diseases, as well as to our award-winning fatigue management programme.

We understand, though, that safety and health cannot end when our employees leave our gates. As a result we have begun a number of safety and health initiatives within local communities to ensure that all members of the community have access to decent healthcare, and that the messages we give at work are reinforced at home.

OPERATING SMARTER

KEY FOCUS AREAS FOR 2014

- **Risk management and fatality prevention:** By better understanding the safety risks we face, we can mitigate them to prevent injury
- **Leadership and behaviour:** Visible felt leadership remains a cornerstone of our safety imperative. By ensuring that management visibly promotes safe behaviour we can influence the behaviour of all employees
- **Operating discipline:** The best way to ensure safety is to practise safety, making safe operations a habitual way of life

Group safety performance

	2014	2013
Fatal injury frequency rate (FIFR)	0.005	–
Lost time injury (LTIs)	44	33
Lost time injury frequency rate (LTIFR)	0.23	0.18
Total recordable case frequency rate (TRCFR)	0.87	0.82
Permanent disabilities	1	1
Lost time injury severity rate (LTISR)	64	49
Days lost due to injury	1,506	1,141

OPERATING SMARTER

PROPOSED OBJECTIVES FOR 2015: SAFETY AND HEALTH

ZERO FATALITIES	**LTIFR OF 0.20**	**TRCFR OF 0.78**	**90% VOLUNTARY HCT**
10% REDUCTION IN NEW TB CASES	**ZERO SILICA EXPOSURE ABOVE THE OCCUPATIONAL EXPOSURE LIMITED (OEL)**	**ZERO EQUIPMENT EMITTING MORE THAN 107DB(A)**	**20% INCREASE IN UPTAKE OF DISEASE MANAGEMENT PROGRAMME**

SD For more on our approach to safety and health see pages 45 to 58 of our Sustainable Development Report 2014

OPTIMISING OUR OPERATIONS

Our operations determine how we compete as a mining company – not only through our mineral resources, but also through the way we access those resources, by having the right people in the right jobs, by having appropriate equipment and execution strategies, by working safely and efficiently, and by finding better ways to mine. To optimise the way in which we turn to account our resources and, where possible, extend the lives of our operations, we need to identify ways to improve our operations, be that through innovative mine design, or new technology or by improving employee effectiveness.

Sishen mine

Sishen mine is the largest operation in our portfolio, producing around 75% of our annual iron ore production. Located in the Northern Cape province, close to the town of Kathu, Sishen mine has been in operation since 1953 and is one of the largest single open-pit mines in the world.

In 2013, the mining strategy at Sishen mine was redesigned to ensure optimal ore exposure in support of our production ambition. To this end, we revised the mine plan and readjusted waste and production targets. We started with the implementation of this new plan in 2014, focusing on safety, equipment efficiency and mine plan compliance, with the target of producing 35Mt. By doing this we have also improved flexibility in the mine plan. The new mining strategy will be embedded over the next two years.

Operations were hampered by heavy rainfall in the region in the early months of the year, with particularly wet conditions affecting pre-stripping due to the slippery conditions underfoot and the inability of equipment to operate in wet clay. To remedy the resulting waste mining backlog, contractor capacity was increased. By year end, production targets had been exceeded.

The mine also faced challenges relating to skills shortages and downtime of key equipment due to unavailable or absent operators. The steep ramp-up requirements resulted in a shortage of skilled operators and initiatives to improve operator skills are being implemented. High levels of unmanned equipment exacerbated the skills shortage and had a negative impact on equipment utilisation. A high level workgroup has been established to resolve the challenge of unmanned equipment at Sishen mine and significant improvements have been noted. This work will continue into 2015.

Sishen mine exceeded targeted production of 35Mt for 2014. As part of the mine's redesign, around 780Mt of waste was removed from Sishen mine's life-of-mine plan with an 87Mt reduction in reserves, effectively increasing the value of the mine. The outcome was a reduction in the average life-of-mine stripping ratio from 4.4 to 3.9. As this life-of-mine plan continues to be optimised this ratio may vary. Including depletion, the life-of-mine was reduced from 18 to 16 years at the end of 2014. For more on this see page 97.

In August 2014, the new Operating Model was initiated at internal waste and ore mining in the Sishen North mine. This is a pilot project within the Anglo American plc Group, and is aimed at increasing the amount of work scheduled in detail and, as such, improving execution of this work. Although at an early stage of implementation, we have already seen significant benefits. The main benefit of the Operating Model is the detailed integrated work schedule that delivers safe production as forecasted in the short- to medium-term mine plan. There has been about a 70% sustainable improvement in total work scheduled following the implementation compared to 20% at commencement , which contributed to Sishen mine's sustainable total tonnes increase for the year. The Operating Model will be expanded through operations in the next two years.

DELIVERING A RESILIENT BUSINESS
continued

In 2015 we aim to increase production at Sishen mine to 36Mt. Technical work done in 2014, combined with increased efficiencies and the improved waste removal run rates, means sufficient ore has been exposed to support this target. Operational efficiency remains one of the levers to enable Sishen mine to deliver safely on its target of 38Mt by the end of 2016.

Kolomela mine

The name Kolomela means to "dig deeper or further" or "to persevere", an ethos the mine's team has taken to heart. Kolomela mine is our newest operation, having begun production in 2011, both ahead of schedule and on budget, and has proved to be a real success story in its first few years. Situated near the town of Postmasburg in the Northern Cape province, Kolomela mine aims to create a better working environment for its permanent and contract employees. It has leveraged the Kolomela mine accelerated mining plan to ramp up beyond expectations with its current annual expected production of 11Mtpa being 2Mt above the original target.

The increase from 10Mtpa to 11Mtpa has reduced the remaining reserve life of Kolomela mine from 24 years to 21 years at the end of 2014 (from 19 years to 16 years excluding inferred resources). For more on this see page 97.

Kolomela mine sustained its excellent performance in 2014, again exceeding production targets by producing 11.57Mt, 1.57Mt above plan. The mine plan is flexible enough to allow for an increase in production without compromising the sustainability of the mine, and while still limiting waste mining in line with the ore produced.

Kolomela mine has faced some challenges during the year, including the ramp-up of waste production while maintaining consistent supply to the plant; and achieving stable production despite normal day-to-day challenges. Kolomela mine also experienced abnormally heavy rainfall in the first half of 2014, making working conditions difficult. Also in the first half of 2014, a significant breakdown of Kolomela mine's reclaimer put the mine in a logistical constraint. The reclaimer has been repaired and the backlog dispatches were caught up by year end. The reclaimer's performance is being monitored to prevent further shut-downs, and the mine is working with the supplier to further enhance performance.

Kolomela mine aims to produce 13Mt by 2017 and is currently on track to achieve this.

Thabazimbi mine

Thabazimbi mine, located in the Limpopo province, has been in operation since 1931, making it the oldest mine in our portfolio and, indeed, the oldest iron ore mine in the country. Since beginning to manage the mine in 2006 Kumba has managed to extend its life-of-mine. Mining activities take place in three pits using conventional opencast methods, and ore is processed through a single processing facility.

The mine produces primarily high-grade haematite ore (more than 62% (Fe) ore content), and has historically sold its production exclusively to ArcelorMittal SA. During 2013 we signed a new agreement with ArcelorMittal SA which regulated the sale and purchase of iron ore between the parties. This agreement brought with it the decision to move Thabazimbi mine from a cost plus mine to being like any of the mines in our portfolio. We allowed two years for this change, and our focus in 2014 was on enforcing operational focus and efficiency at all levels, in order to support these changes in the mine. This culture shift proved successful when the mine exceeded its production target of 1Mt, producing 1.09Mt – an 82% increase from 0.6Mt produced in 2013.

Thabazimbi mine is a mature operation and faces some technical challenges. As a result, production was lower in the first half of the year as we focused on pre-stripping to prepare for increased ex-pit ore production in the second half.

As we mine the last remnants in some pits ore recovery remains a challenge. Mitigation plans included drilling to improve confidence in the geological model and improved utilisation of other run-of-mine feed qualities. The commercial environment required higher levels of efficiency, which the team at Thabazimbi mine managed to achieve. This meant that the mine exceeded operational targets at less than the budgeted cost.

Unit cash cost of R682/tonne (2013: R645/tonne) benefited from the increased production partially offset by higher than anticipated waste stripping, efficiency improvements in mining and beneficiation and the benefits resulting from the overhead efficiency and cost-saving initiatives further contained unit costs. During 2014 Thabazimbi mine's stay-in-business (SIB) capital expenditure of R167 million was incurred on fleet maintenance and infrastructural improvements.

Thabazimbi mine aims to again produce 1Mt in 2015. The lower prices have meant that the low-grade project (Project Infinity) was suspended and the future of Thabazimbi mine is being carefully considered.

SUSTAINING OUR RESOURCES

Growth remains a fundamental component of our strategy. As a responsible mining company, we think beyond our current reserves and resources to understand what we need to do to replace and grow our resources for the future.

Our strategy (see page 24) envisages growth in two ways:

- Optimising current operations and exploring resources in the Northern Cape
- Developing a second footprint in west and central Africa

In the Northern Cape, exploration and project studies are in progress to ultimately produce from additional pits in and around Kolomela mine. Further, studies continue to determine the right options to deploy UHDMS and other low-grade technologies to turn to account the C-grade material at Sishen mine.

Whilst our aim is still to grow South African production by around 5Mt in the medium term, the decline in iron ore prices has necessitated the further optimisation of our project portfolio. For more on this review see page 67.

The following projects remain in place:

- Dingleton relocation project, which will enable the expansion of Sishen to the west. Extensive community engagement undertaken over a number of years culminated in the conclusion of Phase 1 of the project.
  - Phase 1 of the Dingleton relocation project was completed, with 71 homes in Dingleton North being moved to the new host site.
  - Phase 2 Construction has commenced on the estimated 428 remaining houses, buildings and businesses and is progressing according to plan. For more on this see page 76.
- Previously known as the Kolomela Expansion Project, the Kolomela Optimisation Project's focus was shifted in line with the revision to the strategy, and specifically to increase Kolomela mine's capacity to 13Mtpa in the short term. The pre-feasibility study should be completed by the second quarter of 2015.
- The capital portfolio was re-evaluated to increase synergies in the Sishen beneficiation process and the current projects in the portfolio (Jig-1mm and Jig discard projects) will be consolidated into an optimised project and will be positioned as part of the medium-term growth strategy.
- The Sishen mine low-grade project was critical enough to be higher in priority for Kumba and a smaller project (>43Fe) was initiated while the larger ore replacement project is being studied. The lower-grade >43Fe project will focus on feed from in situ low-grade and the current low-grade stockpiles.

Further work is required to metallurgically characterise the ore and develop an appropriate beneficiation (processing) technology to enable the integration of this potential product into Sishen's product suite. Work continues to be done in parallel to upgrade geological confidence classification of the lower-grade material.

MITIGATING OUR IMPACT

Mining relies on natural resources, including the ore we mine. Accessing that ore requires intensive use of other natural resources, namely water and energy, as well as disturbance of surface land. We seek to minimise the resources we use or disturb, while at the same time maximising the benefits from our mining activities. This balance is implicit in our strategy of long-term sustainability: to ensure we can continue producing in the future, we need to understand the resources available to us and use them responsibly.

Our impact extends beyond our immediate mining footprint. We understand that our activities have an impact on our employees and the communities around our operations. While we work to make this a positive impact, sometimes it is not. We undertake extensive stakeholder engagement to understand how our stakeholders experience and perceive our actions and our impact on them. This stakeholder engagement also forms the basis for our community projects and safety initiatives. For more on our approach to stakeholder engagement see page 36.

OPERATING SMARTER

KEY ENVIRONMENTAL STATISTICS 2014

WATER

- 15.4 million m^3 total water abstracted (2013: 11.2 million m^3)
- 181 litres used per tonne (2013: 203 litres)
- Total water used for primary activities: 8.7 million m^3 (2013: 8.6 million m^3)
- 56% of water recycled (2013: 53%)

ENERGY

- Direct energy used (largely diesel) consumed 9.0 million GJ (2013: 7.5 million GJ)
- Indirect energy (electrical) consumed : 1.8 million GJ (2013: 1.8 million GJ)
- Total energy consumed (direct and indirect): 10.8 million GJ (2013: 9.3 million GJ)
- Greenhouse gas (GHG) emissions Scope 1 and Scope 2: 1.21Mt CO_2e per tonne produced (2013: 1.08Mt CO_2e)

ROCK MINED

- Rock mined and ore processed: 360.40Mt (2013: 303.5Mt)

DELIVERING A RESILIENT BUSINESS

continued

OPERATING SMARTER

2014 ENVIRONMENTAL FOCUS AREAS

- **Awareness and reporting:** By ensuring that employees are aware of our environmental responsibilities, and what constitutes an environmental incident, we are better able to collectively protect our natural resources. By encouraging reporting of environmental incidents, we can also accurately measure our impact and take steps to improve our performance.
- **Remediation and pollution prevention:** We are supportive of amendments to South African legislation that will strengthen regulation regarding environmental management by companies.
- **Waste management:** Given our commitment to minimise our impact, we reuse and recycle as much as possible. In addition, we facilitate the recycling and disposal of household and commercial waste generated by local communities.
- **Energy and carbon dioxide (CO_2) management:** In line with our overall efficiency drive, we seek to both reduce and optimise our energy use. This year our average product energy intensity was 0.224GJ/tonne ore (2013: 0.220GJ/tonne ore). We also try to make use of alternative energy sources, such as solar energy, to reduce our reliance on coal-generated power. Given that energy constitutes a significant proportion of our operating costs, reducing our energy usage not only reduces costs, but also provides other benefits.
- **Water management:** We use Anglo American's Water Efficiency Target Tool (WETT) to improve our water management and make the business more resilient to water scarcities. While mining requires high volumes of water, we appreciate that we can reuse or reduce water consumption and in so doing, ensure that local communities also have access to clean, usable water.
- **Land management (including biodiversity and rehabilitation):** Open-pit mining inevitably results in large-scale disturbance of land, which brings with it two responsibilities: the first is to ensure that we do not have a negative impact on biodiversity on the land on which our operations are located and around our mines. The second is the need to rehabilitate affected land once our operations have ceased so that it may be used for agreed economic or social purposes. To this end, we undertake concurrent rehabilitation, and this year rehabilitated 10ha of land at Sishen mine, 32ha at Kolomela mine and 11ha at Thabazimbi mine.

OBJECTIVES FOR 2015: ENVIRONMENT

WATER SAVINGS:	ENERGY SAVING:	GHG EMISSIONS REDUCTION:
6 MILLION m^3 ON BAU	385,146GJ ON BAU	63,863CO_2e ON BAU

SD For more detailed information on our environmental performance in 2014 see page 87 of our Sustainable Development Report 2014

LEVERAGING OUR RELATIONSHIPS

Given that a significant part of the iron ore mining process relies on the transportation of bulk product, our relationship with the providers of logistics is one of the most important links in supporting and sustaining our business. Transnet ensures that our ore reaches the port as well as local destinations and Anglo American works with us to ship that ore to customers. Because much of the transportation process is out of our direct control, it is essential that these relationships are well-managed, and bridge the link between our operations and customers. It is also essential that we maintain a balance between producing sufficient product to meet contractual obligations and the capacity to transport the product. To optimise our operations in the short term and increase our footprint in the long term, we will need reliable infrastructure to support this growth.

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.

The way we produce ore for the export market at our Sishen and Kolomela mines is shown in the diagram on page 85.

Rail

In 2014, Transnet continued to perform solidly, and met all contractual obligations, enabling the railing of a total of 42.2Mt (2013: 39.7Mt) via the IOEC in 2014, 31.7Mt from Sishen mine and 10.5Mt from Kolomela mine. This included 0.7Mt from third party producers. We exported 40.5Mt (89%), while the remaining 4.8Mt was sold to ArcelorMittal SA, as per agreement.

An annual tariff increase was agreed between Kumba and Transnet, based on a basket of indices comprising the producer price index, labour costs and electricity tariffs, among others.

Looking ahead, we remain in discussion with Transnet in an effort to increase rail capacity in anticipation of increased production in 2015. This will serve as an interim measure ahead of the planned expansion of the IOEC.

Shipping

As our mining operations increased production in the latter part of the year, the use of not only the bulk terminal but also the multi-purpose terminal (MPT) provided a meaningful step forward towards increasing export sales in the near future. In the fourth quarter alone, the MPT accounted for 0.7Mt of exports.

In 2014, we shipped 40.1Mt (2013: 39.3Mt) from Saldanha Bay, a 2% increase year-on-year and a success we hope to build on in the coming year. At 31 December 2014, our stockpiles were 2.5Mt (2013: 1.1Mt) at Saldanha Bay and 0.4Mt (2013:0.8Mt) at Qingdao, China.

During 2014, 57% of our ore was shipped on a CFR basis (2013: 64%).

Having full control over shipping allows us to manage the shipping cost and drive for efficiencies. In 2014, we managed to achieve shipping savings on a number of shipments by combining them with other freight routes, thus increasing vessel utilisation.

Customer relations

Our relationships with our key customers are critically important. We produce high-quality products which, through our marketing strategy, we aim to match with our customers' needs. But to do this we have to understand our customers' requirements, so that we are able to develop and deliver the appropriate, high-quality products.

This delivery to specific needs is what strengthens our relationships with clients, attracts a premium and cements our place in a globally competitive market.

Producing ore for the export market

SISHEN MINE

Process A

DMS plant uses a sink-float process to separate ore from waste

Process B

Jig plant uses pulsating technology to remove waste material from the ore

KOLOMELA MINE

Process C

Dry crushing and screening employed to produce lump and fine direct shipping ore

Ore from Sishen and Kolomela mines is railed to Saldanha Bay to be combined into Kumba's high-grade export products that have a high iron content, superior physical properties, low moisture, and low undersize

In addition we seek to create and supply a product of consistent and reliable quality (ISO 9001, 14001 and 17025 laboratory certification).

ORE RESERVES AND MINERAL RESOURCES

TO SEE WHAT COULD BE

Introduction and scope

Kumba's 2014 Reserve and Resource 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 meets the necessary listing requirements.

The figures quoted in this document, reported on a 100% basis irrespective of attributable shareholding which is separately indicated in this statement per site, serves as an indication of Kumba's Ore Reserve and Mineral Resource status at 31 December 2014, and compares it with the Ore Reserves and Mineral Resources as estimated and reported in 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 at current (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 2014 in-house Kumba Resource and Reserve Statement and Audit Committee Report, derived from detailed site Reserve and Resource 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 Measured and Indicated Mineral Resources only i.e. those modified or converted into Proved or Probable Ore Reserves i.e. run-of-mine, 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'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 2014 fiscal year was characterised by a steep decline in index iron ore prices (47%). It is reassuring to note that, despite these dramatic events, the Kumba Iron Ore Mineral Resource and Ore Reserve base was not materially impacted and therefore provides the confidence, that the underlying economic and technical foundation of the company is geared to withstand near term market fluctuations, ensuring the sustainable and profitable exploitation of the mineral asset.

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, defines 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. 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).

Geographic locations of Kumba operations and projects

Mining operations

- 1a Sishen mine
- 1b Kolomela mine
- 1c Thabazimbi mine

Project

- 2 Zandrivierspoort project

Figure 1: Geographic locations of Kumba operations and projects for which Ore Reserves and Mineral Resources have been declared.

During 2014, Kumba completed a strategic redesign and life-of-mine plan update of all three of its operations. These initiatives have to date yielded significant value to Kumba through the technical optimisation of operations.

Ore Reserve estimates for the mining operations were updated within four months before the end of the 2014 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 near the town of Kathu, which accounts for the bulk of Kumba's current annual production
- Kolomela mine in the Northern Cape province near the town of Postmasburg – a direct shipping operation
- Thabazimbi mine in Limpopo province near the town of Thabazimbi – Kumba's longest standing operation
- The Zandrivierspoort project, approximately 25km northeast of Polokwane in the Limpopo province

ATTRIBUTABLE REPORTING

For this statement, all Ore Reserve, Saleable Product and Mineral Resource (in addition to Ore Reserves) tonnage and associated average Fe-grade estimates, whether Kumba's attributable economic interest in the specific mineral asset is less than 100% or not, are reported as 100% in **Table 5, Table 6 and Table 7** respectively; with the percentage economic interest attributable to Kumba indicated separately in the relevant tables. The overall economic interest attributable to Sishen Iron Ore Company (Proprietary) Limited (SIOC), Kumba and Anglo American is also summarised
in **Table 1**.

