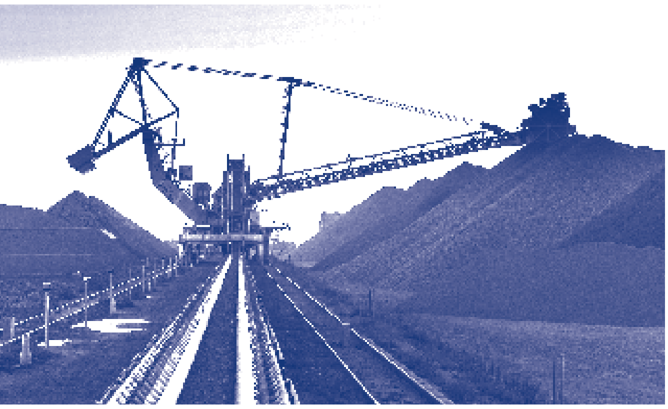


INTEGRATED REPORT 2015

DRIVING CHANGE, DEFINING OUR FUTURE

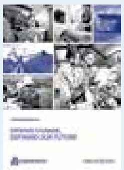
AngloAmerican

KUMBA IRON ORE LIMITED

OUR APPROACH TO REPORTING

NAVIGATING OUR 2015 REPORTS

Integrated report [IR]

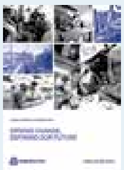


A succinct review of our strategy and business model, operating context, governance and operational performance, targeted primarily at current and prospective investors.

Sustainability report [SR]

Reviews our approach to managing our significant economic, social and environmental impacts, and to addressing those sustainability issues of interest to a broad range of stakeholders.

Annual financial statements [AFS]



Detailed analysis of our financial results, with audited financial statements, prepared in accordance with IFRS.

Ore Reserves and Mineral Resources report [ORMR]

Reported in accordance with the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC 2007; July 2009 amended).

Online [WEB]

Each of these reports, with additional updated information, is available on our website: www.angloamericankumba.com

For more information, visit **http://www.angloamericankumba.com/**

DRIVING CHANGE, DEFINING OUR FUTURE

This is our fifth annual integrated report. We have adopted an integrated approach to managing and reporting on our activities since the Company's inception. Our strategy and management practices are informed by a sound appreciation of the resources and relationships that Kumba depends on to create value.

REPORTING SCOPE AND BOUNDARY

This report provides information relating to Kumba's strategy and business model, operating context, material risks and opportunities, and governance and operational performance for the period 1 January 2015 to 31 December 2015. The report covers our Sishen, Kolomela and Thabazimbi mines, our corporate office in Centurion, the Saldanha port operations and marketing. In addition, we have published annual financial statements (AFS), a sustainability report (SR), and an Ore Reserves and Mineral Resources report (ORMR). The reporting process for all our reports has been guided by the principles and requirements contained in the International Financial Reporting Standards (IFRS), the IIRC's International <IR> Framework, the GRI's G4 Sustainability Reporting Guidelines, the King Code on Corporate Governance 2009 (King III), the JSE Listings Requirements and the Companies Act, 71 of 2008.

OUR APPROACH TO MATERIALITY

This report provides information that we believe is of material interest to current and prospective investors, and to any other stakeholder who wishes to make an informed assessment of Kumba's ability to generate value over the short, medium and long term. Rather than provide a simple listing of 'material issues', we have sought to ensure that all the information in this report relates to matters affecting value creation at Kumba. Understanding our business (pages 6 to 7), our business model (pages 8 to 9) and our activities and impacts across our value chain (pages 10 to 11) forms the basis for appreciating how Kumba creates value, and for identifying those issues impacting value. Our ability to create value is determined by our operating context (pages 24 to 27) and by our response to the resulting risks and opportunities (pages 32 to 37). Making an informed assessment of our response requires an appreciation of our strategy (page 38), our performance (page 40), our leadership team (pages 14 to 17), and our governance practices (page 79). Additional information not seen to be material for these purposes, but that may be of interest to other stakeholders, is provided in our AFS, SR and ORMR.

ASSURANCE

We use a combined assurance model to provide us with assurance obtained from management and from internal and external assurance providers. Deloitte and Touche assured our Annual Financial Statements 2015 (see page 30 of AFS), while PricewaterhouseCoopers (PwC) assured key sustainability information in our Sustainability Report 2015 (see page 68 of the SR). Both of those processes inform our Integrated Report 2015, which contains both financial and non-financial indicators. In accordance with the Kumba Iron Ore Resource and Reserve audit schedule, no independent third party reviews were conducted in 2015. External reviews are scheduled for Kolomela in 2017 and Sishen in 2018. Our Audit Committee provides internal assurance to the board on an annual basis on the execution of the combined assurance plan. 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 pages 17 to 20 of the AFS.

KEY FEATURES

No loss of life

PRODUCTION OF 44.9Mt
down 7%

RECORD EXPORT SALES OF 43.5Mt
up 8%

CONTROLLABLE COSTS
down R4 billion

HEADLINE EARNINGS PER SHARE (HEPS) OF R11.82
down 66%
due to 42% reduction in iron ore price

No dividends

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, is 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 10 March 2016.

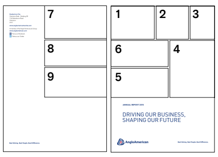
Fani Titi
Chairman 10 March 2016

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements with respect to Kumba's financial condition, results, operations and businesses. These statements and forecasts involve risk and uncertainty as they relate to events and depend on circumstances that occur in the future. There are various factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements.

CONTENTS

Back cover **Front cover**



Front cover

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

2. Mary Louise Vos and Enosen Shea, nurses at the Postmasburg primary health care clinic, provide treatment and medical care to patients. The clinic was built by Kolomela mine for the community of Postmasburg.

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

4. Dimpho Sephiri, Mafoka Mahloane and Gomolemo Comoletiale, learnership students at the Tshipi skills development centre at Sishen mine learning plumbing skills.

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

6. 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.

Back cover

7. 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 destined for China. The loading process takes about 36 hours to complete.

8. A train at Kolomela mine in the Northern Cape. The mine produces direct shipping ore for the export market.

9. Dudley Fielding, process controller; Johannes Jacobs, foreman; Kelebogile Smok, plant operator; Kopano Kehltlkile, plant operator; Saul Mofammere, operator; Matthews Kiwidi, reclaim operator and Veronica Lepadisa, system administrator all working at the Kolomela mine load out station conducting a pre-shift safety meeting.

SALIENT FEATURES

SALIENT FEATURES FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014	2013	2012	2011
Production (Mt)					
Sishen mine	**31.4**	35.5	30.9	33.7	38.9
Kolomela mine	**12.1**	11.6	10.8	8.5	1.5
Thabazimbi mine	**1.4**	1.1	0.6	0.8	0.9
Sishen mine FOR unit cost					
Unit cost (R/tonne)/(US$/tonne)	**403.5/31.6**	331.6/30.6	325.3/33.8	257.4/31.4	178.9/24.7
Cash cost (R/tonne)/(US$/tonne)	**310.8/24.4**	271.8/25.1	266.9/27.8	197.8/24.2	150.5/20.8
Kolomela mine FOR unit cost					
Unit cost (R/tonne)/(US$/tonne)	**245.8/19.3**	269.1/24.8	240.9/25.1	255.7/31.2	–
Cash cost (R/tonne)/(US$/tonne)	**177.7/13.9**	207.6/19.2	181.8/18.9	180.2/22.0	–
Stripping ratio					
Sishen mine	**5.7**	4.4	4.1	3.5	2.6
Kolomela mine	**3.1**	3.7	3.5	3.3	7.1
Thabazimbi mine (Thabazimbi has reached the end of its economic life; mining ceased in September 2015)	**–**	25.5	29.4	28.9	25.8
Logistics (Mt)					
Total volumes railed to port of Saldanha Bay (incl. Saldanha Steel)	**42.4**	42.2	39.7	40.0	39.1
Total volumes loaded at port	**43.5**	40.1	39.3	38.5	37.6
Sales volumes (Mt)					
Export sales	**43.5**	40.5	39.1	39.7	37.1
Domestic sales	**4.3**	4.8	4.6	4.7	6.4
Reserve life (years)					
Sishen mine	**15**	16	19	18	21
Kolomela mine	**21**	21	25	29	27
Thabazimbi mine	**–**	9	10	6	6
Group safety					
Fatalities	**0**	1	0	2	0
Lost-time injury (LTI)	**40**	44	33	20	17
Lost-time injury frequency rate (LTIFR)	**0.23**	0.23	0.18	0.10	0.08
Community engagement and development (CED) expenditure at operations (Rm)					
Sishen mine	**70.9**	81.3	105.3	72.3	73.6
Kolomela mine	**31.4**	48.1	51.7	77.9	30.9
Thabazimbi mine	**10.1**	9.5	8.9	14.9	9.2
Amount spent on housing for employees (Rm)					
Sishen mine	**185**	605	551.8	398.1	181.0
Kolomela mine	**–**	–	–	511.0	403.0
Thabazimbi mine	**8**	–	–	9.0	10.3
Transformation					
HDSAs in management (%)	**59**	58	55	52	50
Women in core mining (%)	**14**	13	13	13	13
Environmental performance					
Number of level 3, 4 or 5 environmental incidents	**1 (Level 3)**	1 (Level 3)	0	0	0
Water used for primary activities (million m^3)	**10.1**	8.7	8.6	8.8	8.2
Energy consumption (million GJ)	**11.1**	10.8	9.3	7.6	7.1

EMPLOYEES (EXCLUDING HEAD OFFICE, LOGISTICS AND LEARNERSHIPS)

	2015		2014		2013		2012		2011	
	Full time	**Contractors**	Full time	Contractors	Full time	Contractors	Full time	Contractors	Full time	Contractors
Operation										
Sishen mine	**5,575**	**2,269**	5,736	2,582	5,104	3,099	5,303	2,910	4,412	3,425
Kolomela mine	**1,143**	**1,091**	1,205	1,955	1,065	1,649	1,030	811	771	640
Thabazimbi mine	**408**	**107**	829	437	791	269	852	470	815	889

CHAIRMAN'S REVIEW

Fani Titi
Chairman

Reflecting back on the past year, three issues stand out: the dramatic downturn in the iron ore price, which is indicative of longer-term changes in the global economy; the tough decisions taken by Kumba in responding to the lower price environment; and the challenging regulatory and operating context that we continue to face in South Africa.

This has been the most challenging year in Kumba's history. Unfortunately, the outlook for the year ahead is one in which we cannot expect an upturn in the commodity cycle any time soon. I believe, however, that building on the work that has already been done in the past eighteen months, the decisions the Company has taken this year, and the decisive action plans management is implementing, will see Kumba through the current challenges and ensure that it is best placed to realise the inevitable opportunities in the longer term.

DOING BUSINESS AMIDST GLOBAL VOLATILITY

The unparalleled fall in the iron ore price reflects a continuing supply glut combined with softening demand, primarily in China, the principal price-setter for most global commodities. With China transitioning from infrastructure-driven to consumer-led growth, we anticipate that commodity demand will remain depressed into the foreseeable future. This sluggish demand is likely to be compounded by the slow pace of economic recovery in the European Union, higher interest rates in the United States, and continuing pressure on emerging markets as the liquidity generated by quantitative easing drains out. At the same time, we expect supply growth to continue from key producers in Australia and Brazil, albeit at a slower rate, suggesting a sustained downturn in the commodity price cycle.

Contributing to this challenging market environment are the continuing levels of volatility in financial markets, as well as signs of growing instability at a global geo-political level. In Africa, we see ongoing difficulties associated with commodity-dependent economies, weak levels of governance, and high vulnerability to climatic events such as El Niño. As a resources company, we need to recognise and be ready to address the implications of this volatility across our value chain activities and in our longer-term investment decisions. We also need to acknowledge some of the underlying causes of this instability – such as socio-economic inequality, structural unemployment and growing resource pressures – and recognise the responsibilities this places on us in the mining sector, to address such issues. The evident inter-dependency between the success of our business, and the wellbeing of the economies and societies in which we operate, underpins our commitment to ensuring that our mining model plays an important developmental role and that we support growth strategies that are socially inclusive and beneficial.

DRIVING CHANGE ACROSS THE BUSINESS

Our response to the steep fall in price and increasingly volatile global markets has been to fundamentally review our business, change our life of mine plans and implement restructuring across the group. The decisions we have had to take, guided by our values, have been difficult. Given the tough economic conditions in South Africa, the recent retrenchments have been particularly painful for us to implement but unfortunately, these decisions are necessary if Kumba is to remain viable as a business. We are attentive to the sensitivity of the issue at hand, and our stakeholders can rest assured that we will fully support all our employees, as we have done during previous restructuring processes at Kumba. All engagements and actions will be carried out with care and respect.

In making these decisions, it is important to acknowledge that we did not fully deliver on the guidance given to the market in 2015. Although my review to you last year indicated a production target of 36Mt, full year production at Sishen was revised during the year, with a targeted production of ~31Mt. However, Kolomela continues to deliver above expectation, achieving a 4% increase in production, to 12.1Mt and is on track to reach 13Mtpa in 2017.

While Kumba cannot control the volatility of the global iron ore market, it can control how the Company responds. We recognise that while we, like others in the sector, were surprised by the scale and pace of the price decline from 2014, we are confident that our response to the situation, will help us deliver on our objectives. The plans we now have, introduce more flexibility to the implementation of our targets and reduce the risk of execution failure. Further, I have every confidence in management's ability to deliver on those issues that remain within their control.

As outlined in more detail throughout this report, and summarised in the Chief executive's review, Kumba, in response to the downward-spiralling iron ore price, has moved quickly in introducing a refined Operating Model that significantly resets the Company's cost base. The Company is in the process of closing its operations at Thabazimbi, has restructured the Sishen pit to a lower cost shell, and increased production at the successful Kolomela operation. Additional stringent capital austerity measures have been introduced, with capital expenditure down 20%, while significant savings have been achieved on overheads, project and technical study costs and headcount. Collectively these

CHAIRMAN'S REVIEW continued

measures delivered a R4 billion reduction in controllable costs. The average cash breakeven price for the year was US$49/tonne, while at year-end Kumba was operating at a cash breakeven price of US$41/tonne, aided in part by a weaker currency and lower freight rates. This was significantly below the target of US$45/tonne. For 2016, the Company is looking to reduce controllable costs by US$10/tonne from the average US$49/tonne in 2015, with a targeted breakeven cash price below US$40/tonne.

MAINTAINING A FOCUS ON SAFETY

In implementing these changes across the Company, it is imperative that we do not lose sight of our focus on safety and our goal to achieve zero harm, which is often compromised in times of uncertainty. While it is encouraging to note that there was steady progress during 2015 in the Company's leading and lagging safety indicators, and a significant reduction in the number of serious incidents, there was a flattening in the rate of improvement. Tragically, after a fatality-free year, I am personally saddened to report that one of our colleagues, Mr Grahame Skansi, was fatally injured in an incident at Kolomela mine in January 2016. I speak on behalf of the Company in extending our deepest condolences to his family, friends and colleagues. The board reaffirms our strong commitment to achieving zero fatalities and injuries.

LIVING OUR VALUES

The difficult restructuring process that Kumba is undertaking has been strongly driven by the values that inform our activities, and by the Company's commitment to transparency and due process. These values, based on care and respect, and which inform what we are doing and how we are doing it, are driven through the transparent leadership of Chief executive, Mr Norman Mbazima. The exemplary approach to consultation and engagement that Kumba took in the closure process at Thabazimbi, in restructuring the head office, and support services at Sishen has shown itself most clearly in the understanding we received from government, unions and other stakeholders when we announced the reconfiguration at Sishen, in which 3,900 out of 7,800 permanent staff and contractors were affected. This commitment to consultation, and the active role that Kumba has played historically in its host communities, has contributed to the support and understanding amongst our stakeholders regarding the difficult decisions we have had to take.

THE SOUTH AFRICAN OPERATING CONTEXT

The fallout from the downturn in the commodity cycle has a profound impact on the South African economy, with reduced tax revenues and job losses compounding existing low levels of business and consumer confidence. The recent rapid rotation in finance ministers has further dented the already fragile levels of domestic and international investor sentiment in the country, with the potential for a rating downgrade threatening capital flight.

Concerted and collaborative action is needed to rebuild South Africa's standing in the global investor community. We welcome the appointment of Mr Pravin Gordhan as finance minister, and look forward to positive developments in the country's economy. In order to see the investment in infrastructure and job creation necessary to ensure a better life for all, the country needs the right growth-focused macroeconomic environment and a more predictable and stable regulatory setting.

Developing a more investor-friendly environment that takes advantage of business's ability to prosper, will require a higher degree of trust between business and government. The recent conversations between leaders from business and government – including with the President – have laid a good basis for developing this trust. While Kumba has had constructive and progressive discussions with government on a range of issues, there are still key areas where issues remain uncertain and urgent action is needed. One of these relates to Kumba's residual 21.4% undivided share of the mining right for the Sishen mine. The Constitutional Court ruled in December 2013 that only SIOC can apply for, and be granted, the 21.4% undivided share and residual mining right. In 2015, SIOC received notice that the Director General of the Department of Mineral Resources (DMR) had consented to the amendment of SIOC's existing mining right in respect of Sishen, by inclusion of the residual 21.4% undivided share of the mining right, subject to certain conditions (which are described by the DMR as "proposals"). The Company continues to engage with the DMR in relation to the proposed conditions in an attempt to reach an amicable solution, acceptable to both parties.

As a company, we are committed to working collaboratively with government in contributing, where feasible and appropriate, to addressing the country's challenges. In order to address these deep challenges and be globally competitive, the country needs to see radical improvement in its education system. We need to see improvements, not only in terms of enhanced access to education but also in the quality of the education provided.

ENSURING EFFECTIVE GOVERNANCE

Our role as the board is to provide oversight and stewardship, ensuring that the Company is doing the best it can with the resources entrusted to it, to deliver on its fiduciary duties, and protect and enhance the Company's ability to create value.

During the reporting period, there were various changes to the board. In May 2015, Mr Gert Gouws resigned from the board as a representative of the Industrial Development Corporation (IDC) after nine years of service and we would welcome a replacement from the IDC, should they choose to nominate a representative director, at the appropriate time. In April 2015, Ms Khanyisile Kweyama resigned as the board representative of Anglo American and was replaced in June 2015, by Mr Andile Sangqu, Executive head of Anglo American South Africa. Shortly after year-end, Mr Tony O'Neill resigned as an Anglo American representative, and was replaced by Ms Natascha Viljoen, Group head of Processing at Anglo American plc. I thank Ms Kweyama and Messrs Gouws and O'Neill for their contribution and guidance during their tenure, and wish them the best in their future endeavours. I also welcome Mr Sangqu and Ms Viljoen to the Company and look forward to their contribution to the board. Looking ahead, we have a detailed succession plan in place that seeks to ensure continuity and stability in any transition in the constitution of the board.

Despite the obvious shared difficulties associated with the volatile commodity price environment, we have had another encouraging year with support from our controlling shareholder. We have been fortunate to share common purpose, with aligned interests and values, strengthened by a relationship based on trust and transparency. In facing up to the recent challenges, we have benefited greatly from our shareholder's experience and guidance.

However, as announced to the market in early February 2016, Anglo American intends to exit its 69.7% shareholding in the Company, in an orderly and responsible manner, at the appropriate time. Anglo American plc and Kumba will work together to evaluate options for the exit and to consider how the Company can be set up as a standalone entity that will continue to deliver sustainable value to all its stakeholders. A board sub-committee has been constituted to assist with the intended exit.

APPRECIATION

I wish to express my sincere gratitude to our Chief executive, Mr Norman Mbazima, and the Kumba management team for the enormous contribution made, during an exceptionally trying time in the Company, especially over the last 18 months. I remain confident that Kumba will pull through these difficult times, primarily because of the quality of its people, at all levels across the Company. This is demonstrated by the nature of the work performed at our operations, as well as in the quality of the relationships that Kumba has fostered with its regulators, host communities, customers, suppliers and broader stakeholder community.

In closing, I would like to extend particular appreciation to my fellow board members for their consistent stewardship and wisdom in guiding the Company through the current turbulence. I am confident that Kumba will deliver on its ambitious and decisive action plans, and ensure the Company's resilience over the short, medium and longer term.

Fani Titi
Chairman
10 March 2016

OUR BUSINESS

OUR VISION: To be a successful and sustainable African supplier of quality iron ore to global and local markets while delivering superior value to our stakeholders

WHO WE ARE

Kumba is a supplier of high-quality iron ore to the global steel industry. 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 Proprietary Limited (SIOC), an entity which we manage. SIOC, in turn, owns the operating assets of the Company. The remaining 26.1% interest in SIOC is held by 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).

WHAT WE DO

We produce high-grade iron ore, with a lump-to-fine ratio of 65:35 in 2015. 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 the port operation in Saldanha Bay. We also have a marketing office in Singapore, in partnership with Anglo American plc, and one in Luxembourg. In total, around 9% of our product comprises domestic sales, and around 91% 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 66.

LISTED ON THE JSE LIMITED

11,790 EMPLOYEES IN 2015 (2014: 14,040)

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

DOMESTIC SALES
(2014: 4.8Mt)
4.3Mt

EXPORT SALES
(2014: 40.5Mt)
43.5Mt

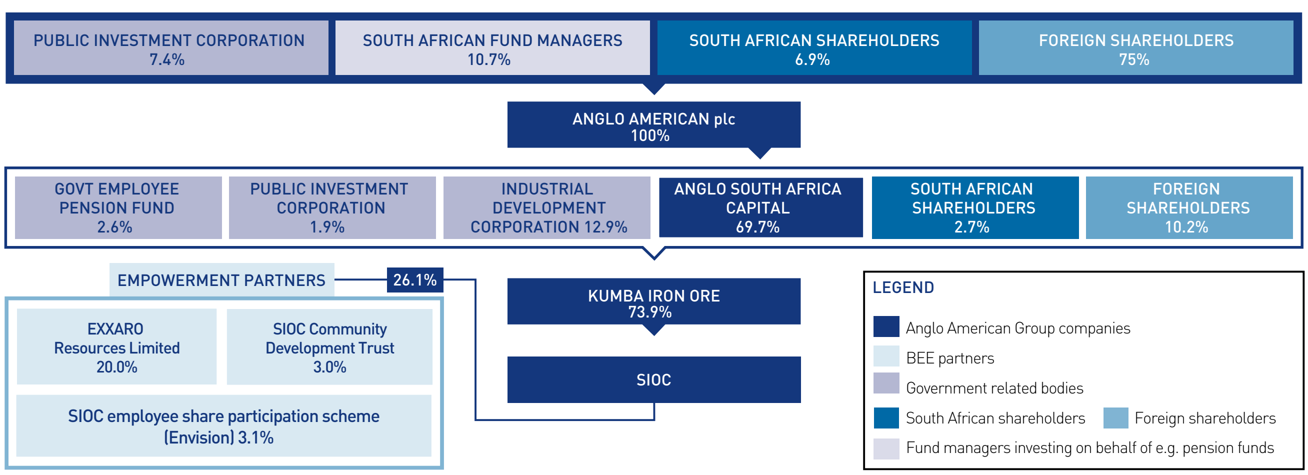
PRODUCTION
(2014: 48.2Mt)
44.9Mt

WASTE MINED
(2014: 274.3Mt)
276.8Mt

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 governments to create lasting change in these areas. At the end of 2015 we employed 11,790 people – 7,434 permanent employees, 3,627 contractors and 729 learnerships. For more on these relationships see page 28 to 31 of this report.

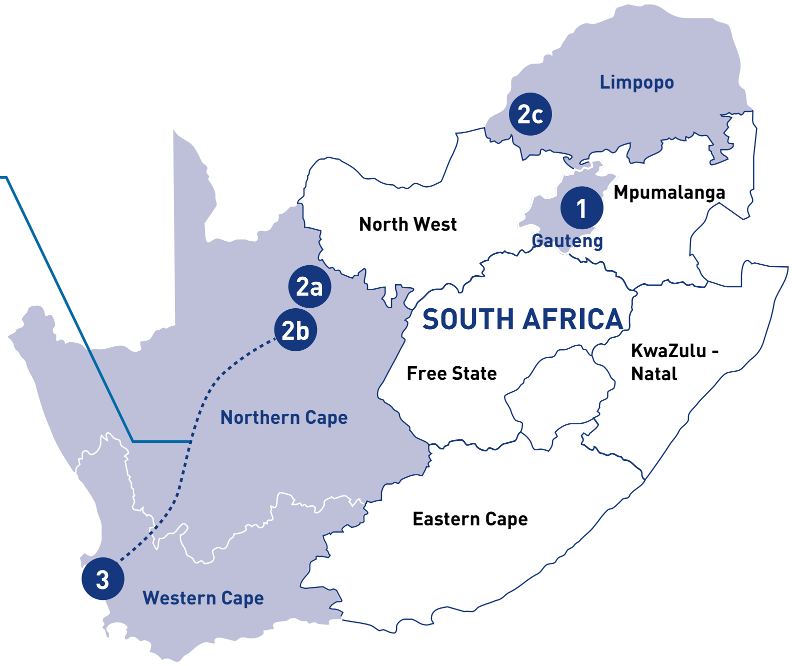
KUMBA IRON ORE LIMITED OWNERSHIP STRUCTURE



WHERE WE OPERATE

EXPORT RAIL LINE

- Current capacity of 60Mtpa of which Kumba has 44Mtpa allocation



Corporate office

1 Centurion

Mining operations

2a Sishen mine

2b Kolomela mine

2c Thabazimbi mine

Port operations

3 Saldanha Bay

SISHEN MINE 2a

- Opened in 1953
- Located in Kathu
- Reserve life: 15 years
- Bulk of Kumba's production
- One of the largest open-pit mines in the world
- All mining is done by opencast methods
- Sishen is the only haematite ore producer in the world to beneficiate all its product

KOLOMELA MINE 2b

- Opened in 2011 and produces high-grade direct shipping ore (DSO)
- R8.5 billion investment
- Mine situated near the town of Postmasburg
- Reserve life: 21 years

SALDANHA BAY PORT 3

- All Kumba export volumes exported through Saldanha Bay Port Operations, the only dedicated iron ore export facility in South Africa
- Operated by Transnet

THABAZIMBI MINE 2c

- Thabazimbi mine has been operating since 1931 and produces primarily high-grade haematite ore
- Thabazimbi mine's product is particularly low in contaminants and is currently sold exclusively to ArcelorMittal South Africa
- The mine has reached the end of its economic life

SISHEN MINE

- 261.4Mt total tonnes mined of which 31.4Mt final product and 222.2Mt waste
- 30.2Mt railed on the Sishen/Kolomela-Saldanha iron ore export channel (IOEC)
- ISO 14001, ISO 9001, OHSAS 18001 certified
- 5,575 permanent full time employees and 2,269 full time contractors
- R71 million invested in social and community projects
- LTIFR of 0.22, with zero fatalities
- Unit cash cost: R311/tonne
- Stripping ratio: 5.7

For more information on our operations, see page 66

KOLOMELA MINE

- 60.6Mt total tonnes mined of which 12.1Mt final product and 45.7Mt waste
- 12.2Mt railed on the IOEC
- ISO 14001, ISO 9001 certified, and OHSAS 18001 compliant
- 1,143 permanent full time employees and 1,091 full time contractors
- R31 million invested in social and community projects
- LTIFR of 0.20, with zero fatalities
- Unit cash cost: R178/tonne
- Stripping ratio: 3.1

For more information on our operations, see page 68

SALDANHA BAY PORT

- Total volumes railed to Saldanha Bay: 42.4Mt
- Export sales: 43.5Mt
- Total shipped volumes: 43.5Mt
- Total CFR volumes: 29.8Mt
- ISO/IEC 17025 accredited QC laboratory
- LTIFR of 1.66, with zero fatalities
- 42 permanent full time employees

For more information on our operations, see page 71

THABAZIMBI MINE

- Mining activities ceased in September 2015
- Mine closure progressing according to plan
- 1.4Mt final product
- 1.3Mt railed domestically to ArcelorMittal SA
- ISO 14001, ISO 9001, OHAS 18001 certified
- R10 million invested in social and community projects
- LTIFR of 0.16, with zero fatalities
- 408 permanent full time employees and 107 full time contractors

For more information on our operations, see page 70

OUR BUSINESS MODEL

POTENTIAL FOR REVENUE DIFFERENTIATION

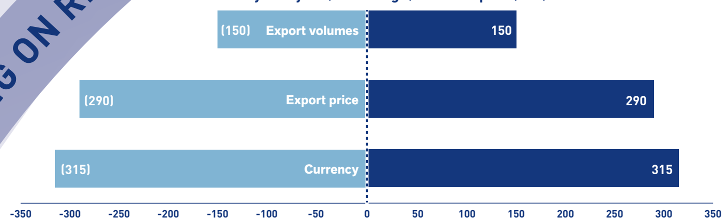
- ✓ Ability to achieve quality premium for superior ore quality (64.2% vs 62% benchmark)
- ✓ Price differential potential due to higher lump:fine ratio (65:35 vs global average of 30:70)
- ✗ Price penalties due to higher contaminant levels (gangue)

COMPETING ON REVENUE

SENSITIVITY ANALYSIS*

1% change to key operational drivers

Sensitivity analysis (1% change) – EBT impact (Rm)

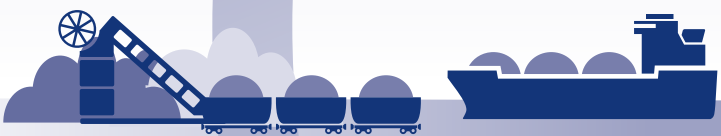


Change per unit of key operational drivers	Unit change	EBIT impact
Currency (R/US$)	R0.10/US$	R245m
Export price (US$/t)	US$1.00/t	R550m
Volume (Kt)	100Kt	R35m
		Breakeven price impact
Currency (ZAR/USD)	R1.00/US$	US$3.00/tonne

** 1% change to key operational drivers, each tested independently*

OUR REVENUE

- Iron ore prices (global supply and demand dynamics)
- Sales volume of iron ore (noting quality and lump)
- Rand/US$ exchange rate (weaker Rand can partially offset lower US$ iron ore price)



OUR OPERATING CONTEXT: ISSUES IMPACTING VALUE CREATION

- Negative commodity sentiment
- Flattening of the global cost curve
- Organisational restructuring
- Increasing socio-political pressures
- Heightened stakeholder expectations
- Regulatory and policy uncertainty
- Nature of iron ore reserves and life of asset

For more information, see pages 24 to 27

OUR TOP TEN RISKS

1. Commodity market and exchange rate fluctuations
2. Fiscal compliance and regulatory certainty
3. Funding
4. Operational performance
5. Safety
6. Reliance on third-party infrastructure
7. Mining legislation and regulatory certainty
8. Organisational restructuring, Envision benefits and labour relations
9. Stakeholder relationships and social licence to operate
10. Residual mining rights

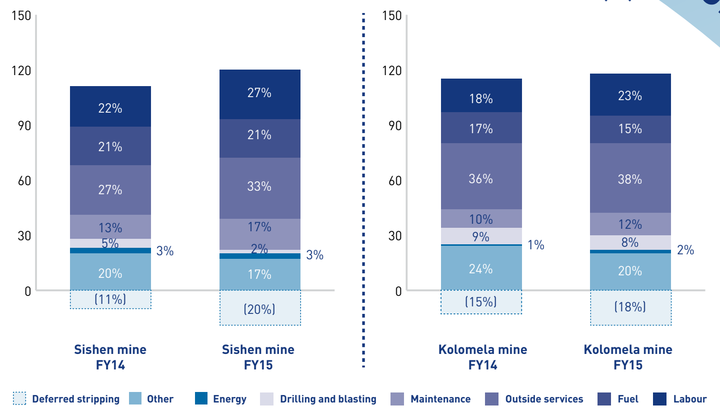
For more information on Risk management, see page 32

OUR ACTIVITIES

- Exploration – primarily in the Northern Cape
- Mining – extracting iron ore in the Northern Cape
- Beneficiation – improving the final product quality
- Blending and outbound logistics – providing and transporting niche products
- Shipping, marketing and selling – to markets in South Africa and globally
- Rehabilitation and environmental management
- Corporate social investment

For more information on our value chain activities, see page 10

SISHEN AND KOLOMELA MINES UNIT CASH COST STRUCTURE (%)



COMPETING ON COST

Image below
Mining operations at the Kapstevel pit at Kolomela mine.

OUR COSTS

- Labour
- Distribution (rail, port and freight)
- Energy
- Capital expenditure
- Maintenance
- Drilling and blasting
- Tax and mineral royalty payments
- Mining contractors
- Social investments
- Rehabilitation
- Marketing

KEY RESOURCES AND RELATIONSHIPS

- Clear prospecting and mining rights from government and regulatory certainty
- Quality and location of ore body
- Long-life assets and existing infrastructure (including rail and port)
- Human capital – technical skills, productivity, experience and leadership team
- Exploration, mining and processing technology and techniques
- Social licence to operate – from communities and their representatives
- Financial capital – from shareholders, investors and funders
- Key suppliers and service providers
- Loyal customer base

POTENTIAL FOR COST DIFFERENTIATION

- Significantly reduced SIB capex due to optimised pit design and reduced deferred stripping
- Lower mineral royalty rates than Australian competitors
- Positive wage index compared with competitors
- Rail and port costs competitive despite greater distance to port
- Higher stripping ratio than competitors due to inherent characteristics of the ore body which results in higher mining costs
- Higher freight costs, with Australian competitors much closer to key market in China

CUSTOMER VALUE PROPOSITION

Reliable supply of high-quality iron ore

EMPLOYEE VALUE PROPOSITION

The opportunity to earn, learn and grow in a safe and supportive environment

SHAREHOLDER VALUE PROPOSITION

Sustained financial returns and dividends, from well managed operations

SOCIETAL VALUE PROPOSITION

Converting mineral resources into social value by encouraging opportunities for inclusive growth and sustainable development

OUR VALUE CHAIN ACTIVITIES AND IMPACTS

PEOPLE ARE CENTRAL TO OUR OPERATIONS

PRIMARY INPUTS

Our ability to generate value is dependent on access to financial capital, skilled people, quality relationships and key natural resources, supported by the right Company culture, and by access to necessary infrastructure, plant and equipment. An overview of key inputs across our value chain is provided on page 24

	EXPLORATION	MINING	BENEFICIATION
OUR ACTIVITIES	In South Africa, exploration is focused in the Northern Cape, close to our existing operations. On and near mine exploration and resource definition drilling is conducted to increase confidence in the geological models; these are updated annually in support of life of mine and long-term planning.	We extract iron ore from mining the iron ore bodies within our various mining leases. All our mining is currently undertaken using open-pit methods.	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 separation and jigging technologies to achieve this. **FURTHER BENEFICIATION** We support 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 OUTCOMES **Enhancing and diminishing value in each stage of the value chain**	✔ Contributing to long-term financial viability ✔ Developing key relationships in the Northern Cape ✔ Developing intellectual capital through enhanced exploration technologies and techniques ✔ Contribution to national tax base ✖ Competition over land use with communities ✖ Increasing community expectations for economic opportunities and service delivery	✔ Skills development ✔ Community upliftment and infrastructure investment ✔ Contribution to beneficiation ✔ Investment in innovation ✔ Contribution to national tax base ✔ Exceeding water and energy savings target ✔ Improved access to quality healthcare for local communities = Unchanged LTIFR of 0.23 for 2015 ✖ Slope failure at Thabazimbi mine	✔ Securing market premium through enhanced quality product ✔ Enhanced intellectual capital and technology development ✔ Contribution to national tax base ✔ Supply iron ore to the local steel industry ✖ Difficulties in providing the DMS plant with correct quality feedstock
STRATEGIC FOCUS AREA	• Focus on the Northern Cape • Maintain optionality to grow in West and Central Africa	• Redesign pits to extract maximum value • Implement the Operating Model • Extend life of current mines • Sustainably operate mines and lower costs	• Invest in step-change technology • Compete through premium products

LEGEND
Positive outcome | Neutral outcome | Negative outcome

BLENDING AND OUTBOUND LOGISTICS	SHIPPING, MARKETING AND SELLING	REHABILITATION AND ENVIRONMENTAL MANAGEMENT
Blending allows us to utilise products from our operations to provide consistent product specification to our markets. Products are screened and sized to match customer requirements, and then transported through our outbound logistics chain. Our product portfolio includes niche lump products as well as standard fines and standard lump.	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 the MENA region. Domestically, we sell ore to ArcelorMittal SA.	The life cycle of the mine needs careful environmental management practices including concurrent rehabilitation to ensure the least disruption to our natural resources both during and after our operations.
Maximise value from the resource Investment in technologies and techniques Enhanced financial returns Contribution to national tax base Increase in volumes railed to port of 0.2Mt	Enhanced financial returns through product differentiation in sales Increase in export sales of 3Mt Increased shipments through the multi-purpose terminal (MPT) High freight differential	Minimising longer-term environmental impacts Decreased longer-term liabilities Securing authorisations and licences Enhanced reputational benefits Responsible mine closure Continuous mine rehabilitation Increased short-term financial costs

PRIMARY OUTPUT
44.9Mt high-quality haematite iron ore with a lump-to-fine ratio of 65:35 in 2015

• Compete through premium products	• Compete through premium products	• Implement operational risk management (ORM)

CREATING SUSTAINABLE VALUE:
UNDERSTANDING TRADE-OFFS IN OUR CAPITALS

CAPITALS	KEY INPUTS
PEOPLE We rely on the skills, wellbeing and motivation of employees, contractors and service providers to generate value. Providing a safe working environment, encouraging local employment, investing in training and ensuring fair labour practices, are critical to maintaining effective relationships. Regrettably, given current iron ore prices, we have had to reduce headcount to ensure our viability. We have sought to manage retrenchments transparently and fairly, and maintain necessary critical skills.	• 11,790 skilled and motivated employees and contractors • A diverse and representative executive leadership team demonstrating values-driven behaviour • Service providers delivering on agreed terms and conditions
OUR RELATIONSHIPS Fostering trusted relationships has taken on added significance given the negative commodity sentiment and escalating mining input costs. The challenging price environment has required measures that have tested many of these relationships. The trust we have developed over time has been crucial in facilitating an effective transition.	• Positive engagement with unionised and non-unionised workforce • Sufficient confidence from shareholders and investors • Constructive relationships with government and regulators • Mutually respectful and understanding relationship with neighbouring communities
NATURAL RESOURCES Generating positive financial and socio-economic benefits through our activities results in unavoidable disturbance of land, consumption of resources, waste, and atmospheric and water pollutants. These impacts are borne largely by the communities around our mines, with potential consequences for key relationships. In addition to mitigating the negative impacts of our environmental activities, we seek to offset them through rehabilitation measures, the provision of energy and water services, and the responsible delivery of socio-economic benefits through our core activities.	• New-water consumption: 10.1 million m^3 • Energy consumption: 11.1 million GJ • Diesel purchased: 256.1Ml • Land under management: 98,847 hectares • Inclusive mineral resources of 2,090.9Mt
FINANCIAL CAPITAL Declining investor confidence in the mining sector and South Africa's growth outlook has raised the cost of capital. Maintaining our ability to generate financial capital is constraining investments in capital expenditure. Balancing short-term and long-term interests remains one of the more challenging trade-offs.	• Market capitalisation of R13.3 billion • Capital expenditure to execute growth projects of R870 million. • Cash generated from operations of R13.8 billion
MANUFACTURED ASSETS Significant financial investment in the purchase, development and maintenance of property, plant and equipment has provided us with the capacity to generate longer-term returns. Current market conditions have required changes in the application and use of key assets, to maintain business viability.	• Property, plant and equipment of R32.7 billion • Exploration, development, production, marketing and sales operations in the Northern Cape and Limpopo provinces, Luxembourg and Singapore
OUR INNOVATION The success of our business model is dependent on having the right people, in the right roles, informed by effective management systems and Company culture. Investing in these skills and systems requires sufficient financial capital, and will have a positive impact in developing our people. Certain processes and technologies can result in a reduced workforce, with implications for key relationships.	• Technically skilled and experienced employees and external experts • Operating Model providing a sequenced and repeatable set of work steps aimed at delivering the intended purpose of our teams' work in the most efficient manner and invest in step-change technology • Values-driven Company culture