The year under review

TABLE 1: KUMBA IRON ORE AND ANGLO AMERICAN PLC GROUP ATTRIBUTABLE ECONOMIC INTEREST PERCENTAGES FOR MINERAL ASSETS HELD BY SISHEN IRON ORE COMPANY

	% owned by SIOC		% owned by Kumba Iron Ore		% owned by Other		% Owned by AAplc via KIO[1]	
Mineral Asset	2014	2013	2014	2013	2014	2013	2014	2013
Kolomela mine	**100.0**	100.0	**73.9**	73.9	**26.1**	26.1	**51.5**	51.5
Sishen mine[2]	**100.0**	78.6	**73.9**	58.1	**26.1**	41.9	**51.5**	40.5
Thabazimbi mine	**100.0**	100.0	**73.9**	73.9	**26.1**	26.1	**51.5**	51.5
Zandrivierspoort project[3]	**50.0**	50.0	**37.0**	37.0	**63.0**	63.0	**25.8**	25.8

1) The holding company SIOC is 73.9% owned by Kumba, and in turn Kumba is 69.7% owned by Anglo American (as at 31 December 2014).

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 Department of Mineral Rights (DMR) to Imperial Crown Trading 289 (Pty) Ltd (ICT).

Both the DMR and ICT lodged an appeal to the Supreme Court of Appeal (SCA) against the ruling by the High Court, which appeal was heard by the SCA on 19 February 2013. On 28 March 2013 the SCA dismissed the appeals as lodged by the DMR and ICT. The SCA held that, as a matter of law and as at midnight on 30 April 2009, SIOC became the sole holder of the mining right to iron ore in respect of the Sishen mine, after ArcelorMittal South Africa (ArcelorMittal SA) failed to convert its undivided share of the old order mining right.

On 23 April 2013, both ICT and the DMR had lodged applications for leave to appeal against the SCA judgment to the Constitutional Court (CC). The CC hearing was held on 3 September 2013. On 12 December 2013, the CC granted the DMR's appeal in part against the SCA judgment. In a detailed judgment, the CC 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 CC 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 Mineral and Petroleum Resources Development Act (the MPRDA), SIOC is the only party competent to apply for and be granted the residual (21.4%) mining right.

Based on the outcome of the CC 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. SIOC derives 100% of the economic benefit of the material extracted from the Sishen mine, and is not required to account to any other entity for the value thus derived. SIOC is mining in accordance with its approved Mine Works Programme. SIOC has submitted its applications to be granted the 21.4% mining right. At the time of reporting, the mining right had not yet been granted.

At the time of the 2013 reporting, Kumba reported the attributable percentage based on the mining rights held. The 2014 Ore Reserve and Mineral Resource Statement utilises the attributable percentage of the economic benefit related to the operations.

3) Zandrivierspoort is a 50:50 joint venture between ArcelorMittal SA and SIOC.

ORE RESERVES AND MINERAL RESOURCES
continued

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 (July 2009 amended version).

The Ore Reserve and Mineral Resource estimates have been signed off by the relevant competent persons, who consent to the inclusion of the information in this report in the form and context in which it appears.

All competent persons informing the 2014 Kumba Reserve and Resource Statement are employed by Kumba and assumed responsibility by means of signing a competent person appointment letter, kept by the company's Principal - Mineral Resources, at Kumba's Centurion Gate Office in Pretoria, South Africa.

GOVERNANCE

Applicable codes and policies are uniformly applied throughout Anglo American plc Group (AA plc) via a governance document i.e. the Anglo American plc Group technical standard (AA_GTS_22), which holistically governs Resource and Reserve reporting for all the AA plc business units, of which Kumba forms part.

TABLE 2: CORPORATE RESPONSIBILITY

Operation	Field	Name	Years relevant experience	Designation	Professional organisation	Registration number
Kumba	Mineral Resources	Jean Britz	10	Principal, Mineral Resources	SACNASP	400423/04
Kumba	Ore Reserves	Theunis Otto	10	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	20	Chief Resource Geologist	SACNASP	400100/2000
Thabazimbi mine	Mineral Resources	Venter J Combrink	15	Senior Resource Geologist	SACNASP	400053/08
Kolomela mine	Mineral Resources	Mike D Carney	17	Mineral Resource Manager	SACNASP	400096/99
Sishen mine	Ore Reserves	Jaco F van Graan	10	Senior Mining Engineer	ECSA	20100342
Thabazimbi mine	Ore Reserves	Jaco F van Graan	10	Senior Mining engineer	ECSA	20100342
Kolomela mine	Ore Reserves	Grant Crawley	6	Senior Mining Engineer	ECSA	20130120

TABLE 4: PROJECT RESPONSIBILITY

Operation	Field	Name	Years relevant experience	Designation	Professional organisation	Registration number
Zandrivierspoort Project	Mineral Resources	Stuart Mac Gregor	8	Principal, Exploration	SACNASP	400029/09
Zandrivierspoort Project	No Ore Reserve declared in 2014					

Kumba internalised the SAMREC Code and its policy and the AA plc group standards by deriving a reporting procedure (Kumba Iron Ore 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 annually communicated to the executive management of Kumba.

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 hydrogeological input)

Site visits by the external auditors are compulsory. At current Xstract Mining Consultants (Australia), a Calibre Group company, has been appointed to independently review Mineral Resources and Ore Reserves.

Thabazimbi Mine's 2013 stated Mineral Resources, Ore Reserves and LoM Plan were externally audited in 2014.

SECURITY OF TENURE

Save for one exception, 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%

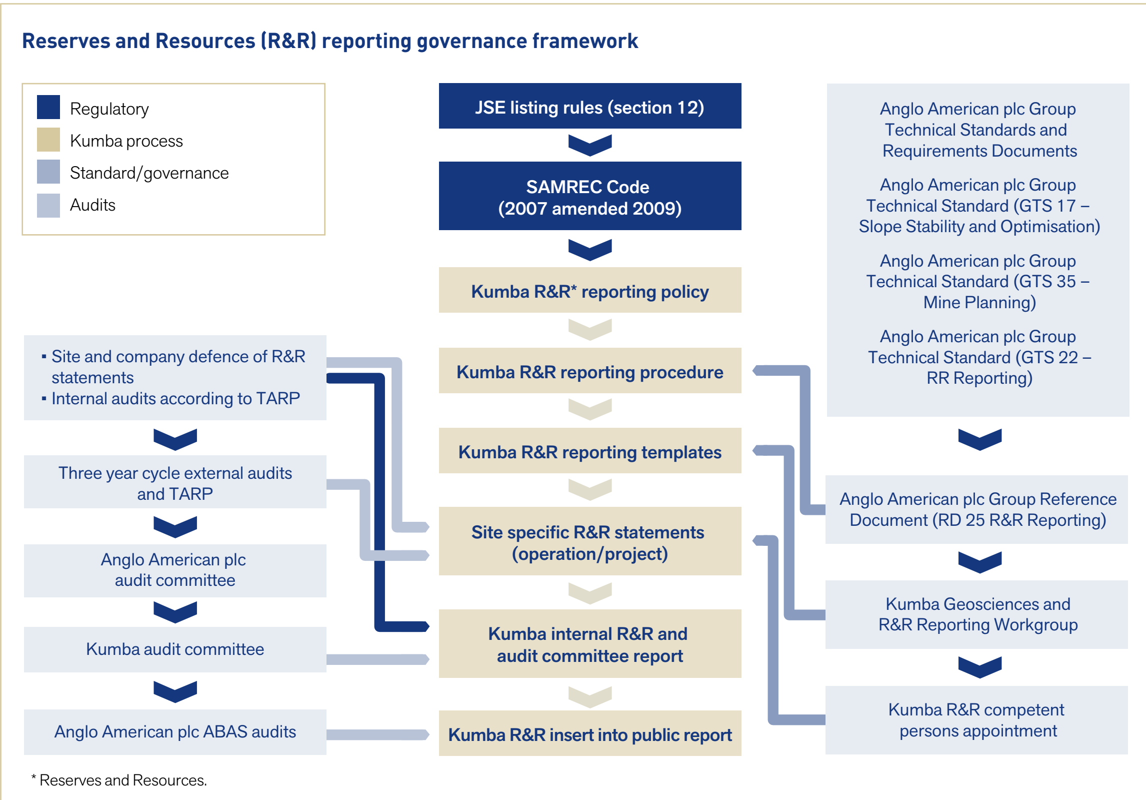


Figure 2: Kumba Iron Ore Mineral Resource and Ore Reserve Reporting Framework.

ORE RESERVES AND MINERAL RESOURCES
continued

share with BEE partnership being divided between Exxaro (19.98%), the Sishen Iron Ore Community Development Trust (3.0%) and the Sishen Iron Ore Company Employee Share Participation Scheme (3.1%).

The one 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% undivided right remained available for allocation by the DMR.
- The Constitutional Court ruled further that, based on the provisions of the Mineral and Petroleum Resources Development Act (the MPRDA), SIOC is the only party competent to apply for and be granted the residual (21.4%) mining right. 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. SIOC derives 100% of the economic benefit of the material extracted from the Sishen mine, and is not required to account to any other entity for the value thus derived. SIOC is mining lawfully in accordance with its approved Mine Works Programme. SIOC has submitted its applications to be granted the 21.4% mining right. At the time of reporting, the mining right had not yet been granted.

Status of mining rights
SIOC has executed new order Mining Rights for all operations of sufficient duration to enable the complete execution of the life-of-mine plans from which the ore reserves and saleable product have been derived. The status of the new order mining rights is listed below:

- SIOC was granted a mining right for iron ore on 18 September 2008 for its Kolomela mine for a 30-year mining period. The right is scheduled for amendment via a Section 102 application in 2015 to cater for the increase in production levels as per the 2014 LoM Plan.
- SIOC was granted a mining right for iron ore and quartzite on 11 November 2009 for its Sishen mine for a 30-year mining period. The right was extended in 2014, following a Section 102 application to incorporate the old Transnet railway properties transecting the mining area from north to south, granted by the DMR on 28 February 2014.
- SIOC was granted a mining right for iron ore on 5 October 2009 for its Thabazimbi mine (Kwaggashoek portion) for a 30-year period, while the Thabazimbi mine (Donkerpoort portion) was granted on 21 October 2009, also for a 30-year period.

Status of prospecting rights
SIOC has declared Mineral Resources on three prospecting rights:

- The Dingleton prospecting right area and Sishen Farm prospecting right located immediately adjacent to the Sishen mining right area and which comprise 0.6% of Kumba's total inclusive Mineral Resource
- The Zandrivierspoort exploration project, which comprises 21% of Kumba's total inclusive Mineral Resource

SIOC has submitted a renewal application for the Dingleton prospecting right in 2011 and is awaiting the grant of the right by the DMR.

The Department of Mineral Resources has granted SIOC the renewal of the Sishen Farm prospecting right in 2014. Exploration could however not commence due to an existing Section 93 notice that was issued by the DMR for not achieving drilling targets as communicated in the prospecting work programme, prior to the grant of the renewal application. Kumba has appealed this Section 93 notice through a section 96 application in 2011.

The prospecting right for Zandrivierspoort (50:50 joint venture with ArcelorMittal SA) expired on 17 November 2011. SIOC applied for renewal on 16 August 2011 and is awaiting a decision by the DMR regarding the granting of the renewal application.

Kumba is actively engaging with the DMR regarding outstanding prospecting right.

SUMMARY OF 2014 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 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 used as input into the pit optimisation process is obtained from the Commodities Research Division at Anglo American during March of each year (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 (Kumba's export harbour) in US$/t Free-On-Board (FOB) terms at a 62% Fe grade.
- Higher Fe-content, as well as lump ore, gains a premium in the market. This is the second adjustment, considering site-specific planned lump-fine ratios and average Fe contents i.e. prices are derived for the lump and fine products from each of the processing streams (for example the dense media separation and Jig processing streams at Sishen mine or direct shipping ore at Kolomela mine). Thereafter price averaging is applied based on a mass weighted average calculation.
- Once the average product prices are calculated in US$/t FOB terms, the long-term real exchange rate is applied to convert the price to a R/t FOB Saldanha base.
- To calculate the R/t Free-On-Rail (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 envelops the current economically extractable ore volume, and forms the basis for the life-of-mine 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.

For Kumba, achieving client product specifications has been translated into a 'slightly higher than client specifications' Fe grade scheduling target, where 'slightly higher' is based on adding one time the standard deviation of the frequency distribution of the product Fe-grade of product beds of the mining operation in question (as actually recorded over the latest applicable fiscal year to the client specification percentage for Fe).

The RoM plant feed derived from such a schedule represents the Ore Reserves. The product derived via the application of metallurgical factors (in the form of beneficiation algorithms defining the relationship between yield and product qualities with the mining block model grades) in the mining model and subsequent scheduling represents what is referred to as 'Saleable Product'.

Inferred Mineral Resources occurring within the life-of-mine plan (LoMP) are reported as 'Mineral Resources considered for LoM Plan' and not as Ore Reserves and have not been adjusted to consider modifying factors.

As of 31 December 2014, Kumba, from a 100% ownership reporting perspective, had access to an estimated Haematite Ore Reserve of 0.9 billion tonnes at an average unbeneficiated or feed grade of 59.9% Fe from its three mining operations:

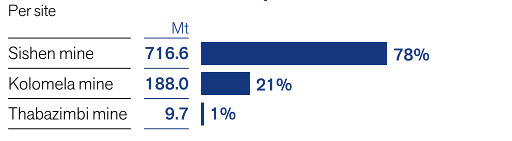
- Kolomela mine (188.0Mt @ 64.4% Fe)
- Sishen mine (716.6Mt @ 58.7% Fe)
- Thabazimbi mine (9.7Mt @ 60.4% Fe)

A 15% net decrease of 161.0Mt is noted for the total 2014 Kumba Ore Reserve compared to 2013.

Overall:

- The Sishen mine Ore Reserve decreased materially from 2013 to 2014 by 17% (-147.4Mt) due to the following:
  - a strategic redesign in 2014 to optimise the asset value. The redesign focused on reducing areas of high incremental stripping ratios whilst optimising operational efficiencies. In addition, economic assumptions were aligned between the long-term plan and the budget
  - the strategic redesign resulted in an overall waste reduction of 780Mt and a consequent reserve decrease of 87Mt at an incremental stripping ratio of 9. The overall effect is a R3.8 billion increase in the Sishen mine LoM Plan net present value, whilst the stripping ratio decreased significantly from 4.3 to 3.9
- The Kolomela mine Ore Reserves decreased by 6% (-12.0Mt) from 2013 mainly due to the annual production
- The Thabazimbi mine Ore Reserve decreased by 14% (-1.6Mt) from 2013 primarily as a result of the 2014 production

Kumba 2014 ore reserve portfolio
Per site



Kumba ore reserve portfolio
Per confidence class

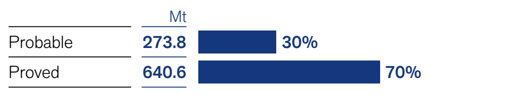


Figure 3: 2014 Kumba Ore Reserve portfolio – Reported as 100% (per site and per Ore Reserve class).

ORE RESERVES AND MINERAL RESOURCES

continued

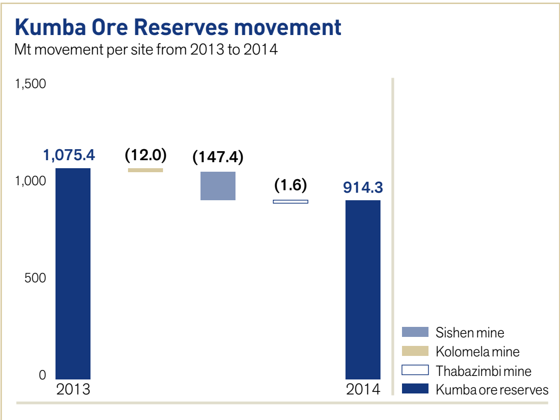
Image
Operations in the Kapstevel pit at Kolomela mine.

As estimated at the time of reporting, a 51.9Mt depletion of the Ore Reserve is attributable to annual run-of-mine production at the three mining operations during 2014, including a net 3.6Mt production from run-of-mine buffer stockpiles. This figure excludes an additional 9.1Mt Inferred Mineral Resource, depleted in 2014 as run-of-mine.

The material increase in the Proved to Probable Ore Reserve ratio from 49:51 in 2013 to 70:30 in 2014, is primarily the result of the reversal of the downgrading of 225.0Mt of 262.0Mt Reserves from Proved to Probable in 2013 at Sishen mine in order to account for the risk associated with:

- SIOC not being granted the mining right for the old Transnet rail corridor located to the west of the current pit at the time of reporting in 2013
- Uncertainty regarding the timeous execution of the Dingleton Community Relocation Project at the time of reporting in 2012

SIOC has subsequently been granted the mining right in question and the Sishen mine Competent Person for Ore Reserves is satisfied that the risk associated with the resettlement of the Dingleton community has been adequately addressed. A total of 37.0Mt of Probable Ore Reserves has not been reclassified as Proved Ore Reserves, as 9.0Mt is located within the Dingleton prospecting right (which has not yet been converted to a mining right, pending approval of the application by the Department: Mineral Resources) and the remainder located in the adjacent mining right buffer blast zone.



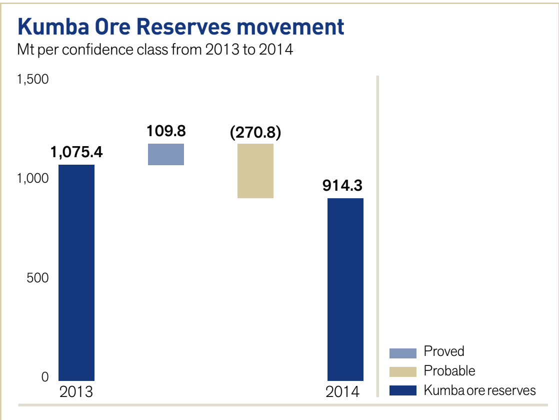


Figure 4

TABLE 5: KUMBA'S ORE RESERVE STATEMENT FOR 2014 (REFERENCED AGAINST 2013)

			2014				2013				
			Ore Reserves								
Operation/Project	**KIO % economic interest**	**Reserve category**	**Tonnage Mt**	**Grade (%Fe) Average**	**Grade (%Fe) Cut-off***	**Reserve life** Years**	**Tonnage Mt**	**Grade (%Fe) Average**	**Grade (%Fe) Cut-off**	**Reserve Years**	**Life of mine Years**
Mining operations											
Kolomela mine[1]	73.9	Proved	83.3	64.6			101.3	64.4			
		Probable	104.7	64.3			98.7	64.5			
		Sub-total	**188.0**	**64.4**	**42**	**21**	200.0	64.4	42	20	25
Sishen mine[2]	73.9	Proved	556.8	59.4			428.9	59.2			
		Probable	159.8	56.2			435.1	59.1			
		Sub-total	**716.6**	**58.7**	**40**	**16**	864.1	59.1	40	19	19
Thabazimbi mine[3]	73.9	Proved	0.4	61.9			0.5	62.2			
		Probable	9.3	60.3			10.8	60.4			
		Sub-total	**9.7**	**60.4**	**54**	**9**	11.3	60.5	54	9	10
Kumba		Proved	640.6	60.1			530.7	60.2			
- Mining Operations		Probable	273.8	59.4			544.6	60.1			
		Total	**914.3**	**59.9**			1 075.4	60.1			
Company											
Kumba		Proved	640.6	60.1			530.7	60.2			
- Total Ore Reserves		Probable	273.8	59.4			544.6	60.1			
		Total	**914.3**	**59.9**			1 075.4	60.1			

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 are reported at 100% irrespective of percentage attributable economic interest to Kumba Iron Ore.