OUTCOMES

- Full time permanent employees: 7,434 (667 employees and 689 contractors retrenched)
- Investment in employee training and development: R275 million
- Employee and contractor fatalities: Zero
- Lost-time injury frequency rate: 0.23
- New cases of occupational health: 28

- Three-year wage agreement with recognised unions – no industrial action since 2012
- HDSAs in management: 59%; women in mining: 18%
- Consent to amend, while continuing to engage on Sishen residual mining right and SARS tax matter (pages 4 and 58)
- Largely amicable relocation of Dingleton town and closure of Thabazimbi
- Delivery of social benefit in communities through core activities and social investment (R175 million for 2015)
- Tax contribution: R949 million

- Greenhouse gas emissions: 1.2 million tonnes CO_2-e
- Land rehabilitated: 44.6 hectares
- 3% decrease in ore reserve due to RoM production of 47.8Mt in 2015
- Tailings dams (active and inactive): 8.23kt
- Hazardous non-mineral waste to landfill: 1.4kt
- Non-hazardous waste to landfill: 3.31kt

- Earnings before interest and tax: R2.6 billion
- Cash from operations: R13.8 billion
- Normalised earnings per share: R13.02
- Dividend suspended in 2015

- Sishen: 2016 production and waste guidance reduced to ~ 27Mt and ~135Mt with an average stripping ratio of 3.5
- Kolomela: new mine plan implemented to ramp up production to 13Mtpa in 2017; mining of third pit until 2019; reserve life extended to 21 years
- Thabazimbi: closure procedures in progress; all activity at the mine expected to cease mid-2016

- Investment in skills development: R275 million
- Investment in technical studies: R181 million
- Successful roll-out and stabilisation of the work management processes of the new operating model at Sishen North mine and pre-strip mining areas
- Roll-out of work management processes at the plant operations and maintenance areas, with the project set to go live early in 2016

ACTIONS TO ENHANCE OUTCOMES

- Ensuring a safe workplace and promoting employee health and wellbeing (pages 30 to 34 in the SR)
- Investing in an effective and engaged workforce (pages 20 to 23 in the SR)
- Managing the impacts of restructuring on employees (page 25 in the SR)

- Protecting labour rights/managing relationships with employees and unions (pages 24 to 25 in the SR)
- Developing a diverse workforce (pages 23 to 24 in the SR)
- Mitigating social impacts (pages 36 to 38 in the SR)/making a positive social contribution (pages 39 to 44 in the SR)
- Addressing stakeholder interests through continuous engagement (pages 28 to 31)

- Resource stewardship: water, energy and land (pages 48 to 54 in the SR)
- Climate change mitigation and adaptation (pages 55 to 58 in the SR)
- Air quality and waste management (pages 59 to 61 in the SR)

Initiatives put in place in 2015 to preserve cash, reduce debt and reposition the business have started to show valuable results (see Chief financial officer review on pages 54 to 59):

- 20% reduction in capex compared to 2014
- R4 billion reduction in controllable costs (including capital)
- Net debt reduced by 42% to R4.6 billion
- Operating at cash breakeven price of US$41/tonne at end of 2015

A shift in strategy from a volume- to a value-based strategy has led to a reconfiguration of the group's mines to reduce the amount of waste and save costs. The resulting change in the use of assets is intended to ensure longer-term success. (See Chief executive and Chief financial officer reviews, and performance against strategic objectives, on pages 40 to 41)

There has been a strong focus this year in implementing the Operating Model across the group, to ensure that we have the best processes in place to deliver the revised business expectations established by management.

OUR LEADERSHIP

The culture of a company, and its ability to deliver on its strategic goals, depends on the quality of its leadership. 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 contributes to our performance and supports the Company in achieving its operational, social and environmental objectives.


Fani Titi


Norman Mbazima


Allen Morgan


Buyelwa Sonjica


Dolly Mokgatle


Frikkie Kotzee


Litha Nyhonyha


Tony O'Neill


Zarina Bassa


Andile Sangqu


Natascha Viljoen

BOARD

Fani Titi

Chairman, independent non-executive director (53)
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 Nominations and Governance Committee. He is a non-executive chairman of Investec Bank Limited, and of Investec plc and Investec Limited. He was previously non-executive chairman of AECI Limited and deputy chairman of the Bidvest Group Limited.

Norman Mbazima*

Chief executive (57)
CV available on page 16.

Allen Morgan

Independent non-executive director (68)
BSc, BEng (Elect), Pr Eng, CD(SA)**

Allen joined the Kumba board on 9 February 2006, chairs the Human Resources and Remuneration Committee, is a member of the Nominations and Governance 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 (66)
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

* Zambian
** Chartered director (South Africa)
*** Australian

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.

Dolly Mokgatle
Independent non-executive director (59)
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 Nominations and Governance 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 (44)
CV available on page 16.

Litha Nyhonyha
Independent non-executive director (57)
BCom, CA(SA)

Litha joined the Kumba board on 14 June 2011, chairs the Risk Committee and is a member of the Audit, Remuneration and Nominations and Governance 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 (58)
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. Tony resigned from the board with effect from 5 February 2016.

Zarina Bassa
Independent non-executive director (51)
BAcc, CA(SA)

Zarina joined the Kumba board on 2 December 2008, chairs the Audit Committee and is a member of the Risk and Nominations and Governance Committees. She is the executive chairman of Songhai Capital. She serves as a non-executive director of Vodacom South Africa, Sun International, Woolworths, and the Investec group. 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.

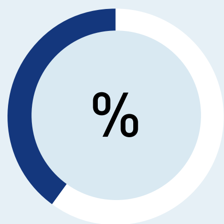
Andile Sangqu
Non-executive director (49)
BAcc, BCom (Hons), MBL

Andile joined the Kumba board on 29 June 2015. He is a member of the board's Risk Committee and the Social, Ethics and Transformation Committee. He is currently the executive head of Anglo American South Africa and is appointed to the Company's board as a shareholder representative of Anglo American plc. He currently also serves as the vice president of the Chamber of Mines.

Natascha Viljoen
Non-executive director (46)
BEng (PrEng), EMBA

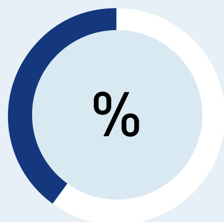
Natascha joined the Kumba board on 8 February 2016. She is the Group head of Processing for Anglo American plc. Her career stretches over various commodities and disciplines in the mining industry, with 10 years' experience in senior management roles.

Board composition by gender



Men	60
Women	40

Board composition – HDSA



HDSA	60
Non-HDSA	40

OUR LEADERSHIP continued

EXECUTIVE COMMITTEE (EXCO)

Norman Mbazima*
Chief executive (57)
FCCA, FZICA

Norman joined the Kumba board on 1 September 2012. He joined Anglo American plc 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 (44)
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.

Yvonne Mfolo
Executive head of public affairs (48)
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.

Alex Mgadzah
Executive head of safety and sustainable development (46)
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 20 years' extensive 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 operations and integration (37)
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.

* Zambian


Norman Mbazima


Frikkie Kotzee


Yvonne Mfolo


Alex Mgadzah


Billy Mawasha


Virginia Tyobeka


Glen Mc Gavigan


Timo Smit

Virginia Tyobeka
Executive head of human resources (50)
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 human resources management in the manufacturing and mining industries.

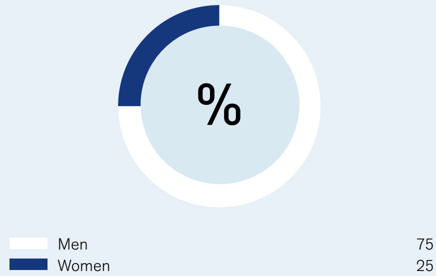
Glen Mc Gavigan
Acting executive head of technical and projects (39)
MEng (Mining), GDE (Rock Engineering), PrSciNat

Glen was appointed to his current position on 1 October 2015. Glen, a geologist by training, joined Kumba in March 1998 and has over 17 years' experience in geosciences, geotechnical engineering and hydrogeology. Before assuming his acting role he held the position of Head of geosciences.

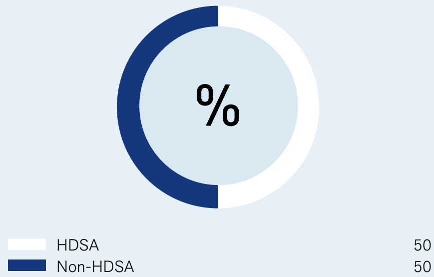
Timo Smit
Executive head of marketing and seaborne logistics (47)
MSc (Applied Physics), PhD (Materials Science and Engineering)

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.

Exco composition by gender



Exco composition by HDSA



COMBINED KEY SKILLS OF EXCO

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

OUR OPERATING CONTEXT AND STRATEGY

This has been a particularly turbulent and challenging year for Kumba, with the tough operating context placing profound pressure on our business model. The dramatic fall in iron ore prices and the heightened competition across the sector, coupled with the growing expectations of our key stakeholders and continuing uncertainty in the regulatory environment, have required us to rethink our business strategy.

DRIVING CHANGE

CONTROLLABLE COST SAVING

R4 billion

REDUCED CAPITAL EXPENDITURE
(2014: R8.5 billion)

R6.8 billion

REDUCED NET DEBT
(2014: R7.9 billion)

R4.6 billion

Improving our competitive position by reducing our cash costs

DEFINING OUR FUTURE

AVERAGE CASH BREAKEVEN PRICE FOR 2016
(2015: US$49/tonne)

<US$40/t

Our revised strategy seeks to balance our long-term growth ambitions with clear focus on maximising value (cash generation) over volume.

For more information, see page 38

EFFECTIVE RISK MANAGEMENT WILL ENHANCE OUR RESILIENCE

Risk management is not only about understanding what threatens our business; it is also about finding out what can strengthen it. In light of the current difficult conditions, management continues to seek opportunities to enable us to adapt to change, improve the resilience of the business and continue to deliver sustainable value to all our stakeholders.

For more information, see page 32

Image
A view of the blast drill rigs drilling blast holes in the Western Sishen pit in preparation for blasting.

CHIEF EXECUTIVE'S REVIEW

Norman Mbazima
Chief executive

Our industry is under tremendous pressure with the market now pricing in a more muted trend for the iron ore price over the medium to longer term. This is driven mainly by the expectation that supply growth will remain strong, against the backdrop of an ever more cautious outlook on China's economic growth trajectory. These circumstances have reinforced the need for us to take some tough decisions for our business that will enable us to withstand a longer period of much lower prices.

In opening my annual review, I wish to touch first on the issue of safety. It is with deep regret and sadness that I report the death of one of our colleagues, Mr Grahame Skansi, in an incident at Kolomela mine. The incident took place on 27 January 2016, shortly after the end of this year's reporting period. Our thoughts are with his family, friends and colleagues. Before this incident, we had been elated by the fact that we had no loss of life throughout the whole of 2015, with the group operating fatality free since April 2014. Over the past few years we have taken many steps to build a safer business, and our safety trends have consistently improved. As we navigate the current turbulent environment we will maintain our relentless focus on ensuring a safe workplace for all.

MARKET FUNDAMENTALS PRESENT SIGNIFICANT CHALLENGES

The unexpectedly steep and rapid decline in the iron ore price this year has had a significant impact on earnings and profitability across the sector. After falling an average of US$38/tonne in 2014, the average Platts index came down another US$41/tonne in 2015, from US$97/tonne to US$56/tonne. Prices started the year at US$71.75 and fell steadily throughout the year, declining to an all-time low of US$38.50/tonne in December 2015. Prices have remained volatile – ranging between US$40/tonne and US$50/tonne in early 2016.

This downward price path reflects the impact of declining demand and continuing supply growth. After showing very modest growth in 2014, global steel production contracted 3% in 2015. All regions contributed to the decline, with China down 2.3% despite record levels of finished steel exports. Japan, Korea and Taiwan were down around 2%, while in the USA steel output dropped more than 10%, all on the back of weak domestic demand and stiff competition. On the supply side, global seaborne iron ore exports expanded 3% to 1.4 billion tonnes. Australia and Brazil combined represent 83% of the total seaborne market, and their exports grew by 7% and 8% respectively. While supply growth is expected to continue, we anticipate that the rate of growth will be slower. This continuing supply growth comes in the context of an ever more cautious outlook on the economic growth trajectory for China, our biggest market, as it moves from infrastructure-driven to service-led growth.

Kumba's full year results reflect these very challenging conditions, with a 66% decline in headline earnings per share to R11.82 from R34.32 in 2014. Basic earnings per share were R1.46 (down from R33.44 the year before), due largely to the significant impairment charge of R6 billion. This impairment charge was necessary due to the low price environment and the reconfiguration of Sishen, an important part of our business restructuring to ensure our continuing viability in this low price environment. Total production across the group declined 7% to 44.9Mt, due to operational challenges at Sishen mine. Kolomela continued to exceed expectations, contributing to the group's record export sales of 43.5 Mt.

REPOSITIONING OUR BUSINESS FOR LOWER PRICES

With prices falling faster and deeper than we expected, we have moved quickly and decisively to reset our cost base in response to lower prices, with three major strategic imperatives:

- Firstly, we have moved from a volume (increasing waste and production volumes)- to a value (cash generating)-based strategy, reconfiguring our mines to reduce the amount of waste mined and save costs in all operational areas. We have ceased mining at Thabazimbi, restructured the Sishen pit to a lower cost shell, and increased production at Kolomela by ramping up low cost tonnes and optimising the waste profile.
- Secondly, we exercised further strict capital discipline by assessing every item of proposed capital expenditure with a view to cancelling, reducing the cost, or delaying the expenditure. The board also decided to suspend the dividend.
- Thirdly, we made significant structural changes to our cost base, achieving significant savings on overheads, study costs and headcount, and adding organisational controls to ensure these are sustainable for the future.

All these measures are part of a key objective – to preserve cash, reduce debt and position the business to ultimately grow sustainable free cash flow and shareholder returns over the long term.

CHIEF EXECUTIVE'S REVIEW continued

In line with our strategy of cost containment and capital preservation, this year we delivered a R4 billion reduction in controllable costs:

- Despite the growth in mining volumes and lower production at Sishen we reduced our on-mine cash costs by over R1 billion.
- We achieved savings of R900 million in our overheads, aided by a 53% reduction in headcount for head office and support services at Sishen and Kolomela, and the efficient and timely closure of our Thabazimbi mine. Our core mining restructuring has now started at Sishen and is expected to deliver sustainable savings of around R550 million from 2016.
- Some of our larger savings have come through capital expenditure which we have reduced to R6.8 billion, with R2 billion savings in stay in business (SIB) capex alone.

Notwithstanding these important cost reduction achievements, we recognise that the global price environment presents significant further challenges. Looking ahead, we see further opportunities to reduce the cost base, particularly through savings from the reconfiguration of the Sishen pit. Our new mining plan will exclude areas with high stripping ratios, ensuring a smaller, more focused operation. The new structure will allow for a more flexible approach and lower capital cost over the life of mine. Waste movement at Sishen is expected to be materially below previous guidance of around 230Mt, at around 135Mt, and production lower than guidance of 36Mt for 2016 to around 27Mt. No material change to the life of mine is expected, due to the lower annual production. The reserves will, however, reduce by approximately 150Mt.

We achieved an average cash breakeven price for the year of US$49/tonne as lower realised lump premiums and reduced production partially offset cost savings. At the end of 2015 we were operating at a cash breakeven price of US$41/tonne, well below our target of US$45/tonne. This was aided in part by a weaker currency and lower freight rates, two issues beyond our control.

For the year ahead, we expect to achieve cost savings for controllable costs of more than US$10/tonne (from the average cash breakeven of US$49/tonne for 2015) in 2016 based on those factors that we can control. The uncontrollable items such as freight, lump premium and exchange rates are expected to remain volatile for the balance of 2016.

Deleveraging our balance sheet remains a key priority, with our focus on protecting margins and cash, lowering our net debt and improving covenant headroom. Through capital conservation measures over the year, we have improved the balance sheet with the group reporting net debt of R4.6 billion, down 42%. Should current market conditions prevail, it is anticipated that we will move to a cash positive position by the end of 2016. This would place our Company in a very strong position to weather the difficulties of the low price environment and improve our prospects of delivering returns to our shareholders, our employees, our communities, and our nation.

OPERATIONAL PERFORMANCE

Sishen's production this year fell 12% to 31.4Mt. This was mainly a result of difficulties in feeding the dense medium separation (DMS) plant with the correct ore quality, due to a shortage of high-grade feedstock required for blending. One of the measures to remedy the situation was to improve exposed ore levels and increase operational flexibility; this required mining more waste, which increased 19% to 222Mt. Reduced mining activity for 2016 is unfortunately expected to result in a 45% reduction in the Sishen workforce. This is a very difficult issue for all of us and we will maintain ongoing consultations with all affected stakeholders (reviewed further below). The reduced mining activity and increased operational efficiency also means the mine will require less equipment. Excess equipment will be moved, sold, or retained for future use. This significant change in our operation calls for detailed planning and more precise execution. The effective implementation of the Operating Model at the remainder of our operating departments will be crucial to the success of this mine plan; as will improving compliance to mine plan.

Kolomela remains a star performer, achieving a 4% increase in production to 12.1Mt, 1Mt above expectations at the beginning of 2015. Kolomela is now on track to reach 13Mt in 2017. Waste mined was 18% lower at 45.7Mt. During the year, we implemented a new mine plan which included the incremental ramp-up of production to 13 Mt by 2017 and cessation of mining at the third pit, until 2019. To maintain plant feed rates in view of increased production, waste mining was revised upwards from our previous guidance of 35-38Mt to 46-48Mt. Despite the increased rate of production, the reserve life has been extended to 21 years. This is a result of the conversion of 57.5Mt of the Kapstevel South mineral ore resource to ore reserves, which increased the life of mine stripping ratio from 3.3 to 3.9.

After a comprehensive review, the board resolved this year to close Thabazimbi mine, with ramping down activities commencing in July 2015. Although mining ceased in September 2015, some processing of previously mined material will continue into 2016. The mine closure has impacted approximately 800 employees and 360 contractors. Guided by global best practice, we are implementing a mine closure process, taking employees, the environment, Thabazimbi town and its community into consideration.

Image
A view of operations at Sishen mine.

Our operating context and strategy

Transnet's good performance enabled the mines to rail 42Mt to Saldanha Port, a slight increase on 2014. We achieved record export sales this year of 43.5Mt (8% up on 2014 levels), due to record shipments through Saldanha's multi-purpose terminal, and sales of stock at Saldanha and Qingdao as inventory levels were reduced to a more optimal level of 4.7Mt.

MAINTAINING A STRONG FOCUS ON OUR SAFETY, HEALTH AND ENVIRONMENTAL PERFORMANCE

The commitment to zero harm and improved safety performance remains a core value and as we navigate the current turbulent environment we will keep a relentless focus on ensuring a safe workplace for all. I believe also that improved safety goes hand-in-hand with efficiency and financial results; improve one and you improve the other.