The respective cut-off grades quoted for the Ore Reserves are dynamic and are dependent on the beneficiability and/or blending capacity of the diluted ore scheduled as run-of-mine, which is iteratively determined during life-of-mine plan scheduling to achieve a scheduling grade target that is 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 therefore, in certain cases, be less than the Mineral Resource cut-off grade.

** Kumba Iron Ore, to align with the rest of the Anglo American business units, will no longer use the term "Life-of-Mine (Years)" as was quoted in 2013, but will retain the term "Reserve Life (Years)". Reserve Life represents the number of years of mining remaining after 31 December of the year of reporting. It is calculated from the Proved and Probable Ore Reserves and also from the Inferred Mineral Resources occurring inside the final pit layout boundaries which are considered practically and economically mineable. The Reserve Life Years quoted are therefore no longer calculated as the Ore Reserves divided by the average annual run-of-mine feed.

- For Kolomela mine a 21 year Reserve Life has been quoted in 2014, which includes 19% Inferred Mineral Resources (the 11.4Mt annual Saleable Product output level is not maintained for the last two years of the Reserve Life). The decrease in the Reserve Life (compared to the 2013 life-of-mine) is the result of the annual Saleable Product output being increased from 10.Mtpa to 11.4Mtpa.

  To define this material risk (>10% Inferred Mineral Resources considered for LoM Plan), Kolomela mine valuated a Long Term Mine Plan scheduling scenario excluding Inferred Mineral Resources which remained economically viable, although at a 17% lower NPV.

- A 16 year Reserve Life has been quoted for Sishen mine in 2014; which includes 4% Inferred Mineral Resources (the 37.0Mt annual Saleable Product output level is not maintained for the last three years of the Reserve Life). The decrease in Reserve Life (compared to the 2013 Life of Mine) can be attributed to the complete re-design of the pit layout to accommodate a revised pushback strategy in order to address operational constraints and increase exposed ore levels and improving mining flexibility. This combined with a slight increase in the average annual Saleable Product output resulted in a three year decrease in the Reserve Life.

- For Thabazimbi mine a nine-year Reserve Life has been quoted in 2014, including 11% Inferred Mineral Resources (the 1.0Mt annual Saleable Product output level is not maintained for the last year of the Reserve Life). The one- year decrease in the Reserve Life (compared to the 2013 Life of Mine) is a direct result of 2014 production. 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:

1) Kolomela mine's Ore Reserves decreased by 12.0Mt (6%) from 2013 to 2014.

   This decrease can primarily be assigned to the estimated annual Ore Reserve production of 12.8Mt (excluding Inferred Mineral Resources depleted as run-of-mine in 2014) in combination with a further decrease of 6.6Mt based on a revision of the Leeuwfontein pit (one of three active pits at Kolomela mine) ore body geological model to honour new exploration borehole information.

   The decrease in Ore Reserve was offset by a 2.7Mt increase in the run-of-mine buffer stockpile levels and a 5.0Mt increase in the Ore Reserves following the pit optimisation.

   A further minor 0.3Mt negative movement to reconcile for an underestimation of the last two months of production in 2013 provides the balance for the 12.0Mt year-on-year movement in the Kolomela mine Ore Reserves.

   A total of 6.7Mt (4%) of the Ore Reserves were scheduled from current run-of-mine buffer stockpiles in the 2014 LoM Plan.

2) Sishen mine's Ore Reserves decreased materially by 147.4Mt (17%) from 2013 to 2014.

   Apart from the annual run-of-mine production, estimated to be 40.7Mt of Ore Reserves (including 6.5Mt from run-of-mine buffer stockpiles), other major movements include:

   - An alignment of the Ore Reserve economic assumptions with budget parameters as well as a strategic re-design of the Sishen mine waste pushback strategy in 2014 in order to achieve a lower cost (lower stripping ratio) life-of-mine plan solution. A 4% increase in the LoM Plan net present value was achieved without compromising the annual Saleable Product output. This exercise did however require that "high-cost' Ore Reserves, associated with a waste stripping ratio in excess of 10:1 be removed from the LoM Plan, resulting in a reduction in Ore Reserves of 86.7Mt (-10%),and a concomitant decrease in the life-of-mine waste profile of 780Mt (-20%, excluding 2014 production) was realised.
   - A minor 3% (20.7Mt) decrease in Ore Reserves due to the re-allocation of a portion of the conglomeratic ore body to Inferred Mineral Resource in accordance with the KIO Mineral Resource Classification Guideline.
   - Minor changes that make up +0.7Mt movement to balance the year-on-year overall decrease of 147.4Mt.

   A total of 29.2Mt (4%) of the Ore Reserves were scheduled from current run-of-mine buffer stockpiles in the 2014 LoM Plan.

3) Overall the Thabazimbi Ore Reserves showed a net 14% year-on-year decrease of 1.6Mt.

   The decrease is primarily attributable to 2014 annual production. The Thabazimbi mine is subject to a life-of mine review, which is currently ongoing and as a result, it was considered prudent to revert to the 2013 Ore Reserves (and Mineral Resources to retain alignment) in terms of public reporting. The 2014 Ore Reserve Statement for Thabazimbi mine is therefore based on the 2013 Ore Reserves, depleted by the 2014 production.

   A total of 0.1Mt (1%) of the Ore Reserves were scheduled from current run-of-mine buffer stockpiles in the 2014 LoM Plan.

ORE RESERVES AND MINERAL RESOURCES

continued

SALEABLE PRODUCT

The Saleable Product estimates are derived by applying site-specific metallurgical yield algorithms (defining the relationship between run-of-mine and product tonnages) to the Ore Reserves. The yield (and associated product grade) algorithms have been derived through metallurgical test work, the latter also considering efficiency differences between laboratory scale and pilot scale test work versus real-scale plant performances.

Life-of-mine plans, considering current contract and client supply agreement conditions, deliver a total Saleable Product of 730.2Mt with an average 65.1% Fe over the reserve life years for the three mining operations (**Table 6**).

MINERAL RESOURCES

Kumba only derives Mineral Resource estimates from geological models that spatially (three-dimensionally) define the iron ore deposits i.e. 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 solids models that domain the various iron ore types of each deposit as it is hosted within surrounding non-mineralised material i.e. in relation to the non-economic or waste materials. In the case of Kumba it is mainly the geological logging of borehole samples that is used to conduct geological (stratigraphical) interpretations, in combination with structural mapping to derive final tectono-stratigraphic domain boundaries.

Within the solids 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, SiO_2, Al_2O_3, K_2O and P as a minimum) and other parameters, including as a minimum requirement relative density, using a number of techniques e.g. various types of Kriging for ore domains (dependent on sample support and sample density etc.) and Inverse Distance Squared for waste domains into pre-defined blocks. The models containing this blocked information are referred to as geological block models.

Where sample data is sparse, a global estimate is used i.e. 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 solids model, are specifically sized and designed through quantitative Kriging neighbourhood analysis 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.

TABLE 6: KUMBA'S SALEABLE PRODUCT FOR 2014 (REFERENCED AGAINST 2013)

Operation/Project	KIO % economic interest	Saleable Product category	2014 Metallurgical yield (%)	2013 Metallurgical yield (%)	2014 Saleable Product Tonnage Mt	2014 Saleable Product Grade (%Fe) Average	2013 Saleable Product Tonnage Mt	2013 Saleable Product Grade (%Fe) Average
Mining operations								
Kolomela mine	73,9	Proved	99.8	99.8	83.1	64.6	101.1	64.4
		Probable	99.8	99.8	104.5	64.3	98.5	64.5
		Sub-total	**99.8**	99.8	**187.6**	**64.4**	199.6	64.4
Sishen mine	73,9	Proved	76.7	72.5	427.0	65.7	311.1	65.4
		Probable	67.7	71.4	108.3	64.3	310.6	65.1
		Sub-total	**74.7**	72.0	**535.2**	**65.4**	621.7	65.3
Thabazimbi mine	73,9	Proved	75.6	81.3	0.3	62.5	0.4	64.4
		Probable	75.6	76.4	7.0	62.9	8.3	62.9
		Sub-total	**75.6**	76.6	**7.3**	**62.8**	8.7	63.0
Kumba		Proved	79.7	77.7	510.4	65.5	412.6	65.2
- Mining Operations		Probable	80.3	76.6	219.7	64.2	417.4	64.9
		Total	**79.9**	77.2	**730.2**	**65.1**	830.0	65.1
Company								
Kumba		Proved	79.7	77.7	510.4	65.5	412.6	65.2
- Total Ore Reserves		Probable	80.3	76.6	219.7	64.2	417.4	64.9
		Total	**79.9**	77.2	**730.2**	**65.1**	830.0	65.1

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 geological and grade continuity measurements.

Kumba compiled a guideline for Geological Confidence classification 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 (CP) 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, i.e. each parameter is captured in every parent cell of the geological block model that intersects ore. The CP is then expected to weight each parameter in terms of its importance (as per the CP'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'.

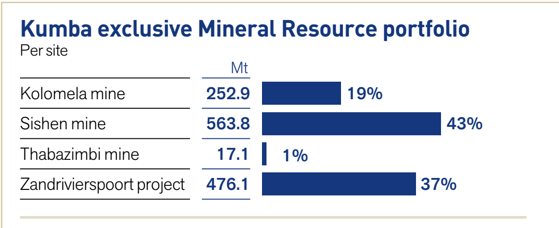
These two indices are then again weighted and combined into a 'Geological Classification Index (GCI)'. The last step required from the CP is to assign cut-offs on the normalised GCI index figures contained in each parent cell in the geological block model to distinguish between Measured, Indicated and Inferred Mineral Resources.

Inferred Mineral Resources are further subdivided into interpolated and extrapolated Inferred Mineral Resources as required by the SAMREC Code.

Image
Sishen mine is a highly mechanized open-pit mine with processing facilities.

ORE RESERVES AND MINERAL RESOURCES

continued



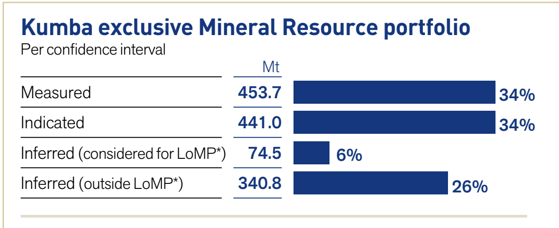


Figure 6

From a 100% attributable reporting perspective, Kumba has a remaining exclusive (in addition to Ore Reserves) Mineral Resource base estimated at 1.3 billion tonnes, of which 833.8Mt, at an average in-situ grade of 61.0% Fe can be assigned to the Kumba mining operations and associated on-lease projects. The Zandrivierspoort (prospecting right) magnetite deposit contributes 476.1Mt @ 34.5% Fe to the Kumba Resource base. The detail of the respective ore bodies are listed below and depicted in **Figure 6**.

Haematite ore bodies:

- **Operation:** Kolomela mine (252.9Mt @ 64.3% Fe), year-on-year increase of 59%
- **Operation:** Sishen mine (563.8Mt @ 59.5% Fe), year-on-year increase of 4%
- **Operation:** Thabazimbi mine (17.1Mt @ 62.1% Fe), year-on-year increase of 5%

Magnetite ore bodies:

- **Project:** Zandrivierspoort (476.1Mt @ 34.5% Fe and 40.8% Magnetite)

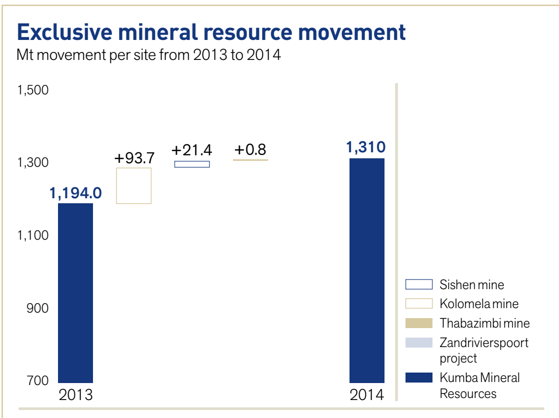
The increase in the total Mineral Resource base of 116.0Mt (10%) is mainly due to:

- A material 59% (+93.7Mt) increase in Mineral Resources at Kolomela mine as a result of a portion of the 2013 Kapstevel South (ore body within the mine lease area) Mineral Inventory being declared as Mineral Resources in 2014 after continued exploration, which proved that the ore body had Reasonable and Realistic Prospects of Eventual Economic Extraction (RRPEEE) and could therefore be declared as a Mineral Resource as per the SAMREC definition. This increase offset the 21.6Mt decrease of the Leeuwfontein ore body Mineral Resource based on new borehole information
- A minor 4% (21.4Mt) increase in the Mineral Resources at Sishen mine

Figure 7 summarises the year-on-year Mineral Resource movement per site and per Mineral Resource class.

It must be categorically stated that Kumba's 2014 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 2014 are detailed in **Table 7**.



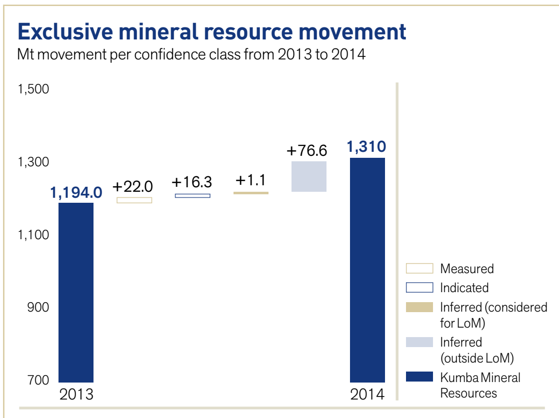


Figure 7

TABLE 7: KUMBA'S MINERAL RESOURCE (IN ADDITION TO ORE RESERVES) STATEMENT FOR 2014 (REFERENCED AGAINST 2013)

Operation/Project	Ore Type	KIO % economic interest	Resource category	2014 Tonnage Mt	2014 Average %Fe	2014 Average % Fe_3O_4*	2014 %Fe Cut-off**	2013 Tonnage Mt	2013 Average %Fe Average	2013 Average % Fe_3O_4*	2013 %Fe Cut-off** Cut-off
Mining operations											
Kolomela mine[1]			Measured	21.9	64.9	Not applicable		21.9	64.9	Not applicable	
- Mineral Resources in addition to Ore Reserves			Indicated	81.2	64.1			42.0	63.4		
	Haematite	73,9	**Measured and Indicated**	**103.1**	**64.2**		**50.0**	**64.0**	**63.9**		50.0
			Inferred (considered for LoMP)	44.1	64.5			50.1	64.2		
			Inferred (outside LoMP)	105.7	64.2			45.0	63.3		
			Sub-total	**252.9**	**64.3**			159.1	63.8		
Sishen mine[2]			Measured	324.5	61.8			302.5	61.9		
- Mineral Resources in addition to Ore Reserves			Indicated	142.6	56.9			166.5	57.1		
	Haematite	73,9	**Measured and Indicated**	**467.1**	**60.3**		**40.0**	**469.0**	**60.2**		40.0
			Inferred (considered for LoMP)	28.9	52.5			21.6	53.1		
			Inferred (outside LoMP)	67.8	57.2			51.8	55.7		
			Sub-total	**563.8**	**59.5**			542.5	59.5		
Thabazimbi mine[3]			Measured	0.3	64.0			0.3	64.0		
- Mineral Resources in addition to Ore Reserves			Indicated	10.8	62.1			9.8	62.8		
	Haematite	73,9	**Measured and Indicated**	**11.1**	**62.1**		**55.0**	**10.1**	**62.8**		55.0
			Inferred (considered for LoMP)	1.4	59.5			1.6	59.7		
			Inferred (outside LoMP)	4.6	62.9			4.6	62.9		
			Sub-total	**17.1**	**62.1**			16.3	62.6		
Kumba – mining operations											
- Total Mineral Resources in addition to Ore Reserves			Measured	346.7	62.0			324.7	62.1		
			Indicated	234.6	59.6			218.3	58.6		
			Measured and Indicated	**581.3**	**61.1**			**543.0**	**60.7**		
			Inferred (considered for LoMP)	74.5	59.8			73.4	60.8		
			Inferred (outside LoMP)	178.1	61.5			101.5	59.4		
			Sub-total	**833.8**	**61.0**			717.9	60.5		
Projects											
Zandriviersspoort[4]			Measured	107.0	34.7	41.5		107.0	34.7	41.5	
- Mineral Resources in addition to Ore Reserves			Indicated	206.4	34.4	42.5		206.4	34.4	42.5	
	Magnetite and Haematite	37,0	**Measured and Indicated**	**313.4**	**34.5**	**42.2**	**21.7**	**313.4**	**34.5**	**42.2**	**21.7**
			Inferred (considered for LoMP)	0.0	0.0	0.0		0.0	0.0	0.0	
			Inferred (outside LoMP)	162.7	34.5	38.1		162.7	34.5	38.1	
			Total	**476.1**	**34.5**	**40.8**		476.1	34.5	40.8	
Kumba – projects			Measured	107.0	34.7	41.5		107.0	34.7	41.5	
- Total Mineral Resources in addition to Ore Reserves			Indicated	206.4	34.4	42.5		206.4	34.4	42.5	
			Measured and Indicated	**313.4**	**34.5**	**42.2**		**313.4**	**34.5**	**42.2**	
			Inferred (considered for LoMP)	0.0	0.0	0.0		0.0	0.0	0.0	
			Inferred (outside LoMP)	162.7	34.5	38.1		162.7	34.5	38.1	
			Grand total	**476.1**	**34.5**	**40.8**		476.1	34.5	40.8	
Kumba			Measured	453.7	55.6	Not applicable		431.7	55.3	Not applicable	
- Grand total Mineral Resources in addition to Ore Reserves			Indicated	441.0	47.8			424.8	46.8		
			Measured and Indicated	**894.7**	**51.7**			**856.5**	**51.1**		
			Inferred (considered for LoMP)	74.5	59.8			73.4	60.8		
			Inferred (outside LoMP)	340.8	48.6			264.2	44.1		
			Grand total	**1,310.0**	**51.4**			1,194.0	50.1		

ORE RESERVES AND MINERAL RESOURCES
continued

General footnotes to Table 7

- 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 Kumba economic interest.
- The term Inferred Mineral Resource (outside LoMP) refers to that portion of the Mineral Resources not utilised in the life-of-mine plan (LoMP) of the specific mining operation or project.
- The term Inferred Mineral Resource (considered for LoMP) refers to that portion of the Mineral Resources utilised in the life-of-mine plan (LoMP) of the specific mining operation; reported without having any modifying factors applied - therefore the term 'considered for LoMP' instead of 'inside LoMP'.
- 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 : Haematite ratio and a break-even cost.

Footnotes to Table 7 explaining annual Mineral Resource differences:

1) Kolomela mine quotes a net 93.7Mt increase in exclusive Mineral Resources from 2013 to 2014.
This is primarily the result of:
- the first declaration of a 98.8Mt Mineral Resource in Kapstevel South following successful exploration and subsequent economic evaluation:
- the refinement of the Leeuwfontein ore body geological model to honour new exploration borehole information resulting in an overall decrease of the exclusive Mineral Resource of 6.7Mt, and
- other minor changes that make up a +1.6Mt movement to balance the year-on-year overall increase of 93.7Mt.

Of the 105.7Mt Inferred Mineral Resources (outside the LoM Plan), 1.1Mt is extrapolated.

2) The Sishen mine exclusive Mineral Resources showed a 4% increase of 21.4Mt from 2013.
The 2014 geological model update, that incorporated additional drill hole information as well as the re-estimation and re-classification of the conglomeratic ore body, confirmed that the current estimation methods adequately cater for the historical sampling bias associated with the Jig Mineral Resource and the Sishen Mineral Resource has remained stable year-on-year. A net increase of 4% (20.7Mt) of Inferred exclusive Mineral Resources occurred as a result of the re-classification with the concomitant reduction in Measured and Indicated Mineral Resources available for conversion to Ore Reserves.
The remaining 0.7Mt net increase is the combined effect of other minor year-on-year movements.
Of the 67.8Mt Inferred Mineral Resources (outside the LoM Plan), 9.0Mt is extrapolated.

3) Thabazimbi mine's total exclusive Mineral Resources showed an increase of 0.8Mt (5%) from 2013 to 2014.
The year-on-year movement of 0.8Mt is primarily the result of 1.0Mt of ore remaining on a scheduled stockpile that could not be utilised as Ore Reserves in the 2013 LoM Plan that was re-allocated back to Mineral Resources, which negated the depletion of 0.2Mt of Inferred Mineral Resources, occurring inside pit layouts, by mining activities in 2014.
The 2014 Resource Statement for Thabazimbi mine is based on the 2013 Mineral Resources (aligned with the decision to revert back to the 2013 Ore Reserves), depleted with the 2014 production.
Of the 4.6Mt Inferred Mineral Resources (outside the LoM Plan), an insignificant amount is extrapolated.

4) The Zandrivierspoort Project Mineral Resources remained unchanged from 2013.

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 Resource and Reserve Statement was compiled for Kumba, were started in the beginning of November 2014.

Kolomela mine geological outline

The mining right (area) is located in the Northern Cape province near Postmasburg (Figure 8) 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 mine 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 its equivalents at Sishen mine. Their chemical properties do, however, differ slightly. The Kolomela mine deposit comprises high-quality, clastic-textured, laminated, collapse breccia and conglomeratic ores.

Figure 9 represents a vertical profile (slice) intersecting the stratigraphical geological three-dimensional model of the Leeuwfontein deposit (red line in Figure 8), 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 run-of-mine material.

From 2015 onwards, the mine is scheduled to produce 11.4Mt of Saleable Product annually. The iron ore is transported to the Saldanha export harbour via the Orex iron ore export line. The product is marketed to SIOC's current overseas client

KOLOMELA MINING RIGHT AREA

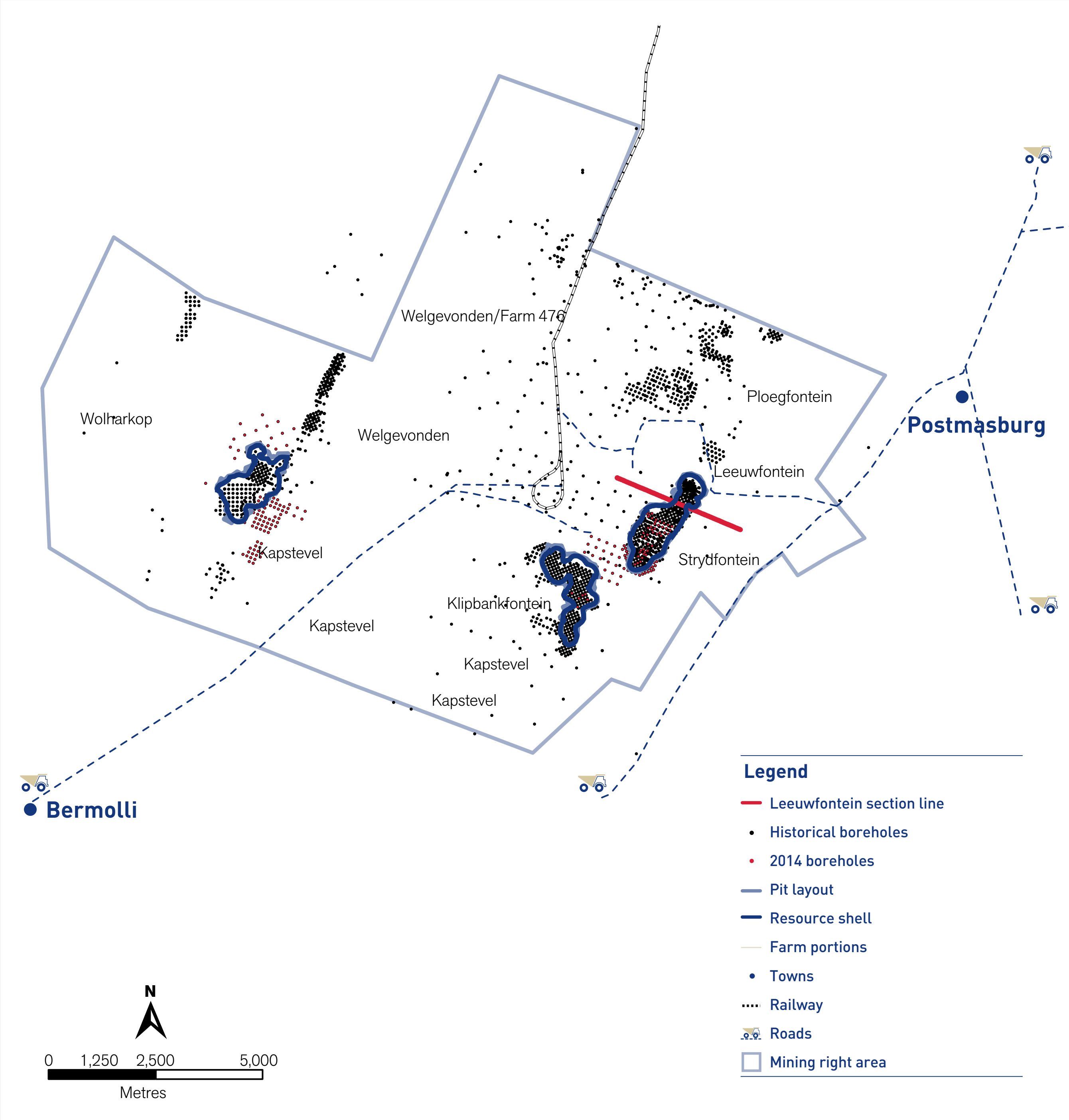


Figure 8: Kolomela mining right area near the town of Postmasburg in the Northern Cape province.

ORE RESERVES AND MINERAL RESOURCES
continued

LEEUWFONTEIN MINING AREA EAST-WEST PROFILE

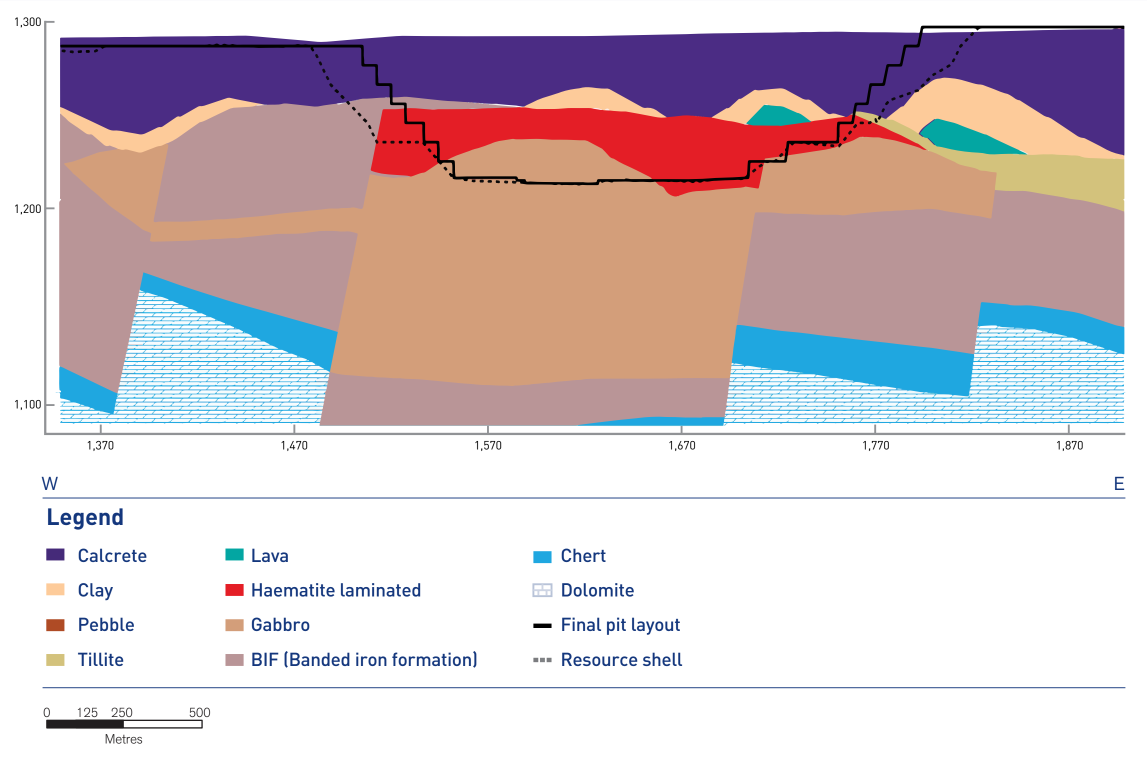


Figure 9: East-West (viewed in southerly direction) Profile depicting the local geology through the Leeuwfontein mining area.

base as part of the SIOC marketing strategy and will be blended with Sishen mine's product. Kolomela mine produces lump and fine ore, with the physical properties of the lump ore of such a high standard that it meets niche demand.

The total tonnes extracted from three pits (Leeuwfontein, Kapstevel and Klipbankfontein) at Kolomela mine increased by 55% from 57.5Mt (in 2013) to an estimated 89.4Mt in 2014. The 2014 mining performance (as estimated at the time of reporting) comprises 75.0Mt (19.4Mt pre-stripping at Klipbankfontein pit) of waste and 14.4Mt of ex-pit ore.

In total, an estimated 11.7Mt of Saleable Product was produced on site from the run-of-mine delivered to the crushing and screening plant, with the excess ex-pit ore being retained on RoM buffer stockpiles, which increased in tonnage by 2.7Mt from 2013 to 2014. With the inclusion of stockpiled product, 10.5Mt is expected to be sold via Saldanha Harbour at the time of reporting.

Sishen mine geological outline

The bulk of Kumba Iron Ore's annual production is generated by Sishen mine, located in the Northern Cape province near the town of Kathu in the Republic of South Africa. The Sishen mining right area is depicted in **Figure 10**.

The bulk of the Sishen mine 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, 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.

SISHEN MINING RIGHT AREA

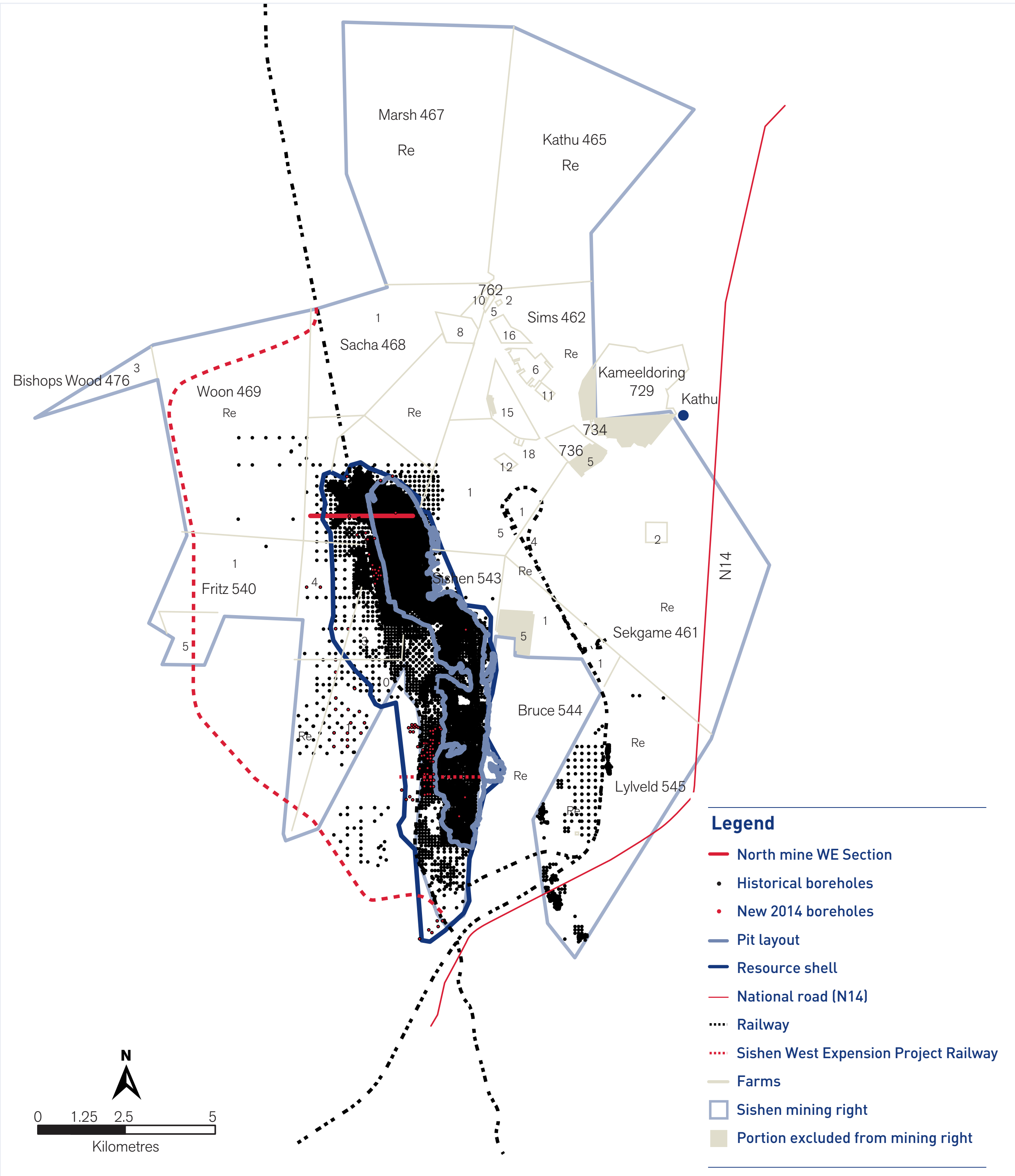


Figure 10: Sishen mining right area near the town of Kathu in the Northern Cape Province.

The year under review

ORE RESERVES AND MINERAL RESOURCES
continued

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 BIFs 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 mine 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 (S.A.C.S., 1995). Many researchers including Beukes and Smit (1987) and Moore (pers. comm.) have correlated this unit with the Mapedi Formation, which constitutes the lowermost unit of the Olifantshoek Supergroup. The Olifantshoek Supergroup is the oldest recognised red-bed sequence in the region. It is some 400 Ma 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, interbedded 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 mine 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 banded iron ore formation are found on the south-eastern parts of the Kumba properties.

Figure 11 represents a vertical profile (slice) intersecting the stratigraphical geological three-dimensional model of the North Mine area (yellow line in Figure 10), 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.

Sishen mine operational outline

The total tonnes extracted from the pit at Sishen mine increased by 10% from 208.8Mt in 2013 to 229.9Mt, of which waste mined in 2014 was 187.2Mt, as estimated at the time of reporting. The increase in waste mining activities are undertaken to mitigate the decrease in 'flexible' access to ore due to the ever increasing depth at which mining intersects the ore body. Total production at Sishen mine increased by 15% from 30.9Mt in 2013 to an estimated 35.5Mt total Saleable Product in 2014, beneficiated from an annual run-of-mine of 48.1Mt (including 7.4Mt Inferred material as well as 6.5Mt run-of-mine from stockpiles).

At the time of reporting the forecasted sales for Sishen mine in 2014 were 34.5Mt.

All mining at Sishen mine is done by opencast method. The current mining process entails topsoil removal and stockpiling, followed by drilling and then blasting of waste lithologies and ore. Overburden is backfilled in the pit or hauled to waste rock dumps on the edge of the pit. The iron ore is loaded according to blend (grade) requirements and transported to the beneficiation plants, where it is crushed, screened and beneficiated. Each size fraction is separated and beneficiated using a ferrosilicon medium or jigging process before being stockpiled on the product beds. Plant slimes are pumped to evaporation dams and the plant discard material is stacked on a separate waste dump.

Seven iron ore products (conforming to different chemical and physical specifications) are produced. The ores are reclaimed from the product beds and loaded into trains, to be transported to local steel mills and Saldanha Bay for export to international markets.

SISHEN NORTH MINE AREA EAST-WEST PROFILE

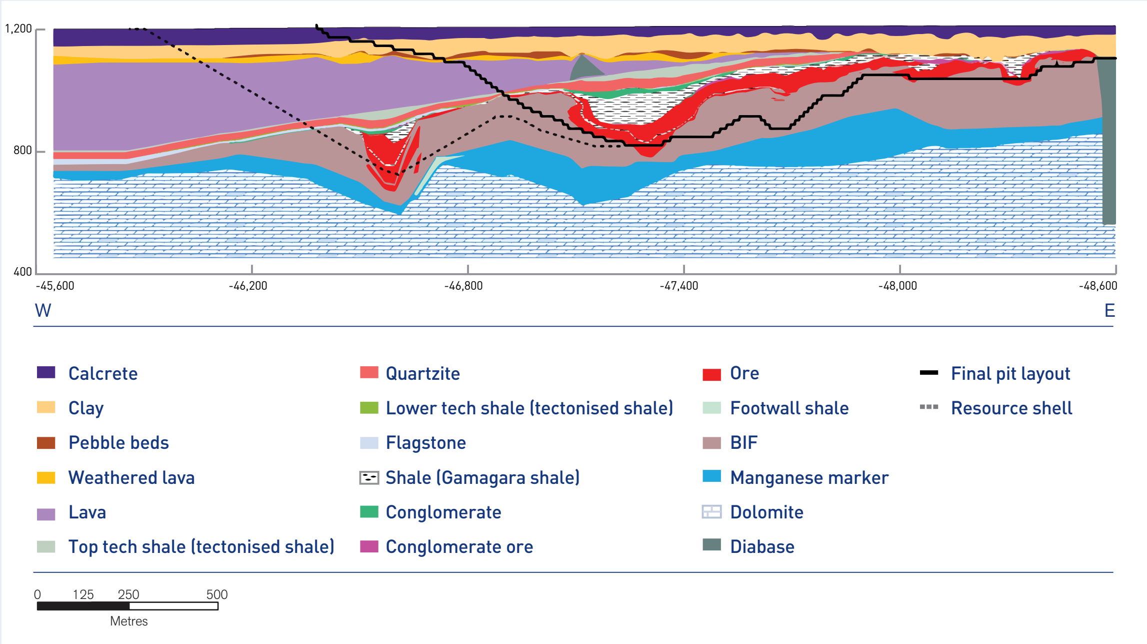


Figure 11: West-East Profile depicting the local geology through the Sishen North Mine area.

Image
Tumisang Kaotsane, foreman and Mosimanithebe Gaosenkwe, haul truck operator are working at the haul truck refuel and wash bay station at Sishen mine. This facility has been refitted to accommodate the larger Komatsu 860 haul trucks at the mine.

ORE RESERVES AND MINERAL RESOURCES
continued

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 12**.

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 firstly as conduits for iron-rich fluids and later as mechanisms for displacing (and/or duplicating) ore zones.

Local collapse structures within the underlying dolomites produced brecciated zones within the BIF, which were then filled by iron-rich fluids. A regional network of diabase sills and dykes served as trapping mechanisms for mineralising fluids in the lower section of the BIF, which resulted in an enriched lower section and a less-enriched upper section of the Penge Formation.

Generally speaking, 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. The intensity of ferruginisation is usually associated with the intensity of brecciation of the BIF due to the underlying karst topography of the dolomites, i.e. the more severe the brecciation the higher the ferruginisation.

The bulk of the Mineral Resources converted into Ore Reserves and available for mining after 31 December 2014, occurs in the so-called Kumba mining area. The Kumba ore body is not a basal ore body as was typically targeted by historical mining activities in other pits and is more lenticular in nature, occurring within the lateral ramp of a major north-verging thrust. The latter ore body is hosted within local dilational areas of this thrust, which is completely contained within the banded iron formation.

Figure 13 represents a vertical profile (slice) intersecting the stratigraphical geological three-dimensional model of the Kumba deposit (brown line in **Figure 12**), 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.