Given the tough operating environment, and the impact that uncertainty can have on safety behaviour, it was encouraging to see the general improvement in our safety performance during 2015, with fewer injuries and reduced severity. It was notable that the emergency safety procedures at Thabazimbi worked effectively during the significant slope failure in June 2015 when no injuries were recorded. Collectively, this performance suggests that our strong safety focus and management controls are beginning to deliver results.

As I mentioned earlier, unfortunately there was a tragic fatality at Kolomela very shortly after the end of the reporting period. This is a considerable setback, firstly from an emotional perspective – for family, colleagues and all of us at Kumba – and secondly from an operational perspective. Over the past five years we have had three separate calendar years of zero fatalities, but never in succession. We will continue in all our efforts to achieve zero harm.

I am generally pleased with our performance this year on health and environmental matters. On employee health, it is encouraging to see that we once again exceeded our 90% target for voluntary HIV testing, that we continued to reduce noise levels in key areas, and saw a further decline in the number of employees with noise induced hearing loss. We also made good progress on environmental issues, securing most of our outstanding permits, and delivering material improvements in energy and water efficiency. We continue to have challenges with PM10 dust emissions at Sishen, where we are working closely with regulators to ensure that this issue is addressed.

CHIEF EXECUTIVE'S REVIEW continued

MAINTAINING POSITIVE STAKEHOLDER RELATIONSHIPS

"We are facing a very difficult situation in the South African mining sector. Unless business, government and labour get together and try and tackle these challenges collectively, rather than tackling each other, we will have a very hard road ahead of us. It will take all three of us working together with a shared vision, to get the mines up and running in good order again."

Developing and maintaining positive relationships with influential stakeholders, and being responsive to their interests, is critical to ensuring sustained delivery of our business model. The importance of maintaining these relationships, and the challenges in doing so, have become more pronounced given the pressures facing the South African economy – the high levels of unemployment, the low rate of economic growth, and the prospect of a potential rating-agency downgrade which could have significant implications for global investor confidence.

In this context, the decision to restructure Sishen, and retrench up to 3,900 employees after announcing the Thabazimbi closure, was particularly tough for us. The decision was made after careful consideration of all the various options, and of their implications both for the Company and our stakeholders. In taking this decision, we spent time speaking with our principal stakeholders: our shareholders, employees and unions, government representatives and neighbouring communities. Building on the position of trust that Kumba has developed with each of these stakeholders over the years – through our commitment to transparency and frank dialogue – we were able to advise our stakeholders that though painful, this is a necessary step to ensure our survival and maintain our capacity to generate and share value into the future.

Our investors are primarily concerned about how we respond to the low iron ore price environment. We must be able to show them that we can continue to deliver value over the medium and longer term. For the reasons outlined in this report, and in our other direct engagements with them, I am confident that they will share our belief in our ability to do so.

These are particularly difficult and uncertain times for all our employees, particularly for those leaving us as a consequence of the restructuring. Throughout this process we have sought to engage as fairly and transparently as possible with all affected employees, clarifying the unfortunate necessity of the restructuring, and providing opportunities to assist them in their transition. I hope that those who are leaving will do so with their heads high, acknowledging both the important contribution they have made to this Company, as well as our best efforts in providing for their interests under these difficult conditions.

We have maintained a positive relationship with our employees and their union representatives, without any significant incidents or work stoppages. While we anticipate further robust discussion in the months ahead, we will continue to do so through the mutually respectful process of dialogue that we have followed thus far. The willingness that each party has shown to listen and engage with the other, gives me confidence that we will find the best possible solution in a constructive manner.

Our colleagues in government, whom we have kept well briefed on our activities, had been expecting the developments at Thabazimbi and Sishen. While, like us, they are not happy with the retrenchments, they have acknowledged that this is a function of force of circumstances, and necessary for the longer term sustainability of the Company. We have continued to enjoy active engagement with government throughout the year on a range of matters. In 2016 we hope to see clear resolution on two critical issues: the continuing uncertainties regarding the proposals associated with the 21.4% Sishen Mining Rights, and our ongoing engagements with the South African Revenue Services (SARS) on the tax assessment covering the period from 2006 to 2010, both of which we review in more detail elsewhere in this report. We believe that it is in our collective best interest to resolve these matters as soon as possible, so that we can focus as part of a collaborative effort on boosting investor sentiment and stimulating economic growth.

The Company looks forward to the resolution of the current stand-off between industry and the DMR on the Declarator Order in respect of the Mineral and Petroleum Resources Development Act (MPRDA). It is in the interest of all affected parties that this issue is resolved, so that clarity is gained on the way forward, in order to ensure that effective implementation of the charter pushes forward the transformational goals of the MPRDA.

Due to the nature and scale of our mining activities, we have had a significant impact on our neighbouring communities, becoming an integral part of their socio-economic development, both directly though the opportunities that our mining and related activities create, as well as through our social investment activities. From the start, Kumba has played an active and informed role in its host communities, being generous in sharing in the upside of the commodity cycle through structured and transparent engagement processes. Our investments in community health initiatives, and the benefits shared through our employee ownership scheme, have been particular highlights. The current downturn presents significant constraints on our ability to maintain these levels of economic and social investment activity. Managing expectations going forward is going to be critical. Given our history in these communities, and the levels of trust that we have built up, I believe that we will be able to do so, informed by a common understanding of the challenges we face and our commitments for the longer term.

In my discussions and engagements with numerous stakeholders over the year, it has been encouraging to see the level of understanding and appreciation amongst these stakeholders of the steps we have been taking and the manner in which we have done so.

THE YEAR AHEAD

Looking to the immediate future, we do not anticipate that ore prices will recover significantly in the short or medium term. The period ahead is likely to remain challenging, both for Kumba and the sector as a whole. Those companies that can lower the cost of production through productivity and efficiency gains, and that can maintain financial flexibility in the context of continuing market turbulence, will have the best chance of survival.

I believe that we are up to this challenge. Over the past two years we have done the necessary planning and taken the difficult and painful decisions – but the correct decisions, and at the right time – to ensure that we successfully weather the storm. Our focus for the year ahead is to ensure that these decisions and plans are well executed. I am confident that we will deliver on our planned restructuring, and that we will be effective in implementing the promised improvements in our two mines – in how we drill and blast, how we load and haul, and how our plants operate – so that we match world best standards. It is only by doing this, that we can ensure that we return value for all our stakeholders.

While we hope that we will have some favourable tailwinds in 2016 in uncontrollable items – such as freight rates, oil price and currency rates – we cannot base our business on this assumption. We have to be in full control of all that we can control. In doing so, it is critical that in these times of uncertainty we retain the right people and skills, that we provide appropriate remuneration to the best talent, and that we foster the right culture to ensure that our people continue to give of their best.

Following changes in its asset portfolio, Anglo American plc have announced their intention to exit their 69.7% interest in Kumba. We have embarked on a process to evaluate options for this exit and considerations on how Kumba can be set up as a sustainable standalone entity are underway.

APPRECIATION

In closing, I wish to extend my thanks to the Kumba board and executive team, who have supported me in my task as Chief executive, providing valuable advice in helping to guide the Company through these particularly challenging times. My profound thanks also to all of my colleagues across the Kumba team as well as the support received from Anglo American plc, who have shown incredible resilience, fortitude and good spirit in this difficult year, and whose talent and commitment is the foundation of the Company.

We have another challenging year ahead. Given the values, skills and enterprise of the Kumba team, I am confident that we will deliver on the plans we have set ourselves, and that we will pull through this prolonged downturn in the commodity cycle, emerging as a thriving organisation delivering value to all our stakeholders.

Norman Mbazima
Chief executive
10 March 2016

OUR OPERATING CONTEXT

RESPONDING TO A PERIOD OF INTENSE CHANGE FOR THE INDUSTRY

We have identified six key issues in our operating context that have important implications for our business model:

- Negative commodity sentiment
- A flattening of the cost curve globally
- Increasing socio-political pressures
- The challenging regulatory and policy environment
- Organisational restructuring activities
- Life of asset

NEGATIVE COMMODITY SENTIMENT

Low iron ore prices fuelled by increasing global supply and China's economic slowdown

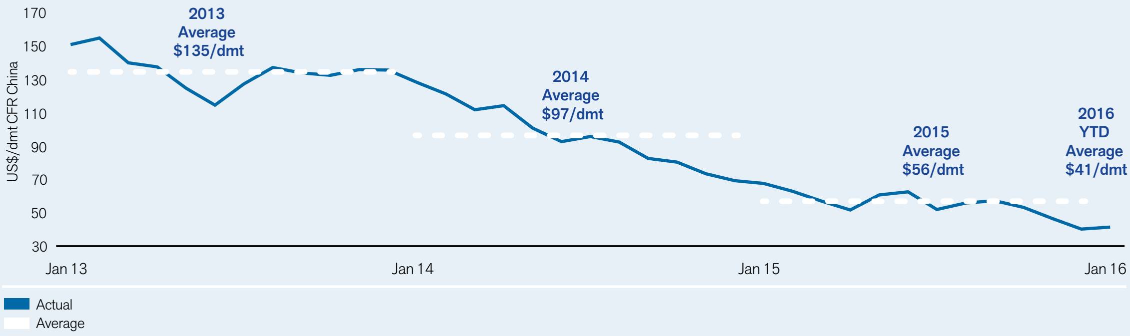
This year the iron ore price fell 43%, from a 2014 average price of US$97/tonne CFR to US$56/tonne CFR as at 31 December 2015, being the worst hit commodity in 2015. The drop in price reflects a structural change in the iron ore market, driven by increased supply with major projects reaching execution, and subdued demand as steel mills deleveraged inventories. The price remains under downward pressure in the near term as construction demand growth from China continues to slow and global crude steel production remains subdued, while seaborne iron ore capacity expands from the top three miners in Australia and Brazil. While it remains unclear where the bottom of the market is, or how long it will remain at such low levels, prices are expected to remain under pressure for the next two to three years.

- Platts 62% Fe CFR iron price averaged US$56/tonne in 2015, 42% down from US$97/tonne in 2014
- Platts seaborne lump premiums averaged US$9/tonne in 2015, 18% down from US$11/tonne in 2014, driven mainly by lower demand for lump products as Chinese steel mills cut input costs due to rising losses
- Kumba FOB basket price averaged US$53/tonne in 2015, 42% down from US$91/tonne in 2014, impacted by weaker benchmark Platts 62% Fe prices, reduced lump premiums, only partially offset by lower freight rates

In response to these conditions, we are structuring our operations to ensure sustainability, a cash breakeven price of below US$40/tonne for 2016.

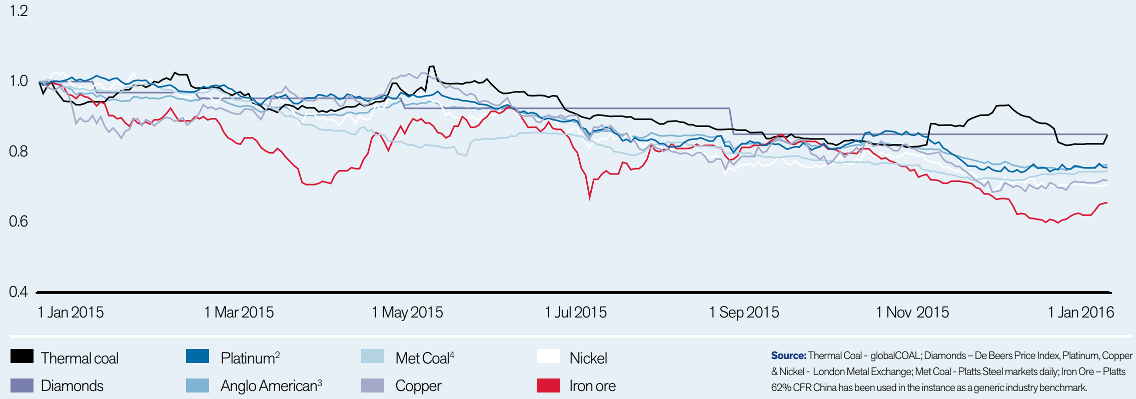
Platts IODEX monthly average

Rand billion



Implications for value	Our strategic response measures
The low iron ore price has significant negative impact on revenues. We are a price-taker in the global iron ore market, and have a much smaller impact on supply dynamics than the larger producers in Australia and Brazil	*How to win:* ▪ Operate mines at lower unit cash costs ▪ Redesign mine pits ▪ Significantly reduce capex ▪ Implement the Operating Model *Where to play:* ▪ Focus on the Northern Cape ▪ Compete through premium products

Indexed commodity prices
(1 Jan 2015 = 1[1])



Source: Thermal Coal - globalCOAL; Diamonds – De Beers Price Index, Platinum, Copper & Nickel - London Metal Exchange; Met Coal - Platts Steel markets daily; Iron Ore – Platts 62% CFR China has been used in the instance as a generic industry benchmark.

[1] Price line is equivalent to weighted average daily revenue for 2015 sales volumes
[2] Platinum basket price
[3] Anglo American excludes Samancor, Niobium, Phosphates, Corporate and OMI. Includes Nickel and Thermal coal, not shown on the graph
[4] Met Coal price line based on HCC spot and API6 thermal coal

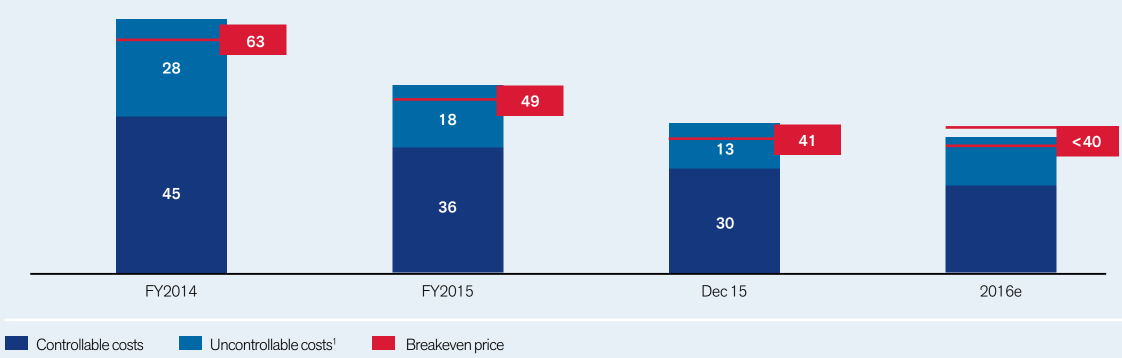
A FLATTENING OF THE COST CURVE GLOBALLY

A flattening of the global cost curve across the sector, has shifted Kumba's position on the curve

The fall in the iron ore price has been accompanied by a flattening of the production cost curve across the sector. This flattening is due to substantial new low-cost supply, the realisation of new efficiencies across the sector (driven by lower ore prices), lower freight rates (primarily a result of lower oil prices and vessel over supply) and weaker currencies in key producer markets. With major producers bringing low cost production on line in 2014 and 2015, Kumba has moved from the second to the third quartile on the cost curve, necessitating a robust review of our business. Our potential for cost differentiation is constrained by a higher stripping ratio and higher freight costs due to the distance to the main market in China. We also face challenges associated with increasing electricity costs and security of supply, as well as strong political and labour interests potentially impeding the ability to seek further efficiencies in the labour force.

To remain competitive, we have shifted our strategic focus off volume to minimising unit cost, minimising capital expenditure and maximising cash generation. We are implementing numerous measures to conserve cash, targeting immediate cost savings to achieve an average cash breakeven price of below US$40/tonne in 2016 (see page 40). We have made initial valuable progress this year in reducing costs.

Total cash cost versus breakeven price
Rand million



[1] Non-controllable costs: logistics, freight costs, royalties

Implications for value

The combination of low prices and increased cash costs has put margins and cash under pressure. The increased pressure from competitors who have greater opportunities to cut costs has necessitated the implementation of significant measures to conserve cash.

Strategic response

How to win:
- Operate mines at lower unit costs
- Redesign mine pits
- Operating Model

Where to play:
- Compete through premium products

OUR OPERATING CONTEXT continued

INCREASING SOCIO-POLITICAL PRESSURES

Increasing socio-political pressures, and heightened stakeholder expectations

Globally, mining companies are facing growing demands from increasingly vocal stakeholder groups, often with competing interests. Neighbouring communities are increasingly looking to mining companies to provide economic opportunities, infrastructure and social services, the provision of which is traditionally the role of government. These expectations come in the context of profound financial pressure on mining companies and growing structural challenges for the South African economy. Key challenges include: high levels of unemployment and inequality, a large current account deficit, infrastructure backlogs, an underperforming education system, and a regional drought placing pressure on water and food security. The sluggish South African economy has prompted government to call for the mining industry to re-think any proposed retrenchments at a time when mining companies are compelled to shed jobs to remain commercially viable and meet shareholder expectations. Socio-political pressures extend beyond South Africa, with important implications for our market. Across the world there has been a rise in nationalism, growing disaffection with incumbent governments and state institutions, and increasing unease with the slow pace of economic growth, especially in the BRICS countries. There has also been high levels of volatility in exchange rates and commodity prices.

Implications for value	Strategic response
The challenging domestic and global market, and increasing stakeholder expectations, are having an impact on our revenues and cost structure, and are testing the quality of the relationships that our business model relies on.	*Key enablers:* ▪ Responsible citizenship ▪ Stakeholder engagement *How to win:* ▪ Sustainable CED spend ▪ Enhance stakeholder relationships

THE CHANGING REGULATORY AND POLICY ENVIRONMENT

More stringent regulatory measures accompanied by continuing high levels of policy uncertainty

In South Africa in recent years there has been new legislation relating to resource extraction, Company and tax law, labour relations, environmental, health and safety performance, and the delivery of social objectives such as housing, preferential procurement and transformation. In several instances this has been accompanied by significant uncertainties, including for example with the Mineral and Petroleum Resources Development Act Amendment Bill of 2013 (which has been referred back to Parliament), and with the Department of Mineral Resources' interpretation of the Mining Charter. Challenges remain with the timely processing of applications for certain permits and licences.

Implications for value	Strategic response
A stable, competitive and predictable regulatory framework is key for encouraging longer-term investment decisions. Increasing regulatory measures and uncertainty in the interpretation and application of legal requirements may impact the way we mine, result in greater compliance-related costs, and affect the quality of the critical relationship between business and government.	*Key enablers:* ▪ Responsible citizenship ▪ Stakeholder engagement ▪ Regulatory compliance *How to win:* ▪ Collaboration with government

ORGANISATIONAL RESTRUCTURING ACTIVITIES

Organisational restructuring activities across the sector, including specifically within Anglo American plc and Kumba

As a result of the sustained period of depressed mineral and metal prices, mining companies globally have been exploring opportunities for systematic and sustainable cost reductions and productivity improvements. Our parent company, Anglo American plc, has been driving a radical restructuring of its portfolio. In this vein, Anglo American plc has announced its intention to exit its 69.7% shareholding in Kumba in due course, consolidating the operating divisions into three, and implementing an aggressive programme of downsizing. Kumba is similarly driving an ambitious organisational restructuring programme that may result in a 45% reduction in headcount at Sishen. Unavoidably this results in a climate of uncertainty across the group, with implications for employee morale and productivity, safety, and industrial relations. Kumba will continue to support and engage with our employees to help manage the challenges of the restructuring process.