KUMBA MINING AREA DEPOSIT NORTH-SOUTH PROFILE

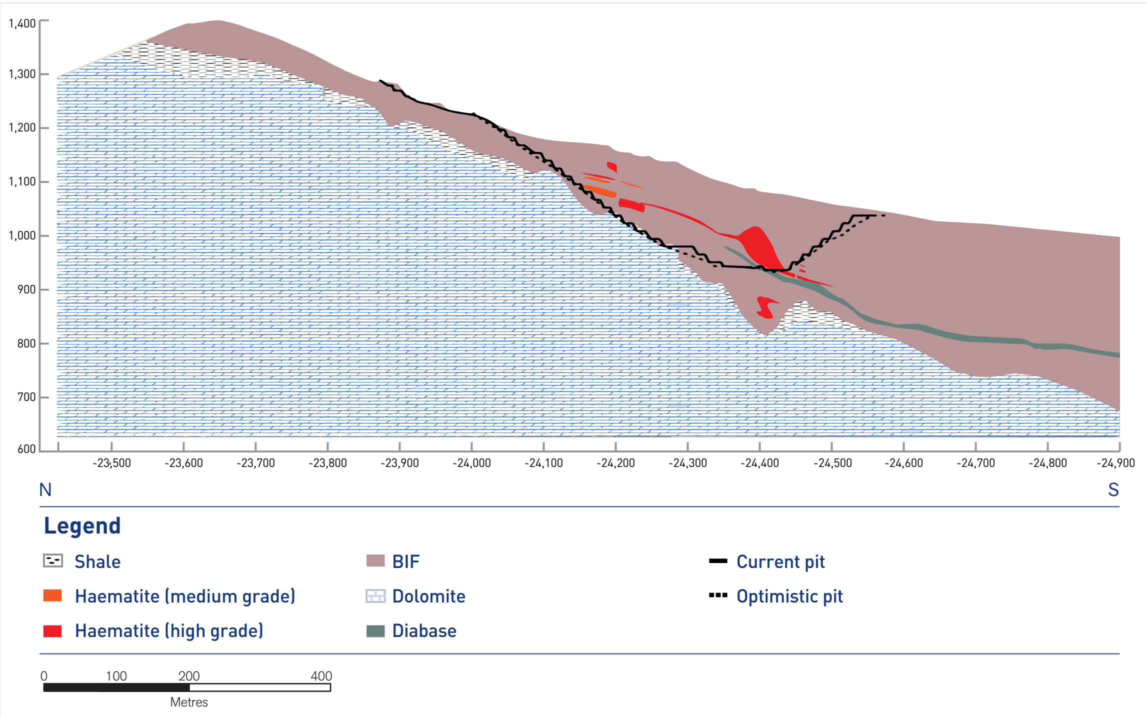


Figure 13: North-South (looking in easterly direction) Profile depicting the local geology through the Kumba mining area.

THABAZIMBI MINING RIGHT AREA

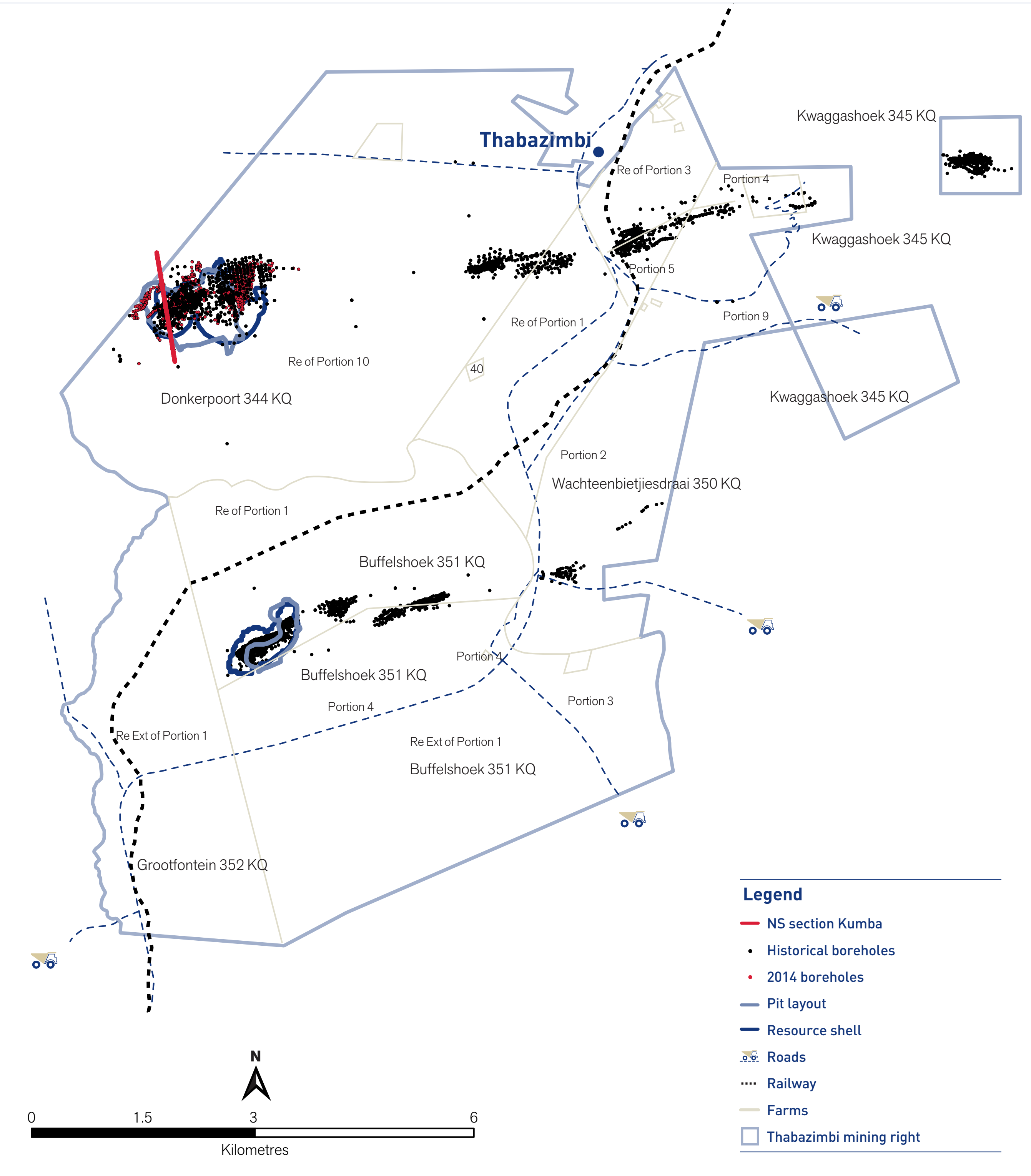


Figure 12: Thabazimbi mining right area near the town of Thabazimbi in the Limpopo province.

The year under review

ORE RESERVES AND MINERAL RESOURCES
continued

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 2014 was estimated at 0.9Mt at the time of reporting, which equates to an average 75kt product per month. 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 at current is conducted in three pits that are geographically separated from one another.

At the time of reporting, annual waste production for 2014 was forecasted at 30.8Mt. In total 1.3Mt iron ore was extracted from the pits (including Inferred Mineral Resources) of which 1.1Mt was delivered as run-of-mine (RoM) to the beneficiation plant, while the remainder resulted in a RoM buffer stockpile growth of 0.2Mt. The RoM material is beneficiated through a dense medium separation (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 AMSA Steel Works. The mine expects to sell 0.96Mt in 2014.

Zandrivierspoort project geological outline

The Zandrivierspoort prospecting right (area) is located approximately 25km northeast of Polokwane on the farm Zandrivierspoort 851 LS, in the Limpopo province of the Republic of South Africa (Figure 14).

Zandrivierspoort 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.

The magnetite banded iron formation (MBIF) occurs as a fine to medium grained rock in the Rhenosterkoppies Fragment. It is well banded with alternating layers of magnetite and quartz. The MBIF outcrops as two potential ore bodies on the flanks of a shallow syncline separated by a secondary anticline in the central part of the deposit. The eastern ore body forms Duiwekop and the western ore body the Rhenosterkoppies. The banded iron formation units are underlain by largely continuous garniferous schist, which in turn are enclosed in a regional, partially retrogressed, amphibolite volume.

The MBIF has been exposed to at least three deformational events producing recumbent isoclinal folding. These deformational events are the most important factors controlling the ore formation as they served to duplicate the relatively thin banded iron formation units. These thin units are preserved in the surrounding topography and rarely exceed thicknesses in excess of 10 metres.

Figure 15 represents a vertical profile (slice) intersecting the stratigraphical geological three-dimensional model of the Zandrivierspoort deposit (brown line in **Figure 14**), demonstrating the company's interpretation of the relationship between the ore bodies and waste material or local geology of the Zandrivierspoort deposit, as well as its associated geological confidence classification.

ZANDREVIERSPOORT MAGNETITE DEPOSIT, SOUTHEAST-NORTHWEST PROFILE

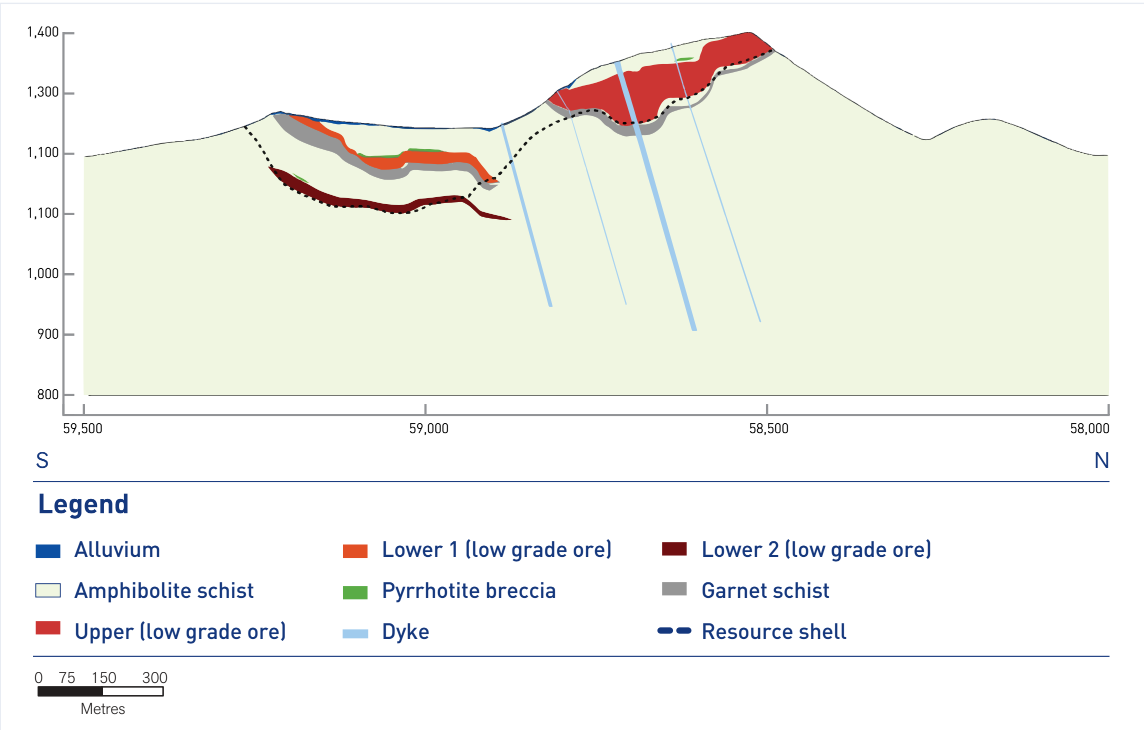


Figure 15: Southeast-Northwest Profile depicting the local geology through the Zandrivierspoort Magnetite Deposit.

ZANDRIVIERSPOORT PROSPECTING RIGHT AREA

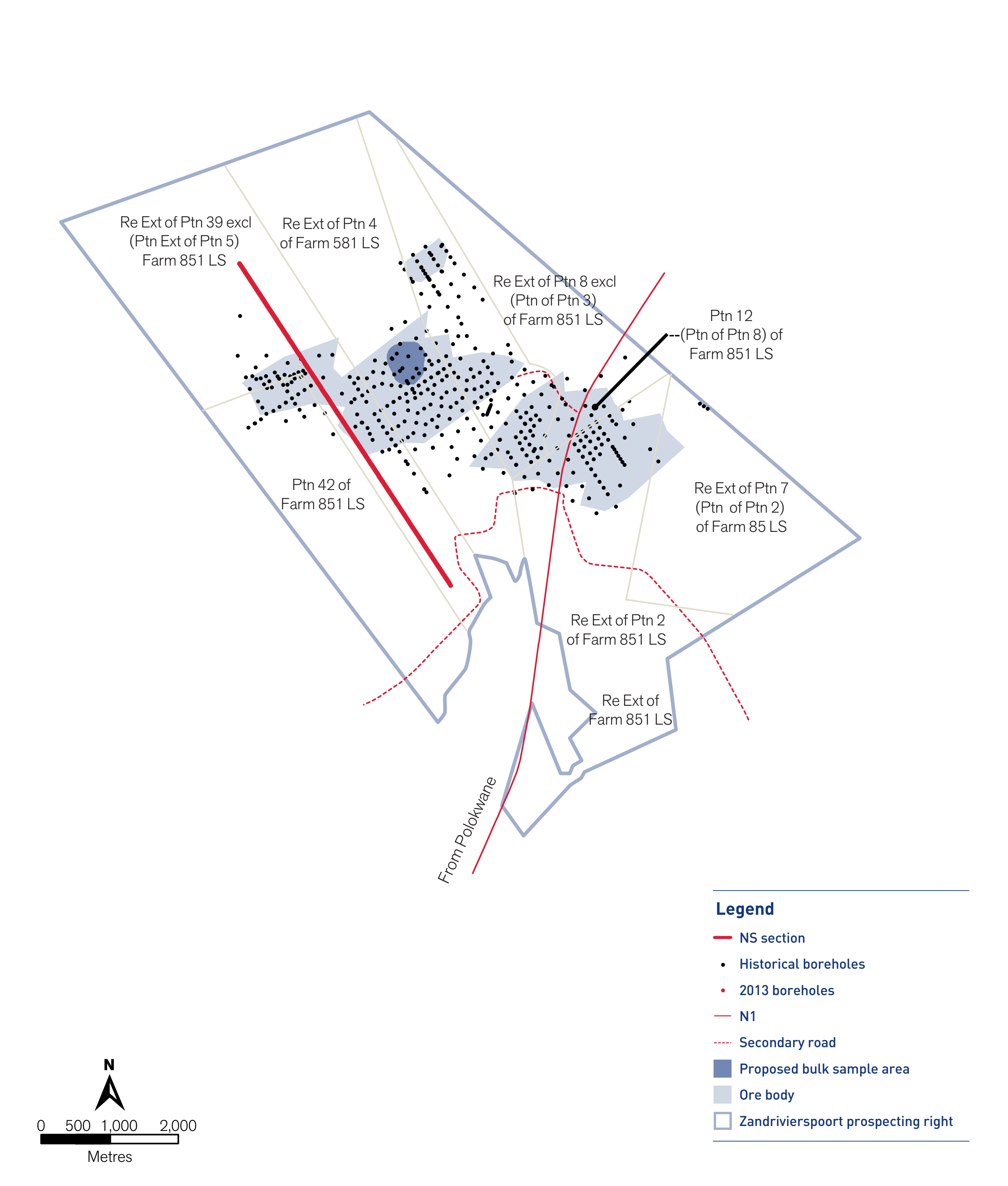


Figure 14: Zandrivierspoort prospecting right area north of Polokwane City in the Limpopo Province.

ORE RESERVES AND MINERAL RESOURCES
continued

EXPLORATION

Exploration expenditure

Exploration conducted in and near mine in 2014 to refine current and define possible future Mineral Resources, mainly involved drilling (in addition to normal geological and geophysical surveys etc.) to obtain samples that intersect mineralised zones as well as the relevant roof and floor material adjacent to the mineralised zones. The preferred drilling method is core drilling. The all-inclusive cost associated with exploration conducted on behalf of Kumba Iron Ore in 2014 is summarised in **Table 8**.

The 2014 exploration expenditure comprises 1.4% of Kumba Iron Ore's 2014 revenue.

A continued focus on exploration in and near mine resulted in the following outcomes in 2014:

- A refined geological definition (eventual economic extractability must still be evaluated) of low-grade iron ore material in addition to current Jig Mineral Resources at Sishen mine. Work continues and conversion to Mineral Resources can only be contemplated on completion of feasibility studies
- Kolomela mine's Mineral Resource portfolio has been bolstered by an additional 98.8Mt based on focused on-mine exploration, firming up the geology of the Kapstevel South iron ore body located south of the Kapstevel North pit

Exploration at the Zandrivierspoort project (prospecting right area) in the Limpopo province and the Infinity Project within the Thabazimbi mining right area has been suspended.

Sample preparation and assaying

Excluding the Infinity project samples (prepared by on-site laboratory to facilitate metallurgical test work), all primary geological samples taken from material retrieved via exploration drilling (excluding most production geology and grade control related drilling) in 2014 to be used for Mineral Resource estimation were prepared by the CHEMISTRY LABORATORY (Co. Reg Nr: 1921/0067130/06) of the ANGLO AMERICAN RESEARCH (AR) Division of Anglo Operations Limited.

Image
Godfrey Modise, a mine overseer inspecting drill holes in the Sishen mine pit.

TABLE 8: SUMMARY OF EXPLORATION EXPENSES

	Total exploration spend (10+2)* R million		Drilling spend (10+2)* R million		Number of holes drilled (10+2)*		Metres drilled (10+2)*		Average cost per metre (R)	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Mining right areas	**473.8**	363.3	**341.2**	287.5	**457**	446	**128,305**	101,574	**2,659.18**	2,830.29
Prospecting right areas	**203.5**	148.3	**131.8**	128.3	**183**	191	**50,028**	43,306	**2,633.91**	2,963.17
Total	**677.3**	511.6	**473.0**	415.8	**640**	637	**178,334**	144,880	**2,646.54**	2,896.73

* Kumba's internal reporting and governance processes require that all resource and reserve reports are finalised annually by the end of November. Annual production, used for public reporting is therefore based on actual production to the end of October with forecasted production for November and December (10+2). A reconciliation of the full year vs. forecasted (10+2) production forms part of the following reporting cycle and any discrepancies, which are generally insignificant, are declared.

Kumba submitted 93 791 exploration (and production geology infill drilling at Thabazimbi mine) borehole samples in 2014 (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.

Of the samples submitted, the Anglo Research Laboratory prepared 57,857 samples while the Kumba Infinity Metallurgical Laboratory prepared 10,826 samples. In total 73,627 assays (including a 10,209 sample backlog from 2013 and excluding 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; 68,377 (93%) assays from the Anglo Research Chemistry Laboratory and 5,250 (7%) from the UltraTrace Laboratory in Perth Australia

The 2014 spend on sample preparation and assaying amounted to 8% of the total exploration expenditure.

The AR Chemistry Laboratory is accredited in accordance with the recognised International Standard ISO/IEC 17025:2005 by the South African National Accreditation System (SANAS) under the Facility Accreditation Number T0051 (valid from 22 July 2011 to 30 April 2016) for the preparation and assaying of iron ore samples, applying methods that comply with the requirements of Kumba Iron Ore.

UltraTrace is ISO and National (Australian) Association of Testing Authorities (NATA) accredited for iron ores and a member of the ISO MN-002-02 Chemical Analysis Committee.

Kumba ensures sample representivity by means of applying a stringent QA/QC protocol [KIO QC PROTOCOL FOR EXPLORATION DRILLING, SAMPLING AND SUB-SAMPLING (Version5)] that governs all stages of sampling, sub-sampling and assaying, including blind validation of the sample preparation and assaying of laboratories.

ENDORSEMENT

The persons at Kumba Iron Ore 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 2014 and consent to the inclusion of these estimates in the form and context in which they appear in this report.

Jean Britz is a professional natural scientist, registered (400423/04) with the South African Council for Natural Scientific Professions. He has a BSc (Hons) in Geology and an MEng in Mining and has 22 years of experience as a mining and exploration geologist in coal and iron ore, of which 10 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 19 years of experience as a mining engineer in production management and technical roles in coal and iron ore mining, of which 10 are specific to iron ore Mineral Reserve estimation and evaluation.

Jean Britz
Principal, Mineral Resources – Kumba Iron Ore Geosciences

Theunis Otto
Head, Kumba Iron Ore Mining Processes

Kumba Iron Ore's chief executive and board member, Norman Mbazima, endorses the Mineral Resource and Ore Reserve estimates presented in this document, and acknowledges that the Kumba Iron Ore Policy which governs Mineral Resource and Ore Reserve reporting has been adhered to.

Norman Mbazima
Chief executive, Kumba Iron Ore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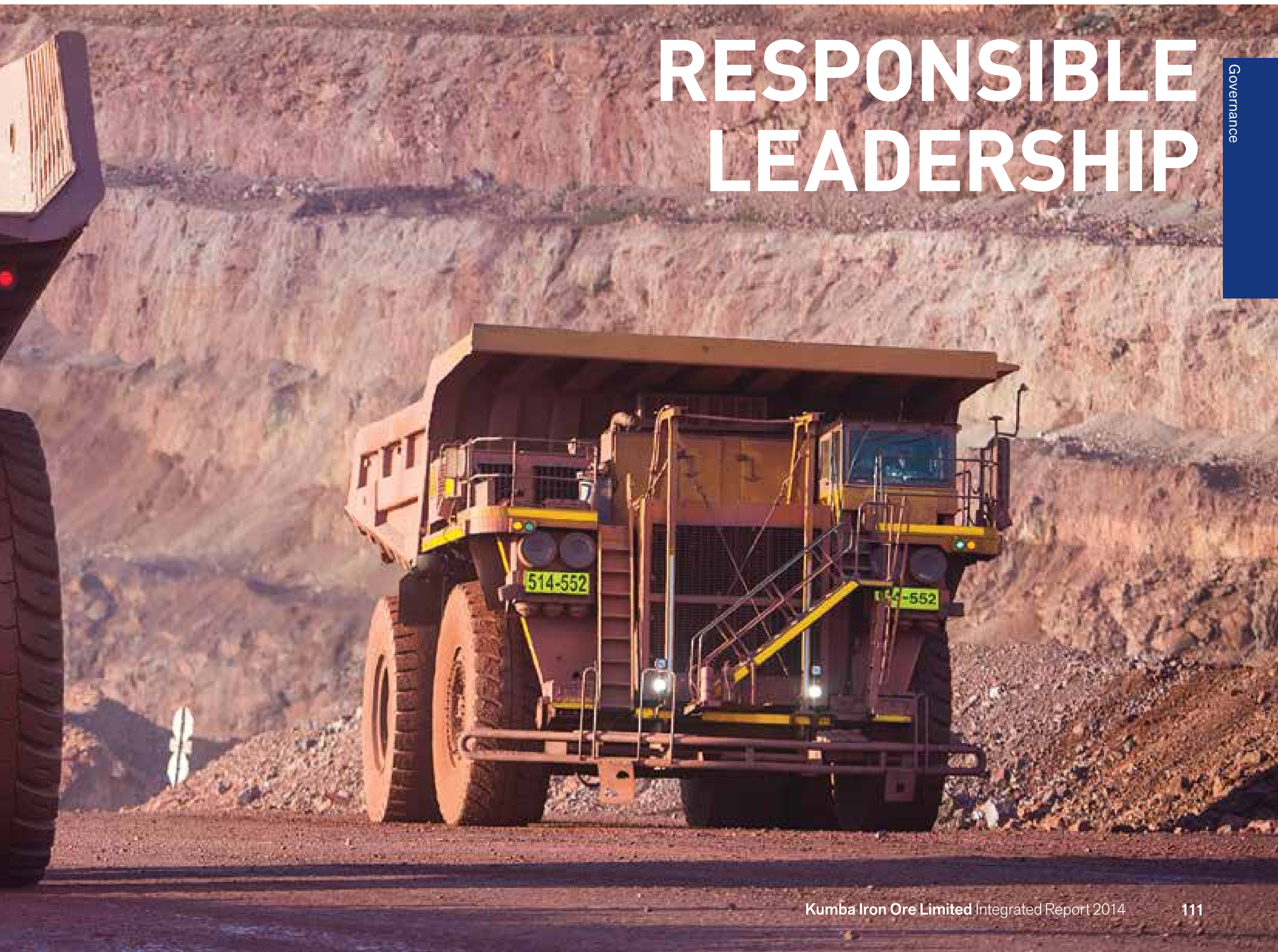
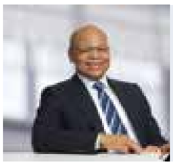
FOCUS: RESPONSIBLE LEADERSHIP

Top image
Process controllers, Frederick Motsiele and Dean Hurter are working at the primary crusher at Kolomela mine.

Bottom image
Haul trucks hauling waste from the Sishen mine pit.



CORPORATE GOVERNANCE



Fani Titi
Chairman

"Sound corporate governance is central to the ethical manner in which Kumba's business is managed."

OUR UNDERSTANDING OF GOOD CORPORATE GOVERNANCE

Kumba, as an organisation, believes that a strong and focused approach to corporate governance is imperative for the realisation of sustainable value for all our stakeholders. The board is committed to ensuring that the highest levels of corporate governance are incorporated into the daily activities of Kumba and strives to continuously improve existing structures, policies and procedures that regulate our governance environment.

OUR GOVERNANCE FRAMEWORK

The Kumba board

In keeping with good governance, the company has a unitary board structure with a majority of independent non-executive directors. Six out of the eleven directors are independent. Three of the eleven directors are representatives of our major shareholders, and two of the eleven directors are executive management. The company's various policies and charters regulate a clear balance of power and authority at board level, to ensure that no one director has unfettered powers of decision-making.

Brief biographies of all directors outlining their qualifications and skills are included on pages 20 to 23 of this report.

Director	Designation	Appointment date
Fani Titi	Independent non-executive director (chairman)	1 October 2012
Norman Mbazima	Executive director (chief executive)	1 September 2012
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*
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
Tony O'Neill	Non-executive director	30 September 2013
Zarina Bassa	Independent non-executive director	2 December 2008

* Nine-year tenure reached in 2015.

BOARD ATTENDANCE DURING 2014

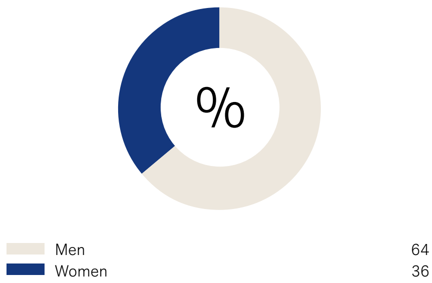
Eleven board meetings were held during 2014. The table below shows each director's attendance at the board meetings. Although attendance at all board sessions is always encouraged, only the following meetings were considered mandatory in terms of attendance as per the board charter:

- four quarterly board meetings
- one annual board strategy workshop
- one board training session
- one special board meeting to sign off the 2013 reporting suite

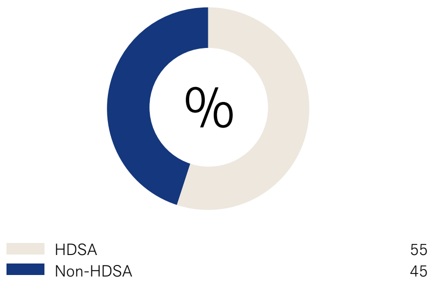
Director	28/01/14#	06/02/14**	07/02/14	13/03/14^	10/04/14^^	16/05/14	29-30/05/14☆	20/06/14≠	18/07/14≠	17/10/14+	28/11/14	Number of meetings: 11
F Titi (Chairman)	A	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/11
ZBM Bassa	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11
GS Gouws	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	A	10/11
FT Kotzee	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11
KT Kweyama	A	A	A	✓	✓	A	✓	A	A	A	A	3/11
NB Mbazima	✓	✓	✓	✓	✓	A	✓	✓	✓	✓	✓	10/11
DD Mokgatle	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11
AJ Morgan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11
LM Nyhonyha	✓	✓	✓	✓	A	A	✓	✓	✓	✓	✓	9/11
AM O'Neill	A	A	✓	A	A	✓	A	A	A	A	A	2/11
BP Sonjica	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	A	10/11

✓ indicates attendance.
A indicates absence with an apology.
resources and reserves and LoM board workshop.
^ special meeting to sign off 2013 reporting suite.
** board workshop.
^^ board governance workshop.
☆ annual board strategy workshop.
≠ annual board risk workshop.
+ board training.

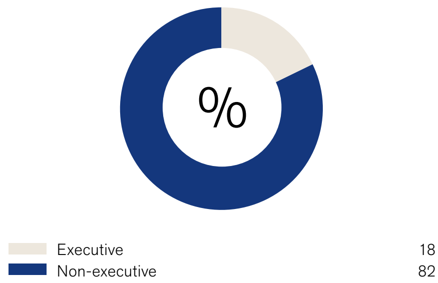
Board composition by gender



Board composition – HDSA



Board composition by role

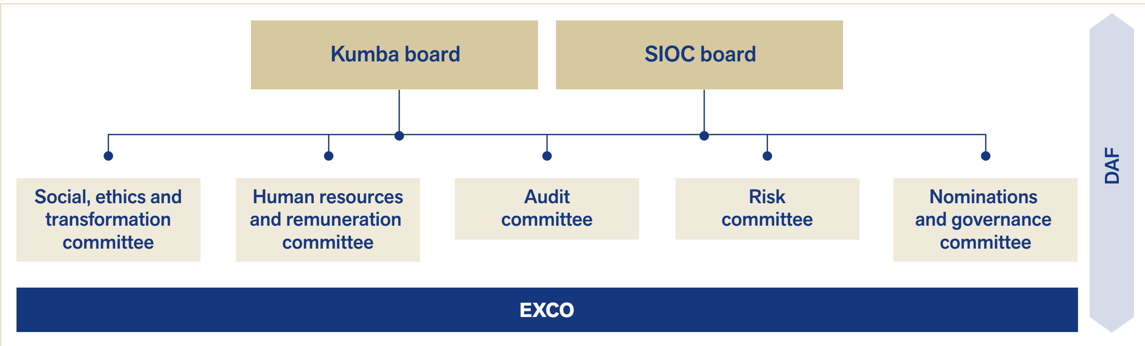


THE SISHEN IRON ORE COMPANY (SIOC) BOARD

Governance at Kumba must take cognisance of 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. Our governance framework is structured in a manner that ensures that the two entities are legally separate and have fully operational but separate boards with clearly defined responsibilities and authorities. The company's Delegation of Authority Framework (DAF) plays a significant role in regulating the authority levels of each separate board. The DAF also serves as the governance framework between Anglo American plc Group 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.

The SIOC board has full authority over matters pertaining to SIOC. It does, 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 and guided by Kumba's board committees and feedback on deliberations of board committee meetings is provided at each SIOC board meeting.



THE ROLE OF THE BOARD

Kumba's vision: A leading value-adding iron ore supplier to the global steel industry

The board takes overall responsibility and accountability for the success and sustainability of the company. Its role is focused primarily on exercising sound leadership and independent judgement when considering the company's strategic direction and overall performance, whilst always considering the best interests of all stakeholders. The board is also responsible for the achievement of the Kumba vision as articulated above and in executing this responsibility; the board has ultimate accountability for realising Kumba's strategy, overseeing Kumba's operating performance and financial results, as well as being the ultimate custodian of Kumba's corporate governance framework.

Independent and unfettered advice

Members of the board are encouraged to seek independent advice, at the company's cost, during the execution of their fiduciary duties and responsibilities, if so needed. Members also have direct and unrestricted access to Kumba's external and internal auditors, the company secretary, and all members of the executive management team.

Our board charter

The board charter regulates the parameters within which the board operates and ensures the application of the principles of good corporate governance in all its dealings. Furthermore, the board charter sets out the roles and responsibilities of the board and individual directors, including the composition and relevant procedures of the board.

The board charter is always aligned with the provisions of all relevant statutory and regulatory requirements, including,

CORPORATE GOVERNANCE continued

among others, the Companies Act No 71 of 2008, as amended (the Companies Act), the JSE Listings Requirements and the company's Memorandum of Incorporation. The board charter is reviewed annually, at a minimum, or as and when required during the year.

GOVERNANCE IN ACTION

The board formalised the constitution of a nominations and governance committee (previously incorporated into the remuneration committee). This committee will provide an even deeper focus on board affairs and corporate governance issues.

Appointment of directors

The nominations and governance committee recommends the appointment of new directors for approval by the board and there is a policy in place which details procedures for such appointments. Appointments are formal and transparent and a matter for the board of directors as a whole. When appointing directors, the board takes cognisance of its needs in terms of skills, experience, diversity, size and demographics.

Changes to the board during the year

There were no changes to the constitution of the board for the year under review.

Non-executive directors' fees

Details relating to the payment of fees to directors are contained in the Remuneration Report on pages 122 to 132. Management has recommended an increase of 5% in respect of the board's current remuneration, and this recommendation will be put to shareholders for approval at the forthcoming AGM to be held on 8 May 2015. The human resources and remuneration committee (Remco) noted management's recommendation.

Conflict and declaration of interests

A director or prescribed officer is prohibited from using his or her position or confidential and price-sensitive information in order to achieve a benefit for himself or herself or any related third party, whether financial or otherwise. Directors and officers are also required to timeously inform the board of conflicts or potential conflicts of interest that they may have in relation to particular items of business or other directorships. Comprehensive registers are maintained of individual directors' interests in and outside the company and these are updated and signed by the directors regularly and noted by the board at every board meeting.

Responsibilities of the chairman and chief executive

The responsibilities of the chairman and chief executive are clearly defined and separated, as set out in the board charter. While the board may delegate authority to the chief executive 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 chief executive 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 MoI and 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 2014, Gert Gouws, Khanyisile Kweyama and Litha Nyhonya retired and were re-elected at the AGM. In 2015,the following directors will retire and offer themselves for re-election.

- Buyelwa Sonjica
- Fani Titi
- Dolly Mokgatle*
- Allen Morgan*

Gert Gouws will also retire at the AGM due to tenure of nine years, but will not stand for re-election.

* These directors are standing for re-election due to tenure of nine years as at April 2015. An evaluation of the directors' independence has been conducted and the board recommends their re-election without reservation.

All retiring directors are subjected to an evaluation process to provide assurance to stakeholders of the commitment, experience and expertise as members of the board.

Directors' induction and development programme

The company secretary, with the support of the nominations and governance committee, is responsible for the induction of new directors. All directors undergo a formal induction programme, which outlines their fiduciary and statutory duties. This programme also includes structured visits to Kumba's operating sites, which are usually hosted by the chief executive and relevant executives. In October 2014 the board attended a formal training session, which focused on the amended JSE Listing Requirements. The session was facilitated by the company's sponsor, assisted by the company secretary. In addition to this session, the board attended the following sessions during the year under review:

- A risk workshop, focusing on levels of risk appetite and tolerance
- Attendance at Kumba's inaugural Stakeholder Day
- A workshop on mineral reserves and resources

The board was also given the opportunity, throughout the year, to attend courses they deemed necessary, in terms of their development as directors.

Board and committee evaluations

Each year the board conducts an assessment of its own performance and of the appropriateness and effectiveness of its procedures and processes. In addition, an external assessment, facilitated by an independent service provider, is performed every three years. An external assessment will be carried out in 2015.

For the year under review, results from the various evaluations undertaken were articulated in a document tabled at a board affairs meeting held in July 2014. Issues that needed to be addressed to improve the board's performance were reported to the board and actioned accordingly. In addition, specific issues relating to the committees have been included in that specific committee's annual work plan, for deliberation and resolution.

GOVERNANCE IN ACTION

For 2015, the nominations and governance committee (NomGov) has approved a process whereby an independent and external facilitation of the following areas will be conducted:

- The board
- The board committees
- The committee chairmen
- Assessment of the independence of directors who have served on the board for nine years or more
- Evaluation of other directors standing for re-election

Stakeholder (including shareholder) communication with the company

Our success as a business depends on continued and meaningful engagement with all our stakeholders. The board recognises the importance of promoting mutual understanding between the company and its stakeholders and this issue is given material attention on the agenda of our social, ethics and transformation committee. With specific reference to shareholder/board engagement, management facilitates regular and pertinent communication between the top five shareholders and the board members during periodic roadshows. This highlights the importance of shareholder attendance at our AGM where interaction is encouraged and welcomed. The chairmen of the audit, HR and remuneration and social, ethics and transformation committees are also available to interact with shareholders at the AGM.

Further, Kumba held its inaugural Stakeholder Day during the year under review. The event was designed to allow stakeholders the opportunity to engage with us on the performance of the company, and question or challenge us on our approach to transformation and sustainability.

Finally, the executive directors interact regularly with institutional investors on key strategic issues and specifically on the performance of the company. This involves various presentations and scheduled meetings as per the company's investor relations programme.

Image
Dineo Moyo, the Mayor of Gamagara and Rina Botha, socio-economic development manager at Kumba in conversation at the stakeholder day held at Kathu in 2014.

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 JSE Stock Exchange News Service (SENS).

BOARD COMMITTEES

The board has established five standing committees through which it executes some of its duties, namely the audit committee, risk committee, social, ethics and transformation committee, HR and remuneration committee, and nominations and governance committee.

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 appoint external auditors, approve their remuneration, terms of their engagement and ensure their independence, objectivity and effectiveness
- To review the work of the group's external auditors and the internal auditors to ensure the adequacy and effectiveness of the group's assurance processes, as well as financial, operating, compliance and risk management controls
- To meet separately with internal and external auditors, as recommended by King III
- Ensuring the application of a combined assurance model to provide a coordinated approach to all assurance activities
- 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
- To monitor the integrity of the integrated report and Sustainable Development Report 2014 and recommend the approval of these reports to the board

The audit committee has considered and satisfied itself of the appropriateness of the expertise and experience of the chief financial officer, Mr FT Kotzee.

The audit committee report is on page 16 of the AFS and elaborates on the 2014 activities of the committee.

CORPORATE GOVERNANCE continued

COMPOSITION AND ATTENDANCE DURING 2014

Member	6 Feb 2014*	4 Mar 2014	5 May 2014	16 Jul 2014	4 Nov 2014	No of meetings: 5
ZBM Bassa (Chairman)	✓	✓	✓	✓	✓	5/5
DD Mokgatle	✓	A	✓	✓	✓	4/5
LM Nyhonyha	✓	✓	✓	✓	✓	5/5
AJ Morgan	✓	✓	✓	✓	✓	5/5

* special committee meeting to review the 2013 integrated reporting suite.
✓ indicates attendance.
A absent with apology.

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 chief executive, chief financial officer, head of internal audit, head of information management, and risk and compliance managers attended 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 to implement an effective policy and plan for risk management
- To ensure that the disclosure regarding risk is comprehensive, timely and relevant
- Review risk tolerance and appetite levels
- Review the business continuity and disaster recovery plans
- Assess information technology governance
- Review the insurance cover levels of the company

Refer to page 28 for information on how the company manages its risks and opportunities.

COMPOSITION AND ATTENDANCE DURING 2014

Member	05 Feb 2014	05 May 2014	04 Nov 2014	No of meetings: 3
LM Nyhonyha (Chairman)	✓	✓	✓	3/3
ZBM Bassa	✓	✓	✓	3/3
GS Gouws	A	✓	✓	2/3
DD Mokgatle	✓	✓	✓	3/3
AJ Morgan	✓	✓	✓	3/3
BP Sonjica	✓	✓	A	2/3

✓ indicates attendance.
A absent with apology.

Social, ethics and transformation committee

Dolly Mokgatle
Chairman of the social. ethics and transformation committee

"Kumba's operating landscape continues to present challenges as we progress on our transformation journey. We are cognisant of the impacts associated with mining operations, and remain committed to acknowledging and addressing them."