Implications for value	Strategic response
While effective organisational restructuring has positive implications in terms of immediate cost reductions and potential short-term efficiency improvements, it also has negative implications, affecting employee morale, raising the likelihood for industrial unrest, and potentially leading to a loss of the people and critical skills needed for longer-term productivity.	*How to win:* ▪ Operating Model ▪ Visible felt leadership (VFL) ▪ Develop a compelling employee value proposition ▪ Focus on employee engagement *Key enablers:* ▪ Employee support and engagement ▪ Responsible citizenship

LIFE OF ASSET

Nature of iron ore reserves and life of asset

As of 31 December 2015, Kumba, from a 100% ownership reporting perspective, had access to an estimated haematite ore reserve of 0.9 billion tonnes at an average unbeneficiated ore feed grade of 60.0% Fe from its three mining operations: Kolomela (212.3Mt @ 64.3% Fe), Sishen (672.7Mt @ 58.7% Fe), and Thabazimbi (0.7Mt @ 58.7% Fe). A 3% net decrease of 28.7Mt is noted for the total 2015 Kumba ore reserve compared to 2014, for the reasons outlined on page 10 of the Ore Reserves and Mineral Resources report. It is expected that the 2016 Kumba ore reserves and mineral resources may decrease materially (~150Mt) from those stated in 2015, pending the update of the reconfigured pit design and the continued softening of the iron ore market. From a 100% attributable reporting perspective, Kumba has a remaining exclusive (in addition to ore reserves) mineral resource base estimated at 1.2 billion tonnes, of which 729.2Mt, at an average *in-situ* grade of 60.9% Fe can be assigned to Kumba's mining operations and associated on-lease projects. The Zandrivierspoort (prospecting right) magnetite deposit contributes 476.1Mt @ 34.5% Fe to Kumba's resource base. This year-on-year decrease in total exclusive mineral resource base of 104.7Mt (-8%) is outlined on page 72.

A more detailed breakdown is provided in the online Reserve and Resource Statements (http:/www.angloamericankumba.com/investors/annual-reporting)

Implications for value	Strategic response
Access to quality iron ore reserves forms the foundation for our ability to generate revenue.	*Where to play:* ▪ Focus on the Northern Cape ▪ Extend life of current mines *How to win:* ▪ Invest in step-change technology ▪ Continued on-lease and near mine exploration

Our operating context and strategy

ADDRESSING STAKEHOLDER INTERESTS

Engaging stakeholders was a critical part of our business strategy in 2015, given the challenges brought about by the negative commodity sentiment coupled with escalating mining costs, and the impact that this has had on our operations. There are a myriad of individuals and organisations with a stake in Kumba in a complex socio-political and industry environment within which we operate.

IDENTIFYING OUR PRIORITY STAKEHOLDERS

In prioritising the many individuals and organisations that have a stake in Kumba we have used the following criteria:

- The degree to which we depend on the stakeholder's support in achieving our strategic goals
- The extent to which the stakeholder can impact on organisational performance
- The relative importance of the stakeholder for the Company as a whole, rather than for specific business functional areas
- The significance of the issues linking the stakeholder to Kumba
- The risks that we are exposed to should we not deliberately plan our engagement with the stakeholder

OUR STRATEGIC FOCUS AREAS FOR STAKEHOLDER ENGAGEMENT

We have prioritised three strategic focus areas aimed at addressing critical stakeholder interests.

STRATEGIC FOCUS AREA	OBJECTIVE	OUR ACTIVITIES
Strengthening relationships with stakeholders	Demonstrate commitment to national policy	• Driving transformation • Developing initiatives that empower our communities • Building partnerships for development • Facilitating joint safety engagements • Ensuring compliance and reporting
	Acknowledge and align key stakeholders' expectations to current realities	• Assessing the impact of our operations and community development projects • Engaging proactively and consistently, to either manage prioritised stakeholder issues or enhance relationships with key stakeholders • Align stakeholder needs to current economic realities • Engaging regularly with authorities on licensing requirements, including proposed conditions for the 21.4% share of the Sishen mining right
Contributing towards a conducive regulatory and economic environment	Encourage the development of legislation that supports sustainability, growth and competitiveness	• Readiness to contribute to the review of the Mining Charter • Contribution to amendments to relevant law • Engagements with the regulator on alignment and conduciveness of legislation
	Contribute towards repositioning the iron ore sector to contribute meaningfully to the economy	• Participation in the Minerals and Mining Development Board, the Mining Industry Growth Development and Employment Task Team (MIGDETT), Operation Phakisa Mining labs and other joint industry initiatives
Involving stakeholders in responding to the impact of our activities	Successful relocation of Dingleton town	• Leading transparent and inclusive engagements with stakeholders • Building partnerships to implement initiatives that empower the Dingleton community • Delivering on our commitments
	Ensure downscaling processes, as well as initiatives undertaken to cut costs are transparent and consultative	• Inclusive consultation process for impacted employees • Transparent engagements with relevant stakeholders
	Closure of Thabazimbi in a sustainable manner	• Engagements with government, ArcelorMittal SA • Understanding the impact of closure on stakeholders • Planning for stakeholder engagements beyond cessation of operations

ADDRESSING STAKEHOLDER INTERESTS continued

PRIORITY ISSUES RAISED DURING THE YEAR

The table below provides a brief overview of the key issues that these stakeholders have raised. Our approach to addressing these issues is provided in relevant sections of this integrated report, as well as in our sustainability report.

SOCIAL AND ECONOMIC EFFECTS OF THE DECLINE IN IRON ORE PRICES

To remain in business, we have reconfigured our Sishen and Kolomela operations and ceased mining at Thabazimbi mine. Notwithstanding these changes, the need for employment, local economic development and skills development in the areas where we operate remain critical. The low price has also impacted negatively on the value we distribute through taxes, dividends (for both shareholders and employees) and procurement.

Stakeholder interest	Issue response	Stakeholders	
• Sustainability of the Company • Impact of low iron ore prices • Impact of downscaling on key stakeholders • Measures required to mitigate impact	• Proactive engagement and alignment of expectations • Conduct cost reduction processes in a transparent manner • Involve stakeholders in creating a social closure plan to ensure the responsible closure of Thabazimbi mine	• Employees and unions • Shareholders • Analysts • Suppliers	• Communities • Government (3 tiers) • Political leadership • ArcelorMittal SA • Transnet

SECURING MINING RIGHTS

Although the 21.4% residual share of the Sishen mining right has been granted, Kumba appealed against the proposed conditions for reasons detailed elsewhere in this report. In addition, the reconfiguration of Sishen and Kolomela mines, and the closure of Thabazimbi mine require applications for new authorisations and/or the amendment of existing ones.

Stakeholder interest	Issue response	Stakeholders
• Awarding of rights • Conditions attached to rights • Regulatory alignment • Compliance	• Proactively engage stakeholders on impacts and responses to lower prices • Continuously engage with authorities to obtain outstanding rights • Engage on new plans to facilitate new applications	• DMR • Shareholders and investors • Analysts • ArcelorMittal SA

MAINTAINING OUR LICENCE TO OPERATE

Despite operational changes undertaken to respond to weak iron ore prices, the Company remained committed to compliance with legal and social requirements, and fulfilling transformation, environmental, regulatory and safety obligations.

Stakeholder interest	Issue response	Stakeholders
• Ensuring compliance with legislation • Ensuring changes to legislation encourage and support growth • Review of the Mining Charter • Declaratory order on the Mining Charter • MPRDA amendment • Developing communities	• Proactively engage stakeholders on impacts and responses to lower prices • Communicate compliance achievements and challenges • Facilitate stakeholder engagements necessary to enhance safety • Drive partnerships and develop initiatives that empower communities	• Chamber of Mines • Shareholders • NGOs • Parliamentary Portfolio Committee on Mineral Resources • Unions • Government • Municipalities • Communities

CONTRACTION OF THE SOUTH AFRICAN MINING INDUSTRY AND IMPLICATIONS FOR THE ECONOMY

The South African mining industry recently experienced significant job losses. Platforms exist for government, industry and labour to collaborate in finding solutions to stimulate growth and stabilise the industry. These include the Minerals and Mining Development Board and the Mining Industry Growth Development and Employment Task Team (MIGDETT). Operation Phakisa Mining labs were introduced in 2015 to urgently identify and implement these solutions.

Stakeholder interest	Issue response	Stakeholders
• Employment creation/mitigating job losses	• Meaningful participation in tripartite processes such as Mining Industry Growth, Development and Empowerment Task Team (MIGDETT) to reposition the iron ore sector • Engage with the aim of reaching a shared vision and value with stakeholders	• Chamber of Mines • National government departments • Unions • Political leadership • Limpopo and Northern Cape provincial governments

RELOCATION OF DINGLETON RESIDENTS

By the end of 2015, 33% of Dingleton home-owners had been relocated, together with a number of businesses and public offices. It is anticipated that the relocation project will be completed at the end of 2016.

Stakeholder interest	Issue response	Stakeholders
• Progress in the implementation of the relocation project • Ability of the Company to fulfil its commitments given prevailing commodity prices • Livelihoods of the Dingleton community post relocation	• Agree with key stakeholders on obligations towards Dingleton residents • Develop initiatives that empower the Dingleton community, to ensure sustainable livelihoods post relocation	• Northern Cape provincial government • Gamagara communities • Gamagara local government • Shareholders • Dingleton Resettlement Working Group

MATERIAL RISKS AND OPPORTUNITIES

Kumba continued to operate in challenging market conditions in which low iron ore prices prevailed mainly driven by a slowing Chinese economy and over supply.

Furthermore, increased low-cost supplies from Australia and Brazil and slowing Chinese demand continue to drive iron ore (and other commodities) prices downwards. In the face of current difficult conditions, the role of an effective risk management process is even more vital.

Effective risk management contributes towards the achievement of our business objectives and will enhance the resilience of the business through current difficult times. Key to this, is proactively anticipating change and how best to manage it.

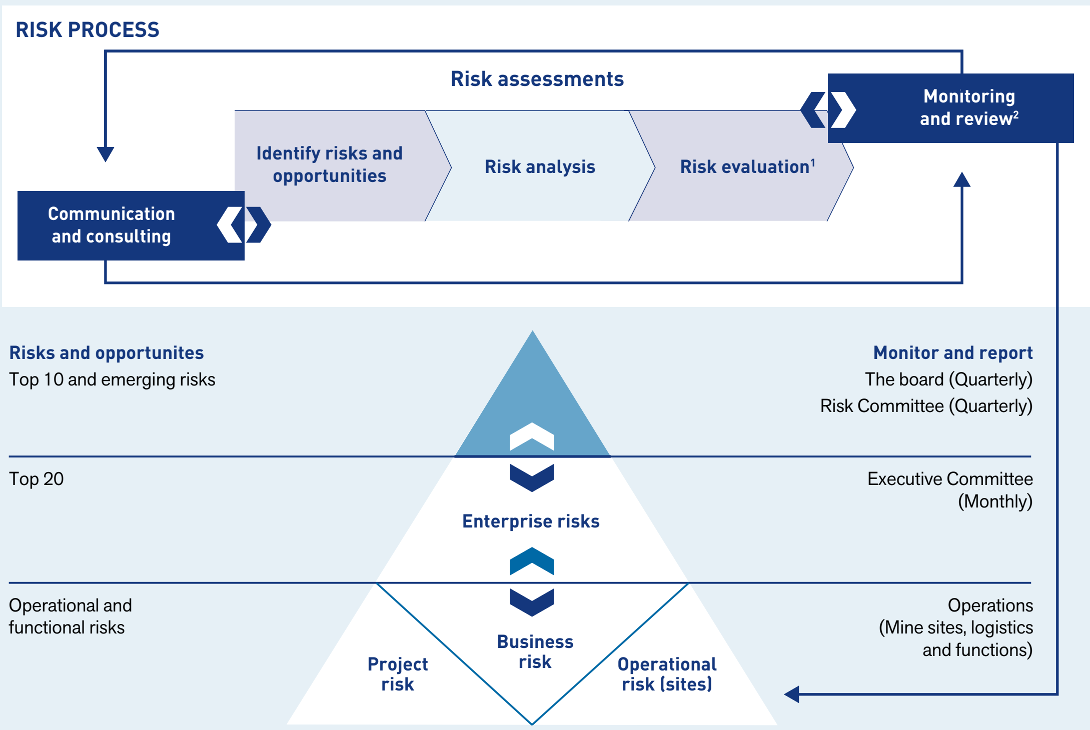
OUR RISK MANAGEMENT PROCESS

To ensure effective management of risks across the group we have a risk management standard in place, supported by an integrated framework. The Risk Committee, a committee of the board, oversees risk management on behalf of the board, 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 mitigation of risk
- 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

Regular risk assessments are done through a structured risk management framework and methodology comprising a rigorous process of facilitated workshops with multi-disciplinary teams. The resulting identified risks are then

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). Regular and timely reporting to the Executive Committee, the Risk Committee and the board. Risk management is integrated within management's everyday agenda to ensure that mitigation actions for identified risks are implemented.

prioritised and appropriate mitigation actions are captured in our risk reporting systems to enable monitoring and reporting of risk activity.

RISK APPETITE

Kumba defines risk appetite as 'the nature and extent of the risk the Company is willing to accept in relation to the pursuit of its objectives'. We look at risk appetite from the context of severity of the consequences should the risk materialise, any relevant internal or external factors influencing the risk and the status of management actions to mitigate the risk. A scale is used to help determine the limit of appetite for each risk, recognising that risk appetite will change over time. If a risk exceeds appetite, it will threaten the achievement of objectives and may require management actions to be accelerated or enhanced in order to ensure the risks remain within appetite levels.

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. In light of the current difficult conditions, management continues to seek opportunities to enable us to adapt to change, improve the resilience of the business and continue to deliver sustainable value to all our stakeholders.

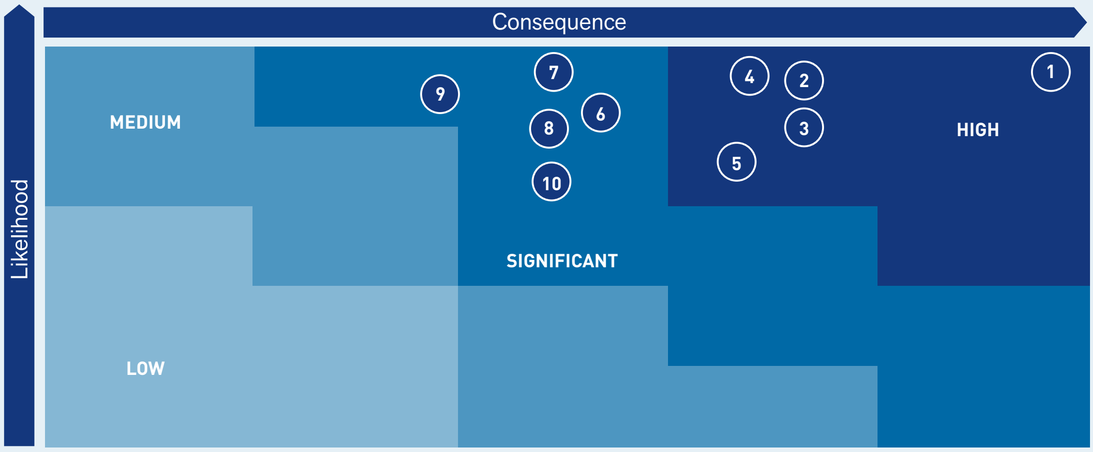
Accordingly, key focus areas for 2016 have been identified. We use this process, as outlined earlier, to identify opportunities that Kumba has, both now and in the future, and to find ways to leverage these.

Kumba's management considers the Company's key opportunities to include:

- Reconfiguring our operating plans by prioritising areas of lower stripping ratios in order to reduce costs, improve profitability and preserve cash
- Shift from a volume- to a value-based strategy to reduce the amount of waste mined and save costs
- Sharing of resources between Sishen and Kolomela, and taking advantage of synergies with other mines within the Northern Cape
- Continuing with the implementation of the low-grade technology strategy for extension of operations post 2030
- Implementing value-adding technology into our mining and beneficiation processes to reduce our unit cost and make our operations safer
- Implementing a work management system (Operating Model) at our operations to ensure that all work is adequately planned, scheduled and resourced

For further opportunities, refer to our strategy on page 38.

RESIDUAL RISK RATINGS



Risk rating

High · Significant · Medium · Low

1	Commodity markets and foreign exchange fluctuations	6	Reliance on third-party infrastructure
2	Fiscal compliance and regulatory certainty	7	Mining legislation/regulatory changes and regulatory authorisations
3	Funding	8	Organisational restructuring, Envision benefits and labour relations
4	Operational performance	9	Stakeholder relationships
5	Safety	10	Residual mining right

Outlined in the heatmap above is the residual rating per key/material risk for Kumba. Residual risk is the remaining risk exposure after all identified mitigation measures have been applied. A key contributor to the current high residual risk ratings is the external factors beyond management's control.

MATERIAL RISKS AND OPPORTUNITIES continued

Following is a detailed outline of Kumba's key risks as identified during 2015, together with their potential impacts and mitigating actions. We have considered both internal and external risks. Our mitigation strategies depend on the severity of impact and likelihood of occurrence of the risks we face.

1. COMMODITY MARKETS AND EXCHANGE RATE FLUCTUATIONS

Increase in risk (2014: 1)

Root cause: Commodity prices are determined primarily by global supply and demand. Demand is influenced by global economic growth, mainly in Europe and Asia (especially China). Lower demand and oversupply characterise the current market. Exchange rates remain very volatile reflecting various macro-economic factors.

Impact on value: A decline in iron ore prices adversely impacts revenues, margins, cash position and credit rating. Revenue is in US$, while costs are largely in Rand. A weaker Rand can partially offset losses from low ore prices.

Mitigating actions

- Key iron ore market indicators and trends are constantly monitored, with the aim of ensuring a timely and effective response to price changes
- A structured programme is in place to cut costs and enhance productivity
- We have revised the Company strategy to provide for the significant and potentially sustained downturn in iron ore prices
- Our policy is not to hedge currency risk. A natural hedge is achieved through our foreign sales which are denominated in US$

Outlook: Market fundamentals for iron ore remain weak, with Chinese construction indicators suggesting low steel demand in China, while seaborne iron ore capacity expands from top three miners. The South African currency remains under pressure and volatility is expected to continue.

Strategic focus area

- How to win: operate mines at lower unit cash costs
- How to win: redesign mine pits
- How to win: further entrenching the Operating Model
- How to win: significantly reduce capex
- How to win: shift from volume- to value-based strategy

2. FISCAL COMPLIANCE AND REGULATORY CERTAINTY

Increase in risk (2014: 2)

Root cause: Our business is required to comply with an existing fiscal regime and continuously adapt to changes in fiscal legislation. We are currently engaged with SARS around ongoing tax matters, with a view to seeking resolution.

Impact on value: In the case of a final legal finding of non-compliance, cash flow may be impacted by penalties, additional tax and interest.

Mitigating actions

- Policies and procedures are in place to ensure compliance with all applicable laws
- We remain proactive in managing compliance through regular review of our legal compliance programme and engagements with the authorities and experts in this field
- Kumba has submitted a suspension of payment application to SARS and are in the process of preparing an objection to the assessment

Outlook: Engagements with SARS are ongoing with a view of finalising and settling all matters relating to current ongoing tax issues.

Strategic focus area

- Key enablers: responsible citizenship
- Key enablers: stakeholder engagement
- Key enablers: compliance

3. FUNDING

New risk (2014: N/A)

Root cause: The significant deterioration in iron ore price impacts our profitability and cash position and thus has an adverse impact on debt levels, covenants and funding.

Impact on value: Breach of debt covenants and default on external committed facilities and consequential impact on overall debt facilities.

Mitigating actions

- Reconfigured our pits to focus on low stripping ratio areas thereby reducing waste and related mining costs
- We have introduced initiatives to achieve cost savings, reduce capex, reduce total debt and improve EBITDA. Our funding strategy has been revised to assess available levers to achieve the requisite business funding
- Suspension of dividends
- Following the achievement of cost savings, a notable improvement in our debt position was achieved at the end of 2015
- Continuous monitoring of our debt level in relation to our debt covenant requirements and proactive engagement with our lenders in this regard

Outlook: Our lender engagement strategy will be revisited and lenders updated on current market impacts on our debt facilities.

Strategic focus area

- How to win: operate mines at lower unit cash costs
- How to win: redesign mine pits
- How to win: Operating Model

4. OPERATIONAL PERFORMANCE

Increase in risk (2014: 6)

Root cause: Risk exposure in this area is primarily a result of potential adverse mining conditions delaying or hampering our ability to produce targeted quantities; these conditions include pit constraints, high stripping ratios, ore quality feed to the plant, failure of key logistics equipment, and contractor and equipment performance. Above inflationary cost increases negatively impact our operating margins and targets.