The social, ethics and transformation committee is constituted as a statutory committee in terms of the Companies Act. 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 chief executive, executive heads of safety, health and environment, public affairs and HR attended 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 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, ethics and transformation committee's report, namely the Sustainable Development Report 2014, is available on the company's website www. angloamericankumba.com/investor_fin_reports.php.

COMPOSITION AND ATTENDANCE DURING 2014

Member	04 Feb 2014	11 Apr 2014*	06 May 2014	05 Nov 2014	No of meetings: 4
DD Mokgatle (chairman)	✓	✓	✓	✓	4/4
BP Sonjica	✓	✓	✓	A	3/4
AJ Morgan	✓	✓	✓	✓	4/4

* SEC workshop.
✓ Indicates attendance.

Human resources and remuneration committee (Remco)

Remco comprises three non-executive directors. The committee met four times during the year under review. In addition to committee members, the chief executive, the executive head of HR and the Anglo American plc Group head of reward attended the committee meetings. This committee acts as an independent and objective body that makes recommendations on the remuneration policies and practices for the executive directors, senior management and the company and its subsidiaries in general. The committee is also responsible for guidance and oversight with regard to industrial and employee relations.

During the year under review, the committee undertook the following governance activities:

- Approval of the annual performance targets for the chief executive, chief financial officer and the executive management team
- Approval of the performance conditions, measures, objectives and targets for all performance-related pay (fixed, variable and long-term)
- Approval of the reward policies and programmes
- Approval of the overall cost of remuneration increases awarded to employees, including the cost of short- and long-term incentives
- Review and recommendation to the board of:
  - industrial relations strategies including approval of the negotiation mandate for the three-year wage agreement
  - succession planning for executive management
  - evaluation of the performance of executive directors against target and business objectives
  - remuneration of executive directors and executive management, including short-term incentive payments and long-term share awards, directly linked to the achievements of targets

From a human resources perspective, the committee ensures compliance with applicable legal and regulatory requirements associated with labour relations.

The Remuneration Report for the year under review is on page 122. Further details in respect of the activities of the committee are contained in the letter from its chairman on page 120.

COMPOSITION AND ATTENDANCE DURING 2014

Member	03 Feb 2014	06 May 2014	15 Jul 2014*	06 Nov 2014	No of meetings: 4
AJ Morgan (chairman)	✓	✓	✓	✓	4/4
GS Gouws	✓	✓	✓	✓	4/4
F Titi	✓	✓	✓	✓	4/4

* Committee meeting with specific focus on board affairs.
✓ Indicates attendance.

Nominations and governance committee (NomGov)

The committee has an independent role as the overseer of issues relating to overall corporate governance and succession planning. The committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

The committee assists the board to ensure that:

- Governance issues are dealt with adequately
- The board regularly reviews its composition to enable it to execute its duties effectively
- Directors are appointed through formal processes
- Induction and ongoing training and development of directors takes place
- Formal succession plans for key strategic roles are in place

In line with the JSE's listing requirements, the committee is chaired by the chairman of the board. The committee is constituted with the chairmen of all other board committees.

COMPOSITION AND ATTENDANCE DURING 2014

Member	28 Nov 2014*	No of meetings: 1
F Titi (chairman)	✓	1/1
AJ Morgan	✓	1/1
ZBM Bassa	✓	1/1
DD Mokgatle	✓	1/1
LM Nyhonyha	✓	1/1

* Inaugural meeting.
✓ Indicates attendance.

THE EXECUTIVE COMMITTEE (Exco)

GOVERNANCE IN ACTION

In line with their mandate to provide leadership, Exco hosted a workshop for the top 100 leaders in the company during 2014. This workshop focused on the vision and values of our company, and deliberations centred on our response to operating within the changing iron ore market.

CORPORATE GOVERNANCE continued

Exco comprises the individuals most closely involved in the company's operations including:

- The chief executive (chairman of Exco)
- The chief financial officer
- Executive heads

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 and the company secretary have been identified as prescribed officers of the company in terms of the Companies Act.

OUR FOCUS ON CORPORATE GOVERNANCE

King III

During the year under review, the board complied with King III recommendations as outlined in the Code of Corporate Practices and Conduct. These recommendations have been materially entrenched into internal controls, policies, terms of reference and overall procedures and will continue as such.

KING III COMPLIANCE SCORECARD AS PER THE IOD GOVERNANCE ASSESSMENT TOOL

Board composition	AAA
Remuneration	AAA
Governance: office bearers	AAA
Board role and duties	AAA
Accountability	AAA
Performance assessment	AA
Board committees	AAA

AAA	Highest application
AA	High application
BB	Notable application
B	Moderate application
C	Application to be improved
L	Low application

99.4% COMPLIANT

A table setting out how Kumba has applied the principles of King III is available on the company's website. This table is based on the IOD Governance Assessment tool. The table also highlights any exceptions in the application of King III and allows stakeholders to verify the level of our compliance to the King Code.

Ethics

Kumba is committed to achieving the highest standards of ethical behaviour and, during the year under review, we improved communication and interaction with our employees and other relevant stakeholders with regard to the company's Code of Conduct and the Ethics Hotline. Kumba adopts a zero tolerance stance on fraud and corruption throughout the organisation. The expectation is that our employees, business partners, contractors and associates will conduct themselves with the highest level of honesty and integrity. The company's Ethics Hotline is independently run by Deloitte Tip-Offs Anonymous. This hotline can be used by all employees, contractors, suppliers, and other associates to report any suspected unethical behaviour. Calls are investigated by the ethics committee and, where necessary, by external forensic specialists. The management ethics committee meets quarterly to discuss call reports, investigations, results thereof and common trends in respect of corruption and fraud. The company endeavours to close off every call report and provide timeous feedback to the whistleblower, via Deloitte. These reports are also tabled at the audit committee for discussion.

GOVERNANCE IN ACTION

The management ethics committee made good strides in closing off outstanding call-reports and have put processes in place to ensure that all existing call-reports are closed off within the three-month deadline. The committee is in the process of conducting road shows to all our sites to enhance awareness around fraud and corruption. The company secretary has been appointed as the ethics officer.

REGULATORY COMPLIANCE

The board, as part of its King III Code and ethical leadership commitments, has recognised the importance of compliance with regulatory requirements as well as adhering to non-binding rules, codes and standards impacting its mining operations.

Highlights for 2014

Management introduced a compliance framework as part of the integrated risk management process, which was approved by the risk committee on behalf of the board, and implemented the following:

- Identifying the legislation that is applicable to the operations of Kumba, which included the highlighting of the ten (10) pieces of legislation that are of high priority
- Informing the business and the risk committee of the legislation impacting the mining operations, including updates on existing legislation and pending regulatory changes
- Facilitating an analysis of the legislation impacting a particular department or operation at a mining site as well as the documentation of controls aimed at ensuring compliance
- Obtaining approval from management and the risk committee for the introduction of a compliance coverage plan in order to conduct quarterly regulatory compliance reviews at all operations
- Providing reports to management and the risk committee on the results of the quarterly compliance reviews conducted and ensuring that findings are timeously resolved

Compliance process

The compliance process is an important element in embedding a compliance culture at Kumba and providing the board and management with an assurance of compliance with significant regulatory risks.

The compliance function is aligned to Kumba's strategic objectives and works closely with the risk department and Anglo American Internal Audit departments to identify common risk and control themes and to achieve synergy between the assurance processes.

Legal matters

Resolving legal matters is important if we are to remain an efficient business. Not only is it costly to manage these, they can also slow down our current and future operational plans. Previously, resolving our legal issues was a central issue for Kumba but in 2013 many of these issues were finalised.

In November 2013, SIOC and ArcelorMittal SA entered into a new supply agreement regulating the sale and purchase of iron ore between the parties. This agreement, which came into effect on 1 January 2014, has remained in place during the year and Kumba was able to meet its terms. This was also the catalyst for transition from a captive to commercial environment at Thabazimbi mine.

The dispute with Imperial Crown Trading (ICT) over 21.4% of the Sishen mine mining right was concluded on 12 December 2013 when the Constitutional Court ruled that SIOC had a 78.6% undivided share of the Sishen mining right and that, based on the provision of the MPRDA, only SIOC can apply for the residual 21.4%. At the beginning of 2014, SIOC applied for this mining right, but is still awaiting approval.

PwC assurance

The sustainability information as set out throughout the Integrated Report 2014 has been extracted from the Sustainable Development Report 2014. PwC Inc has provided assurance over selected sustainability information contained in the Sustainable Development Report 2014 in which they 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 their assurance process, the extracted sustainability information in this report should be read in conjunction with the full Sustainable Development Report 2014 containing the assurance report.

OTHER GOVERNANCE CONSIDERATIONS

Annual compliance certificate

The annual compliance certificate confirming the company's compliance with the JSE Listings Requirements was completed and submitted to the JSE on 10 February 2015.

Company secretary

The primary role of the company secretary is to ensure that the board is cognisant and aware of its fiduciary duties and responsibilities. The company secretary plays a key role in keeping the board aware of relevant changes in legislation and governance best practice. Other key performance areas of the company secretary include overseeing the induction of new directors as well as the ongoing education of directors. The company secretary is also secretary to the board committees and the board has unfettered access to the services of the company secretary.

During the year under review, Mr V Malie resigned as company secretary with effect from 1 March 2014. Mr K Lester was appointed acting company secretary and continued in this role until the appointment of Ms A Parboosing on 28 July 2014.

In compliance with JSE Listings Requirements, and following a formal evaluation of the company secretary, the board hereby confirms the following:

- The company secretary has the necessary expertise and competence to carry out her duties – qualifications: BA (Legal Studies and Political Science), Honours (Political Science), Masters (Political Science)
- The company secretary has an arm's-length relationship with the board and is not a director of the company or any of its subsidiaries. This was confirmed formally within the ambit of the evaluation
- Ms A Parboosing has been a company secretary for listed entities for sixteen years, and the board is satisfied that she has the necessary experience to execute her duties with the care and diligence required for such a role

Dealing in securities

In alignment with the JSE Listings Requirements, Kumba has a defined policy of conduct for directors and employees dealing in the company's securities. In terms of this policy and listings rules, directors and employees are required to obtain prior approval for any dealing and, furthermore, directors must 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 are formally advised of the commencement and duration of the closed period. In addition to mandatory closed periods during interim and year-end results, the company secretary sends out notices of embargoes to a specific grouping of people, should the company be engaged in matters that are potentially price-sensitive.

JSE socially responsible investment (SRI) index

Kumba is a constituent on the JSE SRI Index. The index assesses the company's performance in terms of triple bottom-line reporting on issues such as environment, society and economy as well as corporate governance.

GOVERNANCE IN ACTION

Kumba delivered a presentation at the JSE ESG Investor Briefing on 9 September 2014. This presentation was exceptionally well received by the investor community.

Sponsor

Kumba fully understands the role and responsibilities of the sponsor as stipulated in the JSE Listings Requirements and has cultivated a good working relationship with its sponsor, RMB. The company is satisfied that the sponsor has executed their mandate with due care and diligence for the year under review.

LETTER FROM THE CHAIRMAN OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE

Allen Morgan
Chairman of the human resources and remuneration committee

"Our remuneration policy seeks to balance the performance and sustainability of the business, with current and changing market conditions."

DEAR SHAREHOLDERS

Remuneration that is fair, equitable and competitive helps to attract and retain the skills we need as a company to successfully achieve our business strategy. Our vision in respect of remuneration seeks to achieve more; we seek to reward and incentivise performance among individuals and teams, and to align their rewards with the performance of the company. We also seek to redress past inequalities in our country and our remuneration is closely aligned with our approach to transformation. In doing all of these things, we as a remuneration committee, are cognisant of the importance of progressive remuneration practices that address wage disparities within our company and our society as a whole.

This is the first year that I, as the chairman of the remuneration committee (Remco), have written a letter for our report, and it comes at a relevant time for the company, the country and indeed our society. I am pleased to be able to give you some insight into remuneration at Kumba, in terms of both policy and practice.

REMUNERATION POLICY

Our remuneration policy has been developed to attract and retain people with the skills we need to sustain Kumba's performance, now and in the future. As a mining company we rely on a variety of skills to ensure that we are able to produce safely and efficiently, and the skills we require are sometimes scarce, especially in the geographical areas in which we operate. Historically, our staff turnover has been very low, ensuring that core skills are retained and developed within the company, and that institutional knowledge remains within the company and can be used as a foundation on which to build a future.

To pay competitive remuneration makes good business sense for Kumba. Our remuneration policy is reviewed on an annual basis before being placed before shareholders for consideration at the annual general meeting. Some of the changes we considered and approved in 2014 include aligning the bonus structures between mines and revising the methodology of calculating ROCE targets to align with that of the Anglo American plc Group of companies. In addition, in respect of the TSR performance condition attached to the LTIP in which executive directors participate, the peer grouping and methodology was revised. For further details refer to the remuneration report on page 127.

THE ROLE OF REMCO

One of the most critical roles that Remco has is to ensure that Kumba has the right spread and depth of talent to remain sustainable. Each year the committee reviews the skills profile of the company, and its leadership in particular, and adjusts its plans and policies accordingly. The committee participates in decisions relating to senior appointments or promotions, and our policies set the tone for talent retention and transformation.

Another important task we perform is to evaluate the performance of executive directors each year. This is a two-step process that ensures that executive pay is linked to performance. In February we conclude on key performance indicators that will be used to assess the performance of each director and in November their performance is assessed against the identified measures.

During the year under review, Remco's scope was reviewed and altered following the constitution of the nominations and governance committee. The duties of the committee will continue to focus on assisting the board with decisions and/or recommendations in respect of human resources and remuneration matters, including ensuring the alignment of the remuneration and human resources strategies and policies with the group's business strategy and the desired culture. Within the specific ambit of this integrated report, a major role of the committee has been the review of our remuneration disclosure to ensure that it is accurate and transparent and provides sufficient forward looking information for the shareholders to assess the remuneration policy and for passing a resolution in terms of Section 66(9) of the Companies Act, 2008.

REMUNERATION IN PRACTICE

Our general pay structure comprises cash and benefits, short-term incentives and long-term incentives. Details are on page 124.

We aim to link remuneration to our business strategy, ensuring that we have the skills needed to achieve that strategy, now and in the future. For example, the bonus system at the operations focuses on the objectives set for each mine, such as stripping and production targets, safety and efficiency, while executive pay is related to strategic objectives and the performance of the company as a whole. In this way, our remuneration supports our strategy.

THREE-YEAR WAGE AGREEMENT

During 2014 wage negotiations were concluded with recognised trade unions representing our bargaining category employees (around 83.2% of our workforce).

We were pleased that these were concluded without any labour disruption and that a three-year wage agreement was signed. This, we feel, is indicative of the constructive relationship with our recognised unions and employees, and that our aim of creating a workplace that retains skills is being met.

We used the occasion of annual wage negotiations to engage on more than just wages. We understand, for example, the impact that living conditions and financial stress has on our employees and their dependants, and how closely this is linked to job satisfaction and safety in the workplace. We spent time during the most recent negotiations process discussing topics such as housing and excessive indebtedness, which are not only challenges for Kumba but are widespread in our sector and industry. As a result of the latter issue, Kumba has engaged an independent company to undertake financial fitness training and to review the legitimacy of emolument attachment orders.

Our 2014 wage agreement sought to raise the wages and benefits of the lowest-paid employees by a higher percentage than their higher-graded colleagues. Pleasingly, through our hiring strategies and a process of up-skilling, we have eliminated all unskilled job categories in our core workforce, and through this process have been able to upgrade the lowest category of employees into the semi-skilled employee category.

EVALUATING PERFORMANCE IN A CHANGING MARKET

Our remuneration policy seeks to balance the performance and sustainability of the business, with current and changing market conditions. While market conditions and business performance can affect bonuses and other performance incentives, the primary drivers of both fixed and variable pay relate to the key results areas (KRA) that have been determined by the board as critical to the performance and sustainability of the company. While we take into consideration the concerns of shareholders regarding the need for restraint in executive pay it is important that we ensure that our remuneration policy supports a system in which our base pay remains competitive enough to ensure retention of talent.

While the structural changes in the iron ore market do not have an impact on our remuneration policy, they do affect discretionary earnings which are directly linked to company performance. As we continue to work in a changed market it is expected that Envision payouts will be more conservative than previously, something that we need to spend time speaking to employees about to ensure that they understand this change.

Moreover, a change in the market has meant a fundamental change in our business has been required. Decisions to put some projects on hold, and to prioritise some activities over others, all in the interest of cash preservation, have had their human consequences too. The decisions taken have not been made lightly. But they have been very necessary. The declining prices are symptoms of a larger, structural change in the market and Kumba needs to adapt not only for the short term, but to ensure the long-term sustainability of the company.

An organisational restructuring was announced in December 2014, and has seen a 40% reduction of support functions at our head office in Centurion. We have commenced with the consultation processes provided for in the Labour Relations Act, but more than that we have been guided by our core values of integrity, care and respect in ensuring that we engage meaningfully with affected employees. In 2015 we will also review support functions at our mines. In undertaking this process, we have considered and sought to minimise the potential impact on our transformation and skills profile.

IN CONCLUSION

I would like to thank the other members of Remco who have worked with me to ensure that we perform our duties to the best of our abilities, as well as the human resources department and Anglo American plc Group who support us in our role.

Allen Morgan
Chairman of the human resources and remuneration committee

REMUNERATION AND PERFORMANCE

KEY REMUNERATION DEVELOPMENTS AND ACTIVITIES OF REMCO

The following are some of the key developments and activities of Remco during 2014:

- There were no changes to the membership of Remco
- In keeping with best practice and King III recommendations, the board has created a new committee (the nominations and governance committee – NomGov) to fulfil all the nominations and governance obligations of the company, which had previously been incorporated into the work-plan of the remuneration committee. As such, the remuneration committee's terms of reference has been amended to reflect its new scope of responsibilities and accountabilities. In alignment with the specific scope of the committee on "human resources/human capital" issues, the name of the committee was changed to the human resources and remuneration committee. The revised terms of reference for the committee can be accessed at www.angloamericankumba.com/investors/corporate_governance
- The company successfully concluded a multi-year wage agreement with recognised trade unions, applicable to bargaining category employees. The agreement is effective from 1 July 2014 up to 30 June 2017 and provides for increases of between 8.5% and 10% in the first two years and between 7.5% and 9% in the third year . In addition to wages, the agreement provides for guaranteed minimum housing allowances and other benefits like sick leave and family responsibility leave

Key management changes during 2014 included:

- Restructuring of the Kumba project portfolio resulting functions of project management and business development being incorporated in the technical services function. The incumbent, Mr Francois Louw, was retained as a consultant in order to ensure completion of key projects
- The resignation of the company secretary, Mr. Vusani Malie, with effect from 1 March 2014. Ms Avanthi Parboosing was appointed as company secretary with effect from 28 July 2014. Before the appointment of Ms Parboosing, Mr Kevin Lester was appointed to act as the company secretary
- Employees continue to share in the company's performance through their participation in the employee share ownership plan (Envision). Dividend payments to the total value of R169.4 million before tax were made during March and August 2014

Remco also undertook the following key decisions during 2014:

- Approved changes to the conditions of the bonus share plan (BSP) for the chief executive, aligned to his peers within the Anglo American plc Group of companies. This will result in 40% delivered in cash, 40% in shares deferred for three years and 20% in shares deferred for five years
- Approved a new methodology for calculation of ROCE targets as performance condition applicable to the executive directors' long-term incentive plan
- Approved a new total shareholder return comparator peer group and methodology as performance condition applicable to the executive directors' long-term incentive plan
- Approved annual salary increases for management and the executives
- Approved the 2013 performance assessments and performance incentive payments, BSP awards and long-term incentive plan (LTIP) awards for the chief executive, management and total workforce
- Approved the 2014 performance contracts of the chief executive, the chief financial officer as well as all prescribed officers
- Reviewed the remuneration report for inclusion in the 2013 Annual Financial Statements and 2013 Integrated Report

AIMS OF THIS REPORT

This report covers the following aspects of remuneration in Kumba:

Part One

- The 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 2014, namely remuneration paid to directors and executive management during 2014, including details of long-term incentives awarded during the year

PART ONE: REMUNERATION PHILOSOPHY AND POLICY

THE HUMAN RESOURCES AND REMUNERATION COMMITTEE (REMCO)

Role of Remco and terms of reference

As a committee of the board, Remco operates under terms of reference, a copy of which can be found on the company website at: www.angloamericankumba.com/investors/corporate_governance, 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.