Impact on value: Inability to achieve production targets and rising unit costs impact directly on profitability and cash flow. Inability to reduce waste and reduce costs as envisaged by the Sishen mine reconfiguration. This also impacts our ability to meet commitments to our stakeholders.

Mitigating actions

- Reconfiguration of mine plan to focus on low stripping ratio areas in order reduce waste and consequently reduce costs
- Management oversight of operational performance is ensured through regular operational and executive consultations
- Implemented the Operating Model, a work management system to ensure that all work is adequately planned, scheduled and resourced
- We constantly monitor mining, production, logistics and sales activities to ensure that targets are achieved

Outlook: Efforts to meet our operational performance targets will be ongoing.

Strategic focus area

- How to win: Operating Model
- How to win: Invest in step-change technology

5. SAFETY

Decrease in risk (2014: 4)

Root cause: There are inherent safety and health risks associated with mining activities across its value chain. The prevailing climate of uncertainty associated with organisational redesign activities can have an adverse impact on employees' mind-sets and heighten these risks.

Impact on value: Apart from physical harm to employees and contractors, failure to maintain high safety levels may impact negatively on employee morale, the achievement of production targets, and our licence to operate.

Mitigating actions

Various initiatives have been implemented as part of our commitment to Zero Harm:

- Implementation of safety improvement plans
- Focus on priority unwanted events and critical controls
- Improving hazard identification risk assessment and change management
- Preventing repeat incidents through effective learning from incidents
- Driving disciplined and consistent execution of the basics

Outlook: A continuing strong focus is being placed on safety, with priority given to managing risks associated with transportation, falling, electricity, falling objects and material handling.

Strategic focus area

- Key enablers: responsible citizenship
- Key enablers: employee engagement and support

MATERIAL RISKS AND OPPORTUNITIES continued

6. RELIANCE ON THIRD-PARTY INFRASTRUCTURE

Decrease in risk (2014: 3)

Root cause: As many aspects of our logistics chain are out of Kumba's control, the associated risks require careful management and trusted business partnerships. We export our ore to customers through a single-channel rail and port owned and operated by Transnet. Much of this infrastructure requires upgrade and/or maintenance. Revised Sishen plan will result in utilisation below the allocated rail capacity in the iron ore export channel (IOEC). Access to energy and water are also potential concerns.

Impact on value: An adverse impact on logistical capabilities and failure to obtain supporting facilities may pose a business continuity risk. Potential penalties incurred for non-utilisation of allocated capacity.

Explore opportunities for additional tonnage to fill up allocated capacity and limit exposure to the take-or-pay penalties.

Mitigating actions

Kumba works closely with infrastructure suppliers and align our activities to proactively manage risks. This includes:

- Ongoing management of our relationships with our major suppliers, Transnet and Eskom, and concluding appropriate tariff negotiations
- Entering into long-term agreements to secure supply of services
- Potential synergies with other mines in the Northern Cape
- Utilising the Saldanha multi-purpose terminal (MPT) to mitigate capacity challenges relating to the export bulk terminal
- Optimising our ship loading and vessel utilisation activities and continuing placement of stockpiles at ports close to major markets
- Providing engineering expertise to assist with performance at the Transnet port

Outlook: Some of the port infrastructure needs to go through a structured maintenance period from 2017, which may result in reduction in capacity. Engage with Transnet to work on alternatives to mitigate the impact of the shutdown/downtime.

Strategic focus area

- Key enablers: stakeholder engagement

7. MINING LEGISLATION/REGULATORY CHANGES AND REGULATORY AUTHORISATIONS

Decrease in risk (2014: 5)

Root cause: There is increasing legislation covering the broad spectrum of activities across our business value chain, in particular on the nature of mining rights, transformation, and safety, health and environmental performance. Recent delays in approval of the Mineral and Petroleum Resources Development Act (MPRDA) raise concern around regulatory uncertainty.

Impact on value: Changes in the regulatory environment could require changes to the way we mine, and/or increase production costs. Failure to comply could result in the revocation or suspension of necessary authorisations, licences and rights. A lack of regulatory certainty impacts our ability to take long-term investment decisions.

Mitigating actions

- Monitor all new and anticipated regulatory developments and disseminate the implications to all affected parties internally
- Monitor and report on our compliance with all applicable legislation and legislative changes, including the Mining Charter
- Engage regularly with government – both directly as a Company as well as in conjunction with other mining industry participants – on all key legislative issues including specifically on the MPRDA
- While our engagement with the Department of Mineral Resources (DMR) and role players in the Northern Cape provincial government has matured well, we recognise the continuing need to understand and anticipate stakeholders' expectations and to ensure that these are addressed appropriately

Outlook: The MPRDA Amendment has been sent back to parliament, where there may be a possible re-opening of debates on issues on which the industry had reached agreement with the DMR. In addition, drafting of Mining Charter III is anticipated early in 2016.

Strategic focus area

- Key enablers: stakeholder engagement
- Key enablers: responsible citizenship

8. ORGANISATIONAL RESTRUCTURING, ENVISION BENEFITS AND LABOUR RELATIONS

Increase in risk (2014: 9)

Root cause: The current tough market context requires organisational restructuring that will lead to the reduction in employee headcount.

Due to the sharp decline of Kumba's share price, the value of employees' Envision payouts, expected in 2016, is zero.

Impact on value: While the restructuring process has immediate cost reduction benefits, the potential loss of skills and effect on employee morale can impact negatively on productivity. A protracted consultation process raises the risk of labour unrest resulting in operational interruption and loss of production.

No dividends payable to employees, under the Envision scheme.

Mitigating actions

- Engaging proactively with all affected stakeholders, ensuring employee and union consultation in line with Labour Relations Act
- Implementing Kumba Care programme to support employees through the restructuring process
- The value attached to Envision benefits is constantly monitored and beneficiaries are regularly updated on developments
- A multi-year wage agreement is in place and the internal and external environment is continuously monitored to identify any possible industrial action

Outlook: Continued engagement to achieve retrenchment agreements with unions; environment continues to be monitored to address threats of labour unrest; the capacity to ramp up activities with reduced workforce to capitalise on possible cyclical upswing; and the value attached to Envision payout.

Strategic focus area

- How to win: Operating Model
- Key enablers: employee support and engagement

9. STAKEHOLDER RELATIONSHIPS AND SOCIAL LICENCE TO OPERATE

Decrease in risk (2014: 7)

Root cause: There are growing expectations on mining companies by government and communities, fuelled in part by community activism and slow levels of government service delivery that have increased reliance on mining companies. Our need to reduce costs may impact negatively on previously communicated social and labour plan (SLP) and other social delivery commitments.

Impact on value: A failure to manage stakeholder relationships, in particular unions, local communities, government and non-governmental organisations, may result in disruptions at operations and adversely affect our reputation and social licence to operate.

Mitigating actions

- We have identified and prioritised stakeholder issues and are implementing a comprehensive Exco-approved stakeholder engagement policy
- Align stakeholder expectations to current economic reality
- Maintain dynamic relationships with stakeholders

Outlook: Given the impact of the current low iron ore prices, and increasing stakeholder expectations, active engagements are ongoing with all our stakeholders to manage expectations.

Strategic focus area

- Key enablers: stakeholder engagement

10. RESIDUAL MINING RIGHT

Increase in risk (2014: N/A)

Root cause: Following an appeal against a High Court judgment, the Constitutional Court has ruled that SIOC is the only party entitled to apply for, and be granted, the residual 21.4% undivided share of the Sishen mining right. The Director General of the DMR has subsequently consented to the award of this mining right, subject to various proposals.

Impact on value: There is a risk of onerous conditions being imposed that could impact on business sustainability. Failure to comply with the conditions could result in reputational damage, penalties, loss of licence to operate and related operational and financial consequences.

Mitigating actions

- SIOC has submitted an internal appeal to the Minister in line with the requirements of section 96 of the MPRDA on the basis that the MPRDA does not provide for the imposition of such conditions as are contained in the consent letter. The appeal seeks to obtain clarity on legal and practical implications of the proposals
- Management continues to engage with legal experts in order to put in place controls to ensure retention of mining and prospecting rights already obtained
- SIOC further continues to engage with the DMR in relation to the proposals in order to achieve a mutually acceptable solution

Outlook: There remains some uncertainty regarding the final nature and implications of the proposals imposed by the DMR, pending the outcome of our internal appeal to the Minister as per the requirements of the MPRDA.

Strategic focus area

- Key enablers: stakeholder engagement

OUR STRATEGY

Kumba's focus is to position itself for long-term sustainability whilst 'weathering the storm' in the short term given the challenging price environment.

IMPROVING OUR COMPETITIVE POSITION BY REDUCING OUR CASH COSTS

The recent significant drop in iron ore prices, and the expectation that pricing will remain tight over the short to medium term, have prompted a significant strategic rethink.

Our previous strategy focused on growth, underpinned by a responsible citizenship programme. Given the particularly challenging operating context, we have shifted our focus to ensure that we structure our operations to maintain our sustainability in the event that a 'worst-case' pricing scenario is realised. Our revised strategy seeks to balance our long-term growth ambitions with a clear focus on maximising value (cash generation) over volume, and driving down costs per tonne so as to safeguard our mines' viability at lower prices.

Responding to the risks and opportunities presented by the challenging operating context (page 24), and the interests of our key stakeholders (page 26), our strategic ambition is to:

- Continue extracting a premium for our current high quality products (in terms of iron ore content and lump:fine ratio), while ensuring reliable and consistent supply from Sishen and Kolomela
- Further improve our on-mine efficiencies and drive down costs
- Create additional value by better serving customers through our product mix
- Unlock low-grade opportunities through ultra-high dense medium separation (UHDMS) technology to extend life of mines
- Continue with strategic high-value exploration in the Northern Cape
- Explore possible synergies with other mines in the Northern Cape
- Retain optionality to grow in West and Central Africa to replace or add to our current production profile
- Optimise our production portfolio in line with the available rail capacity

We will deliver on this ambition through:

- Re-organising the operations at both Sishen and Kolomela and adherence to the revised mine plan
- Implementing the Operating Model at our operations
- Implementing our people, safety, health and environment (SHE) and stakeholder strategies
- Following a coordinated change management plan accompanied by a culture and engagement programme

Our three strategic focus areas reflect our structured approach to realising these ambitions.

Image
Load and haul truck operations at Kolomela mine. The mine produced 12.1Mt of direct-shipping ore for the export market in 2015.

Our previous strategy focused on growth, underpinned by a responsible citizenship programme. Our revised strategy seeks to balance our long-term growth ambitions with a clear focus on maximising value (cash generation) over volume, and driving down costs per tonne so as to safeguard our mines' viability at lower prices.

VISION

To be a successful and sustainable African supplier of quality iron ore to global and local markets while delivering superior value to our stakeholders

Ambition: We aspire to drive shareholder returns into the top quartile of our peer group through the price cycle

Significantly reduce costs to remain globally competitive	Increase export volumes in the medium to long term	Consistent supply of high-quality products	High performance culture with motivated employees

STRATEGIC FOCUS AREAS

STRATEGIC FOCUS AREA 1: WHERE TO PLAY

Focus on the Northern Cape, as the region contains the most attractive ore bodies for both current operations and targeted brown-fields exploration

Compete through premium products and differentiated customer relationships to maximise price premium realised and to maintain differentiated customer relationships

Extend life of current mines through low-grade projects, using UHDMS technology to produce more ore and less waste thereby lowering our unit costs

Maintain optionality to grow in West and Central Africa when the price recovers

STRATEGIC FOCUS AREA 2: HOW TO WIN

Redesign Sishen and Kolomela mine pits to extract maximum value from the ore body in a lower price environment, and optimise production in line with capacity on the Sishen/Kolomela-Saldanha export rail line

Invest in step-change technology to extract maximum value from ore

Sustainably operate mines at a lower unit cost to remain competitive through a reduced cost base and a step-up in productivity

Implement the Operating Model to ensure the right people are in the right roles to produce the right efficient and effective outcomes

STRATEGIC FOCUS AREA 3: KEY ENABLERS

Align marketing and operational activities to ensure that product efficiently matches customer needs as well as maximising the value of Kumba's ore reserves

Reinforce our reputation for product quality and consistency

Proactively engage with key stakeholders to reinforce our partnership approach

Provide leadership on responsible citizenship, displaying care for safety, health and the environment

Provide extensive support to our employees to help them through the Kumba change journey

DELIVERING ON OUR STRATEGY: PERFORMANCE SUMMARY

STRATEGIC FOCUS AREA 1: WHERE TO PLAY

Focus on the Northern Cape

CAPITAL INVESTMENT FOR 2015

R3 billion

Extend life of current mines

R229 million spent in 2015 on project and technical studies

KOLOMELA RESERVE LIFE EXTENDED BY

2 years

Compete through premium products and differentiated customer relationships

Kumba is unique in that we are primarily a lump producer with a product of recognised exceptional chemical and metallurgical quality

STRATEGIC FOCUS AREA 2: HOW TO WIN

	2015	2014	2016 guidance
Redesign mine pits to extract maximum value			
Sishen unit cash costs	**R310.8/tonne**	R271.8/tonne	~R300 – R305/tonne
Kolomela unit cash costs	**R177.7/tonne**	R207.6/tonne	~R200 – R210/tonne

Lowering unit costs

Achieved an all-in cash breakeven of US$49/tonne (CFR China) down from US$63/tonne in 2014

Further savings anticipated to deliver ~US$10/tonne in controllable costs for 2016

Kumba's cash breakeven price anticipated to reduce below US$40/tonne in 2016

STRATEGIC FOCUS AREA 3: KEY ENABLERS

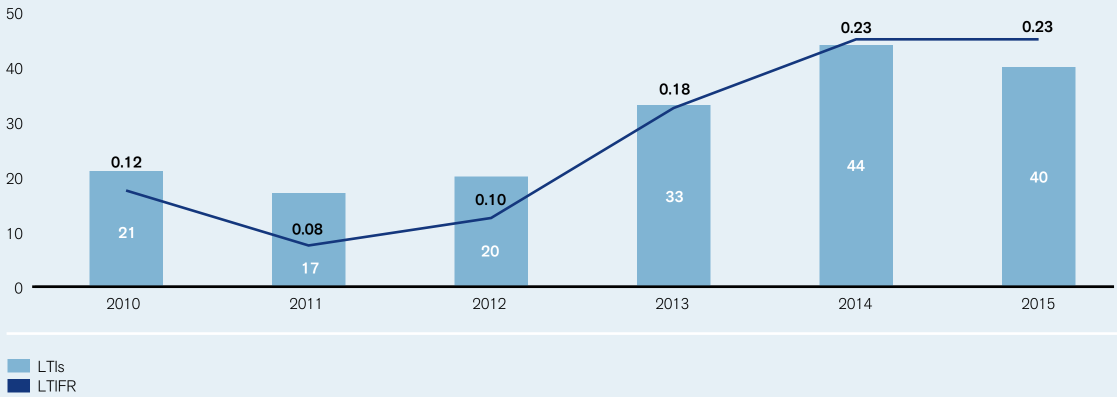
	2015	2014	2016 guidance
Aligning marketing and operational activities			
Total export sales	**43.5Mt**	40.5Mt	~40Mt
Total domestic sales (contracted)	**4.3Mt**	4.8Mt	6.25Mt
Reinforce our reputation for quality and consistency			
Product quality (average Fe context % – Kumba export sales)	**64.2%**	64%	
Percentage lump production	**64.6%**	64.9%	

Proactively engage with key stakeholders

- Engaging proactively and consistently, to either manage prioritised stakeholder issues or enhance relationships with key stakeholders
- Successful relocation of Dingleton

	2015	2014
Provide leadership for responsible citizenship		
Safety and health		
Fatalities	**0**	1
Lost-time injury frequency rate	**0.23**	0.23
Number of high potential incidents	**76**	57
New cases of occupational illness	**28**	14
Environment		
Energy consumption (million gigajoules)	**11,135,712**	10,802,488
Greenhouse gas emissions (tonnes of CO_2e)	**1,203,597**	1,210,277
Water used for primary activities (000m^3)	**10,088**	8,734
Number of level 3, 4 or 5 environmental incidents	**1**	–
Social contribution		
BEE procurement spend (R billion)	**15.31**	14.37
BEE procurement spend (% of total)	**79**	71
Community development spend (R million)	**175**	202
People		
HDSAs in management (%)	**59**	58
Women in core mining (%)	**14**	13
Employee training and development spend (Rand million)	**275**	286

LTIs and LTIFR



Our operating context and strategy

OUR STRATEGIC FOCUS AREAS: PERFORMANCE

Kumba's full year results reflect the very challenging market conditions that we have been facing. The unprecedented 42% fall in the realised FOB iron ore price – averaging US$53/tonne in 2015 – contributed to a 24% reduction in revenue to R36 billion. Operating profit was 86% lower than in 2014.

DRIVING CHANGE

REDUCED REVENUE
(2014: R47.6 billion)

R36.1 billion

SISHEN IMPAIRMENT

R6 billion

HEADLINE EARNINGS
(2014: R11.0 billion)

R3.8 billion

The sharp decline and volatility in the iron ore price over the past year has been a significant factor for Kumba

DEFINING OUR FUTURE

Sishen pit reconfigured to lower cost shell

2016 production ~27Mt

Implementing revised mine plans at Kolomela

Production ramping up to 13Mtpa

EXPORT SALES

2016 ~ 40Mt

2016 OUTLOOK

Whilst significant progress has been made to protect the balance sheet, the group is undertaking further actions to conserve cash to ensure that Kumba is robust enough to withstand a longer period of low prices. For 2016, we are targeting a decrease in cash breakeven price to below US$40/tonne. We expect to reduce controllable costs by US$10/tonne (compared to the average cash breakeven price of US$49/tonne for 2015), through a strong focus on operational delivery, and doing well at the things that we can control.

Image
A carrier loading ore at the Saldanha iron ore terminal. Volumes shipped increased 8% to 43.5Mt due to use of the multi-purpose terminal.

STRATEGIC FOCUS AREA 1: WHERE TO PLAY

Our first key strategic choice relates to where we choose to compete. We have chosen to retain our focus on the Northern Cape and extend the life of our current mines through exploration and low-grade projects, using UHDMS technology to lower our cut-off grade and produce more ore and less waste. Our Thabazimbi mine has reached the end of its economic life and will be closed in 2016.

Focus on the Northern Cape

We focus on the Northern Cape, as the region contains the most attractive ore bodies for both current operations and targeted brown-fields exploration.

We are maintaining our focus on the Northern Cape region as it provides the necessary foundation to ensure our immediate sustainability and meet our longer-term growth ambitions.

We believe that over the long term, around 75% of current production levels could be sustained through development in the Northern Cape, unlocking the region's full potential through our Kolomela extension activities, and realising targeted opportunities for joint ventures and mergers and acquisitions.

Extend life of current mines

We intend to extend the reserve life of current mines through low-grade projects, using UHDMS technology to produce more ore and less waste.

The Sishen Hub has significant low-grade potential that unlocks further UHDMS production opportunities, while the Central and Kolomela Hubs have significant dense medium separation (DMS)/direct shipping ore (DSO) potential.

This can be done by evaluating all possibilities to extend the reserve life of our current mines based on our understanding of the geology and through exploration programmes around our Sishen and Kolomela operations.

Medium- and long-term opportunities for extending the life of current mines include:

- Using currently proven UHDMS technology to produce more ore and less waste, and assessing the feasibility of using alternative concentrate technologies, both of which could potentially sustain Sishen beyond 2030 (see further page 46)
- Utilising on-lease resources to potentially grow Kolomela production to above 13Mtpa
- Extending the Kolomela reserve life with additional adjacent resources around Kolomela, utilising existing equipment

Compete through premium products and differentiated customer relationships

We compete through premium products and differentiated customer relationships to maximise price premium realised and to maintain differentiated customer relationships.

We recognise that due to the geographical and geological nature of our operations, we cannot compete with the big iron ore producers in terms of volume. We have thus chosen to compete by maximising our price premium and maintaining differentiated customer relationships through the provision of premium products.

Not all iron ore is created equal. The highest quality and most important iron ores for steelmaking are haematite (Fe_2O_3) and magnetite (Fe_3O_4). Haematite is the more sought-after ore and the preferred raw material in efficient steelmaking mills. It accounts for approximately 95% of South Africa's iron ore production. These iron ore reserves are all of high-quality haematite allowing us to produce both high-quality lump (64.0% Fe) and high-grade sinter fines (63.5% Fe) for the domestic and export markets. We are unique in that we are primarily a lump producer with a product of recognised exceptional chemical and metallurgical quality.

Different customers value different aspects of our iron ore. By understanding these technical needs of our customers, we can offer them one of our niche products. As an example, customers situated far from the coast, where multiple ore handling steps are required, prefer Kumba lump, as it breaks down less during handling and transportation, so customers receive a larger fraction of valuable lump ore.

Maintain optionality to grow in West and Central Africa

We will maintain optionality to grow in West and Central Africa when the price recovers.

Given the declining endowment base in South Africa, we recognise that from a long-term growth perspective we need to maintain the optionality of accessing ore bodies in Africa when the price recovers. After a diligent targeting process, we have identified a list of targets that have the potential to give Kumba this longer-term optionality.

OUR STRATEGIC FOCUS AREAS: PERFORMANCE continued

STRATEGIC FOCUS AREA 2: HOW TO WIN

Our second strategic choice relates to how we deliver on our ambitions. We have identified and prioritised a key set of activities aimed at extracting maximum value from the ore body, by optimising production, investing in step-change technology and increasing operational efficiencies through implementation of the Operating Model.

Redesign mine pits to extract maximum value

We have redesigned the Sishen and Kolomela mine pits to extract maximum value from the ore body in a lower price environment, and optimising production in line with the available rail capacity on the Sishen/Kolomela-Saldanha export rail line.

In line with our strategy to focus on value (cash generation) over volume to safeguard the mine's viability at lower prices, we have reconfigured both operations to achieve lower costs of production.

- The Sishen pit has been reconfigured to a lower-cost shell configuration that will allow for a more flexible approach and lowering capital cost over the reserve life
- We have implemented the revised mining plans at Kolomela. Mining is now concentrated on two primary pits with the third pit re-phased to 2019. Production is being ramped up from 12Mt in 2015 to 13Mtpa, steady state, from 2017

Sustainably operate mines at a lower unit cost

We sustainably operate our mines at a lower unit cost to remain competitive through a lean support and core cost base and a step-up in productivity.

The optimised plan that we are working towards leads to lower annual production of around 27Mt of product per year at Sishen. Waste volume has been lowered to 135Mt in 2016.

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

OUR 2015 PERFORMANCE

During the year we have implemented various short-term cash conservation measures:

- To preserve cash, we reduced on mine cash costs by R1.1 billion and overheads by R900 million, achieving savings of US$4/tonne in controllable costs
- We have reduced and rephased our capex, achieving savings of US$4/tonne
  - There was a 20% reduction in capex in 2015 and we have announced a 62% reduction in capex guidance for 2016
  - We achieved stay-in-business (SIB) capex reductions of R2 billion, mainly through reduced fleet and associated infrastructure and lower housing capex
- In the first quarter of 2015 the restructuring at the head office was completed, resulting in a 61% reduction in headcount
- By the end of 2015, a 30% reduction in headcount of Sishen mine support services was concluded
- Labour productivity at Sishen increased by 15% year-on-year, driven by a 6% reduction in headcount and a 16% increase in mining volumes
- The closure of the Thabazimbi mine will reduce permanent employees by around 800 and fixed-term employees by around 360. At the end of 2015 365 employees had left the Company and the second phase of retrenchments will take place in May 2016
- Total uncontrollable costs (logistics and freight) declined by US$9/tonne
- Through these savings we achieved an all-in cash breakeven price of US$49/tonne on average for the year (CFR China, 62% equivalent basis). This compares to US$63/tonne for 2014

Corporate overheads
Rand billion

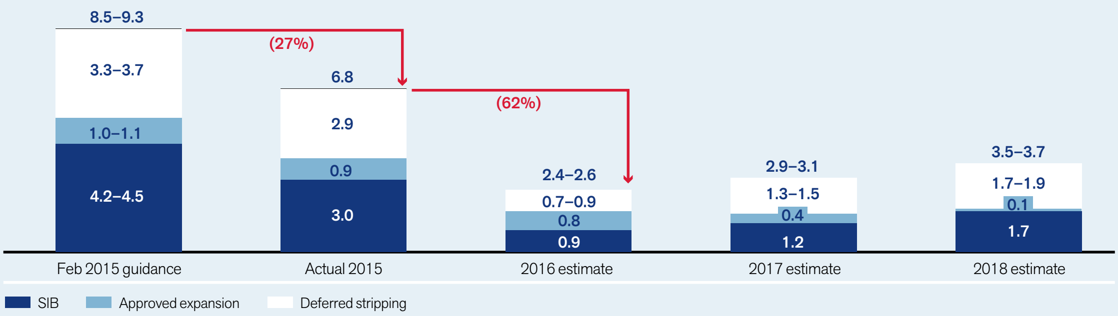
Reduction of
R0.9 billion

Headcount reduction for head office, support services and Thabazimbi
Rand billion

R1.2 billion

¹ Target of 69% will be achieved when Thabazimbi's closure process is complete.

Capital expenditure
Rand billion



Totals exclude unapproved capex of: 2016: R0.1 billion; 2017: R0.2 billion; 2018: R0.2 billion.

OUR STRATEGIC FOCUS AREAS: PERFORMANCE continued

INVEST IN STEP-CHANGE TECHNOLOGY

To extract maximum value from ore

Our immediate focus is on using proven UHDMS technology, which could beneficiate ore as low as 43%. Over the longer term, we believe that through effective application of alternative concentrate technologies we could, eventually, reduce the resource cut-off grade to between 30 and 43% Fe, sustaining Sishen post 2030.

Kumba has developed and is implementing a technology roadmap that aims to accelerate the adoption of technology to improve safety, efficiency and resource utilisation to support Kumba in delivering value to all stakeholders. The implementation has realised the following:

- Dispatch modular upgrade at Sishen and Kolomela
- Automated drilling rigs - conversion of five of the six drilling equipment to full automation. Automated drilling has improved drilling efficiency, quality of drilled holes and will result in lowering drilling costs. This technology also improves safety by enabling drilling with limited exposure for operators
- Implementation of advanced process control (APC) at Kolomela in 2015 has improved measurement and automated the process control in the plant which enabled process efficiency improvements. The bin level controller resulted in a 76% decrease in the number of plant stops, increasing utilisation
- Investigating beneficiation technologies for application to ultrafine material, which will be used to unlock value from what was regarded as waste material with % Fe up to 30%, to saleable grade

IMPLEMENT THE OPERATING MODEL

We implement the Operating Model to ensure the right people are in the right roles to produce the right efficient and effective outcomes.

The purpose of the Operating Model is to ensure that processes deliver the business expectations established by management. The theory behind the model includes:

- Doing the right work at the right time and in the right way will deliver the required performance
- If the work is planned, scheduled and properly resourced ahead of execution the desired outcome will be achieved more consistently and at lower cost
- An engaged workforce will be the most productive

It is a management system that provides a designed, sequenced and repeatable set of work steps, to guide people to achieve the intended purpose of their team's work in the most efficient way. Through doing this, the Operating Model assists in producing stability, reducing variation and providing clarity.

During 2015 the work management processes of the Operating Model were rolled out and stabilised at the Sishen North mine and Sishen Pre-strip mining areas. Work management has also gone live at the Sishen shovel maintenance area, but has not yet stabilised. At Kolomela, we have rolled out work management at both the plant operations and plant maintenance areas, the project has gone live on 8 February 2016.

During 2016, Kumba plans to roll out work management in the drill and blast section at Sishen, as well as in the truck maintenance section, followed by the Sishen DMS, jig and modular plants, as well as with the rest of the HME maintenance fleet. At Kolomela, the model will start with the HME maintenance section and thereafter roll out work management to mining. In 2016, operational planning will also be rolled out at Sishen, with detailed training already conducted in 2015.

STRATEGIC FOCUS AREA 3: KEY ENABLERS

Our ability to deliver on our strategic ambitions for organisational resilience and growth requires that we retain a strong focus on our key strategic enablers. These include aligning our marketing and operational activities, reinforcing our reputation for product quality and consistency, and proactively engaging with key stakeholders to reinforce our partnership approach. In addition we are committed to demonstrating continued leadership on responsible citizenship, in our safety, health and environmental focus areas. We are also providing extensive support to our employees to help them through the Kumba change journey.

ALIGN MARKETING AND OPERATIONAL ACTIVITIES

Our marketing strategy strives to match our products with our customers' needs. By understanding what our clients require we are able to develop and deliver the appropriate high-quality products, which allow us to strengthen our relationships with clients and cement our place in the competitive global market. Through customer segmentation studies, we understand which of our customers value certain properties in our products, be it physical or chemical. This information, together with mine planning information, can then be used to tweak product specifications, to better match what customers' demand. We produce ore for the export market at our Sishen and Kolomela mines in the following way:

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).

OUR STRATEGIC FOCUS AREAS: PERFORMANCE continued

For the year under review our export sales of 43.5Mt were 3Mt higher than 2014, boosted by sales from stock and improved Transnet performance. Domestic sales of 4.3Mt were 0.5Mt lower than 2014, as a result of reduced ArcelorMittal SA off-take from Sishen.

Further details on our sales during the reporting period are provided below.

EXPORT SALES AND PRICES

	2015	2014	2013
Total export sales (Mt)	**43.5**	40.5	39.1
Contract (%)	**72**	72	79
Spot (%)	**28**	28	21
Average FOB price realised (US$/tonne)	**53**	91	125

EXPORT SALES GEOGRAPHICAL SPLIT

%	2015	2014	2013
Europe/MENA/America	**10**	10	11
Japan and Korea	**20**	21	22
India and Other Asia	**7**	12	-
China	**63**	57	67
Total	**100**	**100**	**100**

REINFORCE OUR REPUTATION FOR QUALITY AND CONSISTENCY

We will reinforce our reputation for product quality and consistency.

Given the fact that we cannot compete with the big iron ore producers in terms of volume, distance from China and the geology of our operations, we have chosen to compete by reinforcing our reputation for quality and consistency. Kumba has the highest average Fe content (at 64.2%) and lump production ratio (at 65%) relative to the industry. We have had a strong focus on maintaining product quality and increasing lump ratio since 2012 as both of these are currently attracting premiums to the standard product sold in the market.

OUR 2015 PERFORMANCE

We have performed well this year in maintaining the quality and consistency of both our standard lump and standard fine product:

- Throughout the year, Kumba managed to supply at product qualities in excess of the minimum Fe specifications for our products, with an overall combined weighted average 64.2% Fe on all our export products (which is the same level as that reached in 2012)
- Kumba is continuously focusing on improved blending strategies in Saldanha Port, striving to further improve the inter-vessel standard deviation of our products. By maintaining relatively high product specifications, as well as decreasing quality variations in our shipments, Kumba maintains its position as a reliable supplier of high quality iron ore

PROACTIVELY ENGAGE WITH KEY STAKEHOLDERS

We will proactively engage with key stakeholders to reinforce our partnership approach.

Engaging meaningfully with our key stakeholders, and being held to account by them for our performance, is critical in ensuring effective delivery of our strategic focus areas. This has become particularly important given the heightened need to manage our stakeholders' expectations in the context of the current, very challenging, operating context. A brief overview of some key stakeholder initiatives during the year is presented below. Further detail is provided in our review on addressing stakeholder interests on page 28.

OUR 2015 PERFORMANCE

- We have undertaken active consultations with our employees, initiated under Commission for Conciliation, Mediation and Arbitration (CCMA) facilitation, regarding restructuring at our corporate offices and the Kolomela and Sishen mines, as well as the closure at Thabazimbi
- We made good progress with the Dingleton relocation this year. The project progressed to 67% of completion, with construction 82% complete
- In November we agreed with ArcelorMittal SA to amend the pricing mechanism of our long-term supply agreement (entered into in November 2013) to supply ArcelorMittal SA with up to 6.25Mtpa of iron ore (see below)
- We have been maintaining constructive engagements across our stakeholder groups on the negative impact of the weak iron ore price on Kumba's activities. This year the Social, Ethics and Transformation (SET) Committee undertook a series of road-shows across our operations, in which Company executives and board members met with representatives from communities, government, suppliers, unions and political parties. These engagements have helped us enhance our understanding of stakeholders' interests, fostered greater stakeholder appreciation of our activities, and encouraged new thinking about partnership opportunities
- In 2015, the Thabazimbi Local Municipality amended the property rate tariff which resulted in an unacceptable increase of property rates. Thabazimbi mine and other mining companies have brought an application to court for an interdict to prevent the Municipality from implementing the increase and to review and set aside the decision to increase the tariff. The court application, which is being opposed by the Municipality, is still pending
- In 2014, the Gamagara Local Municipality published the property valuation roll for the financial years 2014 to 2018 in terms of which the property values were increased significantly compared to previous financial years. This has resulted in a sharp increase in rates and taxes which are payable by Sishen mine. Sishen mine is of the view that the properties were substantially incorrectly valued by the municipal valuer and it has therefore lodged objections and appeals against the property valuations and the valuation roll. The municipal valuer has rejected the objections and the appeal to the Appeal Board is currently pending

AGREEING A NEW PRICING MECHANISM WITH ARCELORMITTAL SA

In November we agreed with ArcelorMittal SA to amend the pricing mechanism of our long-term supply agreement (entered into in November 2013) to provide ArcelorMittal SA with up to 6.25Mtpa of iron ore. We have agreed to amend the terms of the pricing mechanism from a cost-based price to an export parity-based price (EPP), calculated on the basis of an international index. At certain agreed index price levels, ArcelorMittal SA will receive a discounted price. The discounts will apply as follows:

- If the index price is between US$60/tonne and US$70/tonne, ArcelorMittal SA will receive a 5% discount to the EPP
- Between US$70/tonne and US$80/tonne, a 6.25% discount would apply
- At an index price above US$80/tonne, a 7.5% discount would apply
- If the index price is below US$60/tonne, ArcelorMittal SA will pay the EPP

This pricing amendment is seen to be commercially acceptable, supported by government and sustainable for both parties, and is intended to iron out the current distortions, whereby domestic prices can exceed those for export. This serves the interests of the industry and country as a whole as ArcelorMittal SA still enjoys the benefits of an EPP price as supposed to import parity prices, where they would still need to pay for freight between the market and Saldanha Port. This is aligned with our commitment to support a viable and stable domestic steelmaking industry in South Africa.

OUR STRATEGIC FOCUS AREAS: PERFORMANCE AND PROSPECTS continued

PROVIDE LEADERSHIP FOR RESPONSIBLE CITIZENSHIP

We will provide leadership on responsible citizenship, displaying care for safety, health and the environment.

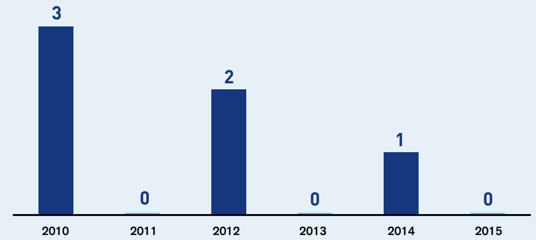
Demonstrating responsible citizenship has been a long-standing priority for Kumba. Our approach is driven by the belief that responsible corporate citizenship makes us more competitive: it safeguards the health and safety of our employees, assists us in attracting and retaining skills, minimises our environmental footprint, enhances resource efficiencies, and assists in maintaining our social licence to operate.

The following is a brief review of our performance on our most material safety, health and environmental issues, as well as of our social investment activities. A more detailed review of our sustainability performance is provided in our sustainability report, available at http://www.angloamericankumba.com/investors/annual-reporting.

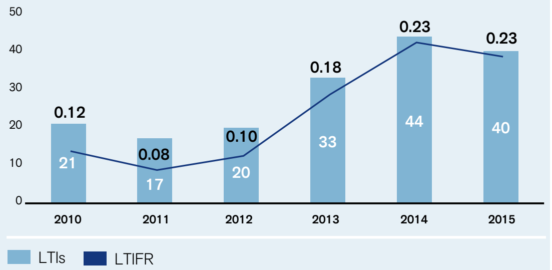
OUR 2015 SAFETY PERFORMANCE

- As at 31 December 2015, Kumba was fatality free since April 2014
- 40 lost time injuries (LTIs), resulting in an unchanged lost time injury frequency rate (LTIFR) of 0.23 against our target of 0.21 (2014: 0.23) and a total recordable case frequency rate (TRCFR) of 0.89 against a target of 0.78 (2014: 0.87). An important contributing factor to the injuries has been a lack of safety focus aggravated by the insecurities felt during the ongoing organisational restructuring process. Given the prevailing climate of uncertainty, concerted efforts are being made to address human factor issues
- 76 high potential incidents (HPIs) were recorded (2014: 57). The high number of transportation-related HPIs remains a particular concern and a dedicated focus area
- The increase in reporting has enabled improved trend analysis and preventive action. Management and supervisory oversight is being maintained to ensure critical control effectiveness through visible felt leadership (VFL), routine inspections and audits

Fatalities



LTIs and LTIFR



GROUP SAFETY PERFORMANCE

	2015	2014	2013
Fatal injury frequency rate (FIFR)	**0**	0.005	0
Lost time injury (LTIs)	**40**	44	33
Lost time injury frequency rate (LTIFR)	**0.23**	0.23	0.18
Total recordable case frequency rate (TRCFR)	**0.89**	0.87	0.82
Permanent disabilities	**–**	1	–
Lost time injury severity rate (LTISR)	**51**	64	49
Days lost due to injury	**1,128**	1,506	1,141

OUR 2015 HEALTH PERFORMANCE

- 7 new noise-induced-hearing-loss (NIHL) cases, down from 11 in 2014
- 21 new tuberculosis (TB) cases diagnosed, below the 38 cases recorded in 2014.
- 90% of all employees tested in our HIV Counselling and Testing campaigns (Target: 90%; 2014: 91%)
- Exposure reduction plans, and comprehensive medical surveillance programmes, continue to be implemented with the primary focus on noise and dust

OUR 2015 ENVIRONMENTAL PERFORMANCE

- Exceeded our water savings target, saving 8,574,684 m^3 of water (Target: 6,005,000 m^3)
- In 2015 Kumba achieved band 'A' performance for leadership in respect of the CPD (formerly Carbon Disclosure Project) Water programme
- One significant 'medium impact' (Level 3) environmental incident, involving a pit slope failure at Thabazimbi mine (see page 52 of the SR); no high impact (Level 4 and 5) incidents were reported
- 23 environmentally-related community complaints at Sishen and Kolomela (2014: 18), relating to receding ground water levels, contaminated borehole water, dust and illegal hunting
- PM10 dust emission levels continue to pose a challenge at Sishen; a dust study, aimed at identifying the sources of dust and the impact on the neighbouring communities at Sishen, was completed in 2015
- Some of the concurrent rehabilitation work was deferred as part of cash preservation

MATERIAL ENVIRONMENTAL PERFORMANCE DATA

	2015	2014	2013
Water			
Total water abstracted (million m^3)	**33,332**	15 447	11 183
Litres used per tonne of production	**221**	181	203
Total water used for primary activities (million m^3)	**10.1**	8.7	8.8
Water recycled (%)	**39**	56	53
Energy			
Direct energy (mainly diesel) consumed (million GJ)	**9.4**	9.0	7.5
Indirect energy (electrical) consumed (million GJ)	**1.8**	1.8	1.8
Scope 1 and Scope 2 GHG emission intensity (CO_2e per tonne produced)	**1.20**	1.21	1.08
Rock mined			
Rock mined and ore processed (Mt)	**332.5**	360.4	303.5

OUR STRATEGIC FOCUS AREAS: PERFORMANCE continued

OUR 2015 PERFORMANCE ON COMMUNITY SOCIAL ISSUES

- ✔ Invested R193 million on housing for employees
- ✔ Spent R5.67 billion on suppliers based in the communities close to our operations, representing a 29.2% of total supplier expenditure, and exceeding our target of 16%
- ✔ Commissioned a social impact assessment, providing detailed insight into our social performance strengths and weaknesses; key recommendations include: the importance of mitigating the reliance of municipalities, communities and small, medium and micro-sized enterprises (SMME) on our mines; partnering to identify innovative solutions; empowering communities and forging a more collective relationship through more regular engagement
- = Our social spend was R175 million in 2015, in line with the 2015 target
- ✖ 242 community complaints were submitted through formal procedures at our various operations, mainly relating to the Dingleton relocation and to environmental impacts (such as blasting and dust) from Sishen mine's operations

PROVIDE EXTENSIVE SUPPORT TO OUR EMPLOYEES

We will continue to provide extensive support to our employees to help them through the Kumba change journey.
Kumba is on a journey to transform the business culture to enable effective and efficient production at lower iron ore prices. This requires an extensive programme to influence employees and create a work environment that will allow employees to willingly give their best. The programme includes a review of the current organisational structure.