Amongst its duties, Remco undertakes the following governance activities:

- Approves:
  - annual performance targets for both the chief executive 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 to the board:
  - evaluation of the performance of executive directors against targets and business objectives
  - remuneration of executive directors and executive management, including short-term incentive payments and long-term share awards, directly linked to the achievement of targets
  - succession planning for executive management
  - industrial relations strategies

Membership of Remco

Remco comprises the following non-executive directors:

- AJ Morgan (chairman)*
- GS Gouws
- F Titi*

* independent.

Frequency and attendance of Remco meetings

In addition to the committee members, the chief executive, executive head of human resources and the Anglo American plc Group head of reward attend meetings of Remco. Directors are 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 117.

Abridged biographies for the members of Remco are available on pages 20 to 23 of this report as well as on the company website at: www.angloamericankumba.com/about-us/leadership-teams.

KUMBA'S APPROACH TO REWARD

Our remuneration philosophy supports 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, both short- and long-term, included in the total reward offering to ensure market competitiveness
- Ensure the fair, equitable and consistent application of our remuneration principles and policies
- Allow employees to share in the performance of the business

The Remco has the overarching responsibility to ensure that the principles of accountability, transparency, sustainability 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.

Elements of remuneration

The following table describes the key elements of the Kumba remuneration framework and structure which guides payments to all employees, with a focus on executive directors and prescribed officers.

REMUNERATION AND PERFORMANCE
continued

	Strategic intent is to:	Remuneration elements	Pay delivery	Eligibility
Base salary	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 that 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	Salary	Monthly	All employees
		Benefits	• Employer contribution to selected retirement funds • Subsidised medical aid • Life and disability insurance • Housing allowances and five-year mortgage subsidy plan	All employees
			• Other allowances	Job specific Scarce skills Transformation
Performance incentives	Aim to align achievement of production, safety and cost targets at operational level	Performance bonus	Cash paid on monthly, quarterly, bi-annual or annual basis, depending on circumstances at each mine	Bargaining unit employees
	Encourage the achievement of stretch targets at company/business unit/functional/individual level Align management and shareholder interest A portion of the annual cash incentive is deferred into bonus shares for long-term retention, applicable to senior managers		The incentive is delivered in two parts: (i) annual cash incentive (ii) shares allocated under the BSP rules vesting after a three-year period	(i) Senior management and above (ii) Entry-level management and above
Long-term incentives	Encourage the 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 with specified performance conditions attached	Executive directors
		Forfeitable shares	Delivered in forfeitable shares	Prescribed officers and selected senior managers, excluding executive directors
		Participation in Envision	Units awarded in terms of the rules of the ownership plan	Junior management and below that do not participate in any of the other long-term incentives

EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS REMUNERATION

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.

This remuneration 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.

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.

The company contributes 12% of pensionable salary to approved retirement funds. Medical aid is subsidised at 60% of the contribution to a maximum amount determined by market comparisons. Risk insurance benefits include life cover and death-in-service benefits subject to the rules of the approved Kumba retirement funds.

A portion of the approved fixed package and the annual cash bonus of the chief executive 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 to KITSA 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 pages 130 to 131of this report.

Variable remuneration

Variable remuneration consists of two elements: an annual performance incentive; and a long-term incentive plan that runs over a three-year performance period (and an additional two-year holding period in the case of the chief executive).

Governance

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: • An annual cash incentive, linked to performance during the financial year, payable at the end of the relevant financial year • An award of deferred bonus shares based on the annual cash payment received, which is awarded after the end of the relevant financial year. These bonus shares are linked to performance during the financial year in the same manner as the annual cash incentive, and are subject to a three- to five-year (only for the chief executive) holding period before vesting, during which it remains restricted. The bonus shares will be forfeited if the participant leaves employment during the restricted period (except if the incumbent is a 'good leaver' under the scheme rules). 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 business plans as approved by the board. In 2014 emphasis was placed on the following: • **Safety** – leading and lagging indicators including safety leadership, fatalities and LTIFR • **Operational performance** – total production, waste stripping, operational improvement, staff training and transformation • **Financial performance** – cost efficiency, operating profit, operating free cash flow, Anglo American plc Group earnings per share.

REMUNERATION AND PERFORMANCE

continued

ANNUAL PERFORMANCE INCENTIVE continued

Maximum value of annual performance incentive	The values of the annual performance incentive for executive directors and prescribed officers are calculated as follows: **Chief executive** The chief executive's annual incentive is determined by measuring performance against overall company targets (75%) and specific, individual key performance measures (25%) approved by the board. The cash element of the incentive is capped at 70% of basic employment cost (BEC). **Chief financial officer** The chief financial officer participates in the Anglo American plc Group performance management standard. This is based on a maximum on-target bonus percentage of 30%, an individual performance modifier (IPM) and a business multiplier (BM) that is determined at the end of the year taking into account Kumba business performance against the targets set for the year. **Prescribed officers** As with the case of the chief financial officer, prescribed officers participate in the Anglo American plc Group performance management standard that is linked to an Anglo American plc Group-wide annual performance incentive. This is based on a maximum on-target cash bonus percentage of 25% or 30% of BEC, an IPM and a BM that is determined at the end of the year taking into account Kumba business performance against the targets set for the year.
Business multiplier (BM)	The BM is determined and approved by the Anglo American plc Group management committee (GMC) at the end of the year taking into account Kumba business performance against the targets set for the year. The BM has ranged between 0.5 and 1.3 over the past five years.
Individual performance modifier (IPM)	An IPM is based on individual performance ratings and is determined at business unit level and approved by the GMC. It ranges from 0 to 2.0.
Maximum value of deferred bonus shares award	The maximum face value of the deferred bonus shares award is 150% for the chief executive and 140% of the annual cash bonus for prescribed officers.
Changes in 2014	Changes to the chief executive is performance incentive have been approved to align with Anglo American plc Group peers. This will result in 40% of incentives delivered in cash, 40% in shares deferred for three years and 20% in shares deferred for five years, in line with institutional preference for longer holding periods.

KEY PERFORMANCE FOCUS AREAS FOR 2015

Key results area	Measure
Safety	Leading and lagging indicators including safety leadership, fatalities, LTIFR, TRCFR and operational risk management.
Production	• Total production • Compliance to mine plan
Cost	• Unit costs • Driving value
Financial	• EBIT • Operating free cash flow • Earnings per share (Kumba Iron Ore (KIO) and Anglo American plc Group)

LONG-TERM INCENTIVES

Long-term incentive plan (LTIP)

Description

The LTIP consists of conditional awards of shares vesting after three years, subject to the achievement of stretching performance conditions. Full voting and dividend rights will only accrue from the vesting date.

Eligible participants

Executive directors

Maximum value of the award

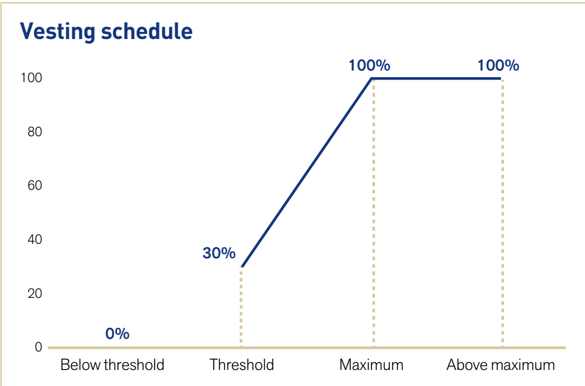
The maximum annual face value of the LTIP award is 150% of base salary for the chief executive and 100% of base salary for the chief financial officer.

2014 performance measures

Two performance conditions, measured over a three-year performance period, apply to each award:

Performance Indicator	Weighting	Threshold target	Stretch target
Return on capital employed (ROCE) achieved	50%	55%	70%
Total shareholder return (TSR) achieved	50%	Median TSR ranking	Upper quartile TSR ranking

TSR is further split 25% JSE/FTSE mining index (this index is compiled by the FTSE but consists of JSE mining companies only) and 25% global iron ore peer group. The global iron ore companies comparator group comprises Fortescue Metals (Australia), Cliffs Natural Resources (USA), MMX Mineracao (Brazil), Ferrexpo (Great Britain), Atlas Iron (Australia), Mount Gibson (Australia), Vale (Brazil), China Vanadium (China), Rio Tinto Limited (Australia).



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.

Changes in 2014

- Methodology for setting the ROCE target was changed to align to Anglo American plc Group
- Vesting will be evaluated based on attributable ROCE. Attributable ROCE is the return on the adjusted capital employed attributable to equity shareholders of Kumba, and therefore excludes the portion of the return and capital employed attributable to non-controlling interests in operations where Kumba has control but does not hold 100% of the equity. The key changes are that:
  - adjustments for changes in the commodity price of iron ore are no longer applicable
  - adjustments for changes to the rand/USDollar exchange rate are no longer applicable
  - adjustment for capital work-in-progress/non-productive assets are no longer applicable

Company limits

The aggregate limit for the BSP and LTIP awards 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. The current level of outstanding shares is less than 1% of total issued share capital.

REMUNERATION AND PERFORMANCE

continued

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 to 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.

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 is in accordance with the memorandum of incorporation of the company.

Remco recommends the level of 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.

Annual fees payable to non-executive directors were approved by shareholders at the AGM on 9 May 2014. The fees are as follows:

	2014/2015 fees per annum (Rand)	
Capacity	Chairman	Member
Board of directors	1,183,000	199,300
Audit committee	266,000	132,300
Risk committee	266,000	132,300
Social, ethics and transformation committee	266,000	132,300
Remco	266,000	132,300
Nominations and governance committee	N/A*	132,300

* The chairman of the board chairs this committee but does not receive additional remuneration in this role.

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 2013 and 2014 is explained below.

Average rate of increase

The average rate of increase on the guaranteed package for executive directors in 2014 was 5.5%, excluding offshore remuneration. The adjustment of offshore fees was 3%.

The average rate of increase for prescribed officers was 6.0% and 6.5% for all other employees.

Bargaining category employees' increase was 9% based on the first year of the three year wage agreement, lapsing in 2017.

ANNUAL PERFORMANCE INCENTIVE OUTCOMES

During 2014 production increased by 14% year-on-year and export sales increased by 4% for the period. However, the sharp drop in the iron ore price to its lowest level in five years, which resulted in the average spot prices reducing by 28%, decreased headline earnings per share (HEPS) by 29%.

Overall Kumba met its sales and production targets for 2014:

- Production recovery plan
  - exceeded 35 Mt at Sishen
  - implemented pushback design
  - achieved mine to plan adherence
  - completed key technical work
- Waste removal below target but sufficient ore exposed to increase flexibility and meet 2015 production target
- Improved operational practices and equipment efficiencies
- Kolomela mine production increased to 11Mtpa
- 1Mt at Thabazimbi
- Increased export sales volumes
- Successful Dingleton North relocation

Chief executive performance

	Actual performance level				
Key result area	**Below**	**Threshold**	**On target**	**Above**	**Maximum**
Company performance (75%)					
Safety (15%)	●				
Production (30%)			●		
Costs (10%)				●	
Operating profit (5%)					●
Operating free cash flow (5%)					●
AA plc EPS (10%)		●			
Personal performance (25%)				●	
Overall performance			●		

Resulting BSP award: **Cash award of 61% of maximum bonus awarded** (based on 70% of annual basic employment cost (BEC); Deferred shares are based on 150% of cash award.
Total award split: 40% payable as cash, 40% payable as shares deferred for three years, 20% as shares deferred for five years.

Key performance commentary:
- One loss of life at Sishen mine in 2014
- Successful turnaround on Sishen mine production delivery (15% increase to 35.5Mt)
- Continued excellent performance of Kolomela mine (11.6Mt)
- Review of project portfolio in response to prevailing market conditions
- Significant progress made with regard to organisational restructure at head office
- Real unit cost containment for Sishen mine and Kolomela mine

Chief financial officer performance

	Actual performance level				
Key result area	**Below**	**Threshold**	**On target**	**Above**	**Maximum**
Safety (5%)	●				
Financial strategy and planning (35%)				●	
Financial reporting (20%)				●	
Mission critical projects (30%)			●		
People and transformation (10%)			●		
Overall performance			●		

Resulting BSP award: **Cash award of 41.34% of annual BEC.** Shares based on 140% of the cash bonus, deferred for three years.

Key performance commentary:
- One loss of life at Sishen mine in 2014
- Focused attention on successful initiatives to contain costs and improve efficiencies
- Executed an overall successful financial strategy in response to a challenging financial environment
- Ensured successful implementation of key, material agreements, entered into by the company
- Identified critical business challenges, risks and opportunities and developed adequate responses to these
- Sound oversight of key financial matters

REMUNERATION AND PERFORMANCE
continued

2014 EMOLUMENTS

Executive directors, non-executive directors and prescribed officers

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 2014 performance (paid March 2015)	Retention payment	Face value of BSP shares awarded in respect of 2014 performance (awarded March 2015)	Directors' fees	Committee fees	LTIP Value earned in respect of performance period 2012-2014 (vesting 2015)	Total emoluments 2014	Total emoluments 2013
Executive directors										
NB Mbazima[1]	8,082	941	3,532	–	5,298			1,912	19,765	18,742
FT Kotzee[2]	3,885	390	1,516	–	2,123			–	7,914	7,392
Sub-total	**11,967**	**1,331**	**5,048**	**–**	**7,421**	**–**	**–**	**1,912**	**27,679**	**26,134**
Non-executive directors										
F Titi						1,166	–		1,166	1,116
ZBM Bassa						196	382		578	523
GS Gouws						196	251		447	396
KT Kweyama						196	–		196	276
DD Mokgatle						196	513		709	647
AJ Morgan						196	643		839	772
LM Nyhonyha						196	372		568	480
AM O'Neill						196	–		196	47
BP Sonjica						196	251		447	396
DM Weston[3]						–	–		–	141
Sub-total						**2,734**	**2,411**		**5,146**	**4,794**
Prescribed officers										
AC Loots	2,659	372	1,015	–	1,421				5,467	5,515
FM Louw[4]	2,006	282	702	–	982				3,972	5,483
VF Malie[5]	287	41	–	–	–				328	3,914
B Mawasha	3,768	509	1,678	–	2,349				8,304	8,491
Y Mfolo	1,935	279	615	–	862				3,691	4,168
LLA Mgadzah	1,806	262	479	–	670				3,217	3,319
A Parboosing[6]	741	108	197	1 473	276				2,795	–
SV Tyobeka	2,075	303	772	–	1,081				4,231	4,384
C van Loggerenberg[7]	–	–	–	–	–				–	1,043
Sub-total	**15,277**	**2,156**	**5,458**	**1,473**	**7,641**				**32,005**	**36,317**
Total	**27,244**	**3,487**	**10,506**	**1,473**	**15,062**	**2,734**	**2,411**	**1,912**	**64,830**	**67,245**

1 Emolument includes base salary of R889,300 (EUR63,345) and retirement benefits of R222,321 (25% of base salary) paid by KITSA in respect of services rendered off shore during 2014. The LTIP value earned relates to an award made while the chief executive was at Anglo Thermal Coal.
2 Emolument includes base salary of R867,610 (EUR61,800) and retirement benefits of R216,902 (25% of base salary) paid by KITSA in respect of services rendered off shore during 2014.
3 Resigned 30 September 2013.
4 Restructuring of the executive head of projects role during the year resulted in FM Louw ceasing to be a prescribed officer with effect 1 November 2014.
5 Resigned 1 March 2014.
6 Appointed 28 July 2014.
7 Retired 30 April 2013.

DISTRIBUTION STATEMENT FOR 2014

Distribution statement	2014	2013
Employees	4,580	3,674
Providers of finance	519	278
Government	5,330	8,782
Community spend	202	254
Shareholders	15,178	13,707
Value reinvested	1,833	2,506
Value (distributed)/retained	(1,030)	6,593

INTERESTS OF EXECUTIVE DIRECTORS AND 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.

		Granted awards			Vested awards			Outstanding awards			
Capacity and name	**Number of awards at 1 Jan 2014**	**Granted during 2014**	**Date of grant**	**Market value on grant date R'000**	**Number of awards vested during 2014**	**Vesting date**	**Notional value at date of vesting R'000**	**Number of awards at 31 Dec 2014**	**Notional value of outstanding awards R'000**	**Earliest date of vesting of outstanding awards**	**Share-based payment expense R'000**
Executive directors											
Bonus Share Plan											
NB Mbazima	7,488	11,674	01 Mar 14	5,098	–			19,162	4,597	01 Mar 16	3,319
FT Kotzee	3,299	4,773	01 Mar 14	2,084	740	01 Jun 14	249	7,332	1,759	01 Jun 15	1,421
LTIP											
NB Mbazima	19,873	31,523	01 Aug 14	11,663				51,396	6,924	01 Mar 16	2,157
FT Kotzee	6,002	9,841	01 Aug 14	3,641				15,843	2,151	01 Mar 16	664
Sub-total	**36,662**	**57,811**		**22,486**	**740**		**249**	**93,733**	**15,431**		**7,561**
Prescribed officers											
Bonus Share Plan											
AC Loots	10,788	5,093	01 Mar 14	2,224	3,532	02 Mar 14	1,542	12,349	2,963	01 Mar 15	1,923
FM Louw	14,497	5,228	01 Mar 14	2,283	4,652	02 Mar 14	2,031	15,073	3,616	01 Mar 15	2,364
VF Malie	7,048	3,577	01 Mar 14	1,562	2,323	01 Mar 14	1,014	8,302	1,992		1,139
A Parboosing	–	4,076	25 Jul 14	1,467	–			4,076	978	01 Mar 15	435
B Mawasha	9,054	5,437	01 Mar 14	2,374	3,018	01 Mar 14	1,318	11,473	2,752	01 Mar 15	3,461
Y Mfolo	5,244	3,426	01 Mar 14	1,496	–			8,670	2,080	01 Mar 15	1,343
LLA Mgadzah	5,551	2,629	01 Mar 14	1,148	–			8,180	1,962	01 Mar 15	1,269
SV Tyobeka	9,502	3,814	01 Mar 14	1,665	2,990	02 Mar 14	1,306	10,326	2,477	01 Mar 15	1,618
Sub-total	**61,684**	**33,280**		**14,219**	**16,515**		**7,211**	**78,449**	**18,820**		**13,552**
Total	**98,346**	**91,091**		**36,705**	**17,255**		**7,460**	**172,182**	**34,251**		**21,113**

REMUNERATION AND PERFORMANCE
continued

DIRECTORS' BENEFICIAL INTEREST IN KUMBA

The aggregate beneficial interest in Kumba at 31 December 2014 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 2014 and the date of approval of the annual financial statements.

	2014			2013		
Capacity and name	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	–	70,558	70,558	–	27,361	27,361
F Kotzee	–	23,175	23,175	740	9,301	10,041
	–	93,733	93,733	**740**	**36,662**	**37,402**
Non-executive directors						
DD Mokgatle[2]	428	–	428	428	–	428
GS Gouws[2]	213	–	213	213	–	213
	641	–	641	**641**	**–**	**641**
	641	93,733	94,374	**1,381**	**36,662**	**38,043**

[1] Granted under the Bonus Share Plan, Long-term Incentive Plan and disclosed in the tables above.
[2] Total indirect interest held by spouses.

ADMINISTRATION

COMPANY REGISTRATION NUMBER:
2005/015852/06

JSE share code: KIO

ISIN code: ZAE000085346

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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.

RUSSELL AND ASSOCIATES 7708/14

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