In alignment with this group-wide restructuring, and with the goal of setting Kumba up for a viable and sustainable future in the adverse iron ore market conditions, we have been driving a restructuring process across the Company. The restructuring process began with a focus on the corporate office, where the workforce was reduced by 40% (133 permanent positions), contributing savings of around R200 million per annum going forward. Following the completion of this process in March 2015, we have been revisiting the support services and stay-in-business structures in our Northern Cape operations.

We have introduced an immediate hiring freeze for all indirect overhead roles, and established a new governance process to determine whether we need to fill existing vacancies for indirect overhead roles in group functions. Based on the outcome of this process, these roles will either be eliminated from the current structure, frozen until the organisation review is complete or filled internally. Any external search process must be approved by the Chief executive and Executive head of human resources. A similar process will be introduced for indirect roles.

We have made concerted efforts this year to support our employees in understanding and managing the challenges associated with this organisational restructuring process. We provide a holistic employee assistance programme (EAP) for all staff administered through a dedicated support hub. To help individuals to cope emotionally we have expert counsellors on site. We offer one-on-one coaching on coping with change, health and wellness counselling, as well as coaching sessions for managers. To assist employees in managing the change process we have run workshops on building resilience, entrepreneurial skills and career guidance. We also offer workshops on financial counselling, early retirement, debt counselling, and pension and provident fund advice. Counselling services are available for all employees, including through a confidential 24-hour helpline.

Every employee who is retrenched is offered R10,000 as financial support for skills acquisition in any area. The mine appointed a company to provide a holistic service to employees including skills development support.

We will continue to monitor developments across the Anglo American plc group, reviewing how these changes affect Kumba and making further changes as and when required.

Further information on our activities in supporting employees, and our investments in developing an effective and engaged workforce, is provided in our separate sustainability report.

OUR 2015 PERFORMANCE

- Industrial relations continue to be stable, with no work stoppages experienced since 2012
- Labour turnover increased to 13% in 2015 (2014: 3.8%) due mainly to the organisational restructuring of support services across the group

1 2
3
4 5

Image captions:

1. Tebogo Hartebees, a plant operator and Jaco Bruwer, a process engineer, discussing the status of the stockpiles at Sishen mine.
2. The Jig plant at Sishen mine is the largest of its type in the world.
3. Stockpiles of iron ore ready to ship from Saldanha Bay.
4. Godfrey Modise, mine overseer inspecting drill holes in the Sishen pit.
5. A general view of Sishen mine in the Northern Cape.

Kumba is on a journey to transform the business culture to enable effective and efficient production at lower iron ore prices. This requires an extensive programme to influence employees and create a work environment that will allow employees to willingly give their best.

CHIEF FINANCIAL OFFICER'S REVIEW

Frikkie Kotzee
Chief financial officer

Kumba's full year results reflect the very challenging market conditions that we have been facing. The unprecedented 42% fall in the realised FOB iron ore price – averaging US$53/tonne in 2015 – contributed to a 24% reduction in revenue to R36 billion. Operating profit was 86% lower than in 2014, a key contributor being the impairment of R6 billion that we recorded for Sishen. Excluding the impairment, the operating profit was 56% lower than 2014, at R8.6 billion. The impairment review of Sishen was impacted mostly by the medium-term outlook on iron ore prices and was based on the recently revised mine plan. Adjusting for tax and non-controlling interests, the impact on basic earnings was R3.4 billion. Headline earnings per share decreased by 66% to R11.82.

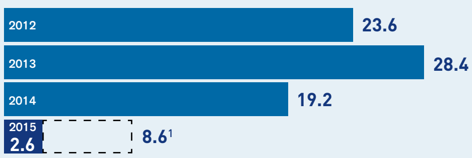
The initiatives put in place since early 2015 to lower the cost base have started to show significant results. Kumba ended the year with a net debt position of R4.6 billion, an improvement of 42%. Excluding impairments, operating expenses were 2% lower than last year as strong measures were taken to contain all costs, including improved labour productivity from headcount reductions and overhead cost savings from reduced support services and project related study costs. Capital expenditure was down 20% to R6.8 billion. Dividends were suspended in 2015.

FINANCIAL OVERVIEW

Rand million	31 Dec 2015	31 Dec 2014	% change	31 Dec 2013	31 Dec 2012
Revenue	**36,138**	47,597	(24)	54,461	45,446
Operating expenses (excl. impairments)	**(27,516)**	(27,966)	(2)	(26,076)	(21,800)
Operating expenses (excl. royalty and deferred stripping costs)	**(30,177)**	(28,628)	5	(24,742)	(21,191)
Mineral royalty	**(191)**	(1,176)	(84)	(2,157)	(1,127)
Deferred stripping capitalised	**2,852**	1,838	55	823	518
Operating profit excl. impairments	**8,622**	19,631	(56)	28,385	23,646
Impairments	**(5,978)**	(439)	–	–	–
Operating profit including impairments	**2,644**	19,192	(86)	28,385	23,646
Operating margin (excl. impairments)(%)	**24**	41		52	52
Profit attributable to:	**627**	14,148	(96)	20,300	16,455
Equity holders of Kumba	**469**	10,724	(96)	15,446	12,486
Non-controlling interest	**158**	3,424	(95)	4,854	3,969
Headline earnings	**3,792**	11,006	(66)	15,443	12,472
Effective tax rate (%)	**69**	25		28	25
Cash generated from operations	**13,841**	21,769	(36)	29,354	24,688
Capital expenditure	**6,752**	8,477	(20)	6,453	5,917
Net debt	**4,604**	7,929	(42)	1,796	4,342
Equity	**25,167**	27,001	(7)	27,184	19,664

Operating profit including impairment
Rand billion

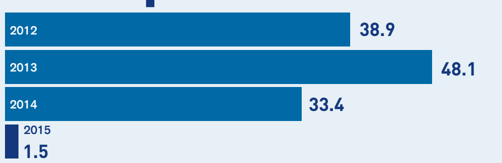
R2.6 billion



[1] Excluding Sishen impairment

Earnings per share
Rand per share

R1.5 per share



PERFORMANCE SUMMARY

Significantly lower average **FOB iron ore prices** achieved – US$53/tonne

Operating expenses rose by 18% to R33.5 billion from R28.4 billion principally as a result of a R6 billion impairment charge related to Sishen mine. Excluding the impairment, operating cost decreased with 2% as a result of the stringent cash preservation measures implemented. The main drivers of the movement in cost were:

- Higher non-cash depreciation and rehabilitation expenses of R1.2 billion
- Inflationary linked input cost pressure of R220 million
- Draw down of stock, which added R1.8 billion
- Lower mining volumes at Thabazimbi which resulted in savings of R1.1 billion
- R1 billion higher waste stripping deferred to the balance sheet
- R958 million increase in selling and distribution costs caused by an 8% increase in shipped tonnes
- R544 million lower freight costs due to lower freight rates

Operating profit of R8.6 billion (excluding the impairment) decreased by 56% (2014: R19.6 billion). Kumba's operating profit margin decreased to 24% (2014: 41%), 27% from mining activities (2014: 46%). The fall in iron ore prices outlined previously impacted profitability.

- Deferred tax asset of R801 million derecognised
- Normalised earnings of R13.02 per share down 62%
- No dividends

Net debt position of R4.6 billion, R3.3 billion lower than 2014, due to cash cost savings, reduced capex and no dividends

Ensuring prudent **capital management**

- Significant capital reductions
- Driving operational efficiencies and targeting large operating expenditure savings
- Restructuring operations
- No dividends

REVENUE

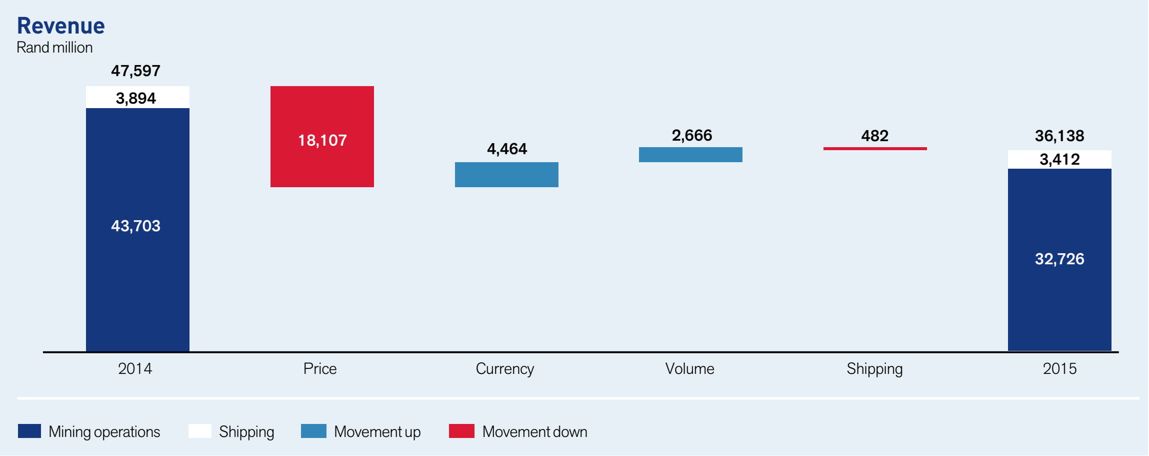
The group's total revenue of R36.1 billion (R33 billion from mining and R3 billion from shipping operations) was 24% down on 2014 revenue (R47.6 billion). This was mainly due to the 42% decline in average realised FOB export prices, which reduced revenue by R18 billion year-on-year. This was partially offset by an 18% weaker Rand against the US Dollar, raising revenue by R4.5 billion, and by the 2.5Mt increase in sales which lifted revenue by a further R2.7 billion.

Export sales of 43.5Mt were 3Mt higher than 2014, boosted by sales from stockpiles and a good performance by Transnet.

Export sales to China accounted for 63% of the Company's total exports, up from 57% in 2014. Exports to Japan and South Korea remained at around 20% of the total, while India and the rest of Asia dropped to 7%, down from 12% in 2014. Sales to Europe and MENA remained at 10% of total sales during the year.

Domestic sales of 4.3Mt were 0.5Mt lower than 2014, as a result of reduced ArcelorMittal SA off-take from Sishen and at an average price of around R727/tonne. The two companies have reached agreement to amend the supply contract from that of cost based price to pricing based on export parity prices (see page 49).

CHIEF FINANCIAL OFFICER'S REVIEW continued



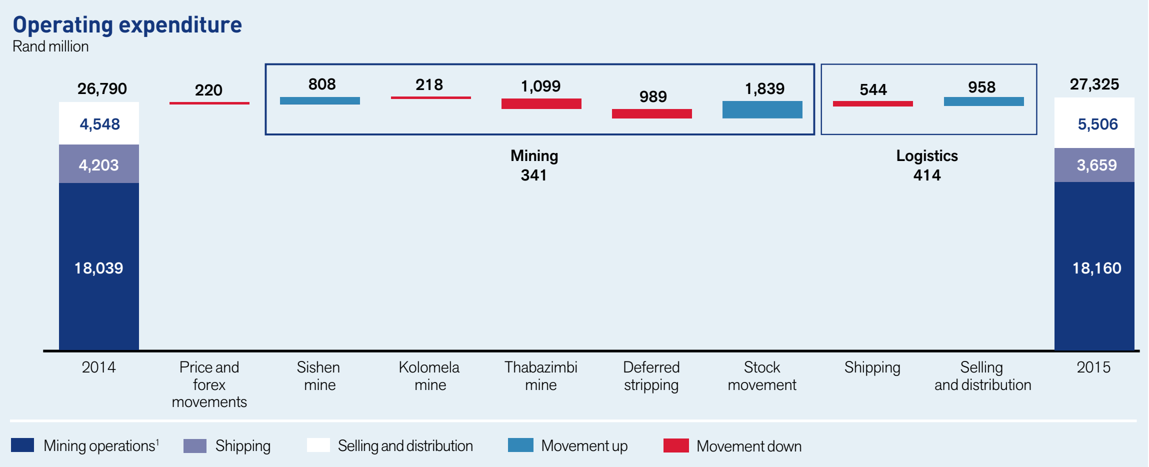
OPERATING EXPENDITURE

It is pleasing to report that the cost containment measures are continuing to show positive results. Mining costs were down 3% in real terms aided by lower fuel prices, headcount reductions and overhead cost savings.

Cost movements were driven principally by inflationary-linked input cost pressure of R220 million, higher non-cash cost items in the form of depreciation and rehabilitation costs of R1.2 billion, and the draw down on stock that added R1.8 billion. These were offset by R1 billion higher waste stripping costs deferred to the balance sheet, mainly at Sishen where the stripping ratio rose to 5.7 from 4.4 in 2014 (compared to the historic life of mine stripping ratio of 3.9). This was partially offset by Kolomela where the stripping ratio dropped to 3.1, down from 3.7 in 2014. R1.1 billion of the cost variance resulted from lower mining volumes at Thabazimbi.

An 8% increase in shipped tonnes, together with a normal contractual tariff increase, resulted in R958 million higher selling and distribution costs. The freight costs declined by R544 million, with falling demand and oversupply of vessels pushing main sea freight prices to all-time lows. No penalties were recorded in 2015 on contractual rail and port volumes.

On-mine and overhead costs are anticipated to reduce the cash breakeven price in 2016 by between US$2/tonne and US$4/tonne as a result of the restructuring at the operations, as the Operating Model is implemented at the mining and plant operations, and the workforce is reduced.



[1] Excluding mineral royalty and impairment charge.

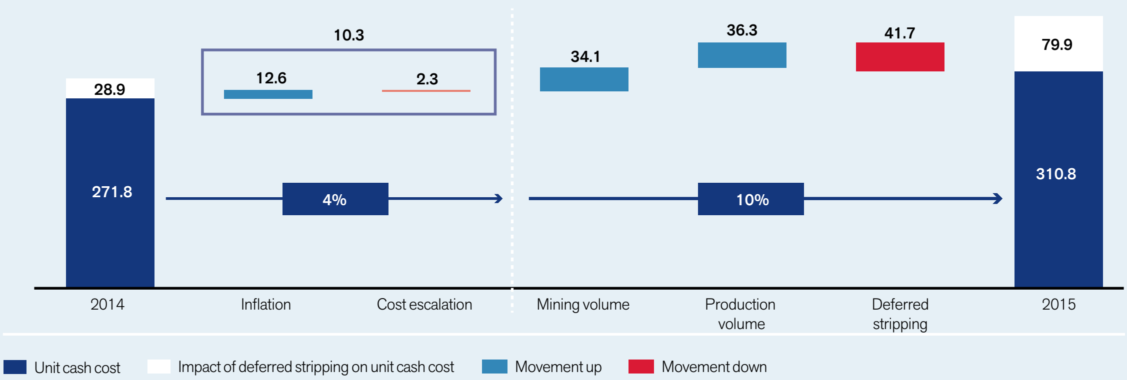
UNIT CASH COSTS

Sishen mine

Despite the lower production, the cost escalation at Sishen mine was contained below inflation at 4%. Sishen's unit cash cost of R311/tonne was R39/tonne higher than in 2014, mostly as a result of 4.1Mt lower production volumes that added R36/tonne. Input cost pressures added R10/tonne, while higher mining volumes added R34/tonne. The impact of the higher stripping ratio on deferred stripping was R42/tonne. In 2015, the incremental cost per mining tonne declined to R28/tonne. This was 8% down year-on-year in real terms on the back of improved labour productivity, lower fuel prices and overhead cost savings. In US Dollar terms, mining cost per tonne decreased by 3% as productivity initiatives continue to pay off.

In 2016, Sishen's unit cash cost, net of capitalisation of deferred stripping cost, is anticipated to range between R300/tonne and R305/tonne. Looking to the year ahead, we expect to see a benefit from the reduction in oil prices, the weaker Rand/Dollar exchange rate, sustainable cost savings and the effects of the Operating Model.

Sishen unit cash costs
Rand per tonne

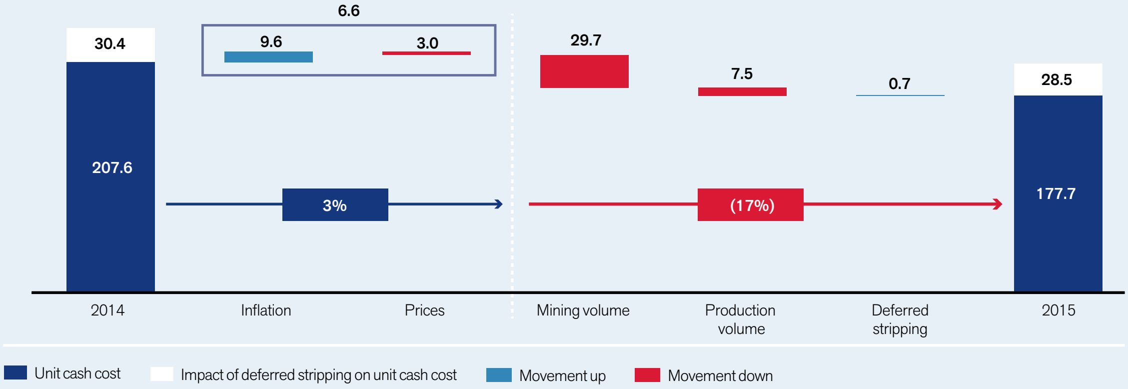


Kolomela

At Kolomela increased production and waste optimisation were responsible for an exceptional unit cost performance. The mine contained cost escalation at 3%, well below inflation, aided by lower fuel prices. Unit cash costs amounted to R178/tonne, a reduction of R30/tonne (14%) on 2014. While cost escalation added R6.6/tonne, lower waste mining decreased unit costs by R30/tonne as a consequence of mining ceased at the third pit. This was further aided by increased production volumes of around R8/tonne.

Looking to the year ahead, Kolomela cash unit cost, net of capitalisation of deferred stripping cost, is anticipated to range between R200/tonne and R210/tonne. This increase on 2015 is mainly a result of increased life cycle maintenance costs, as the fleet reaches six years in operation.

Kolomela unit cash costs
Rand per tonne



Our performance

CHIEF FINANCIAL OFFICER'S REVIEW continued

TAXATION – LETTER OF FINDINGS

As at 30 June 2015, the group advised that the South African Revenue Services (SARS) were in the process of reviewing certain of the group's tax matters. After the half year SARS issued the group with a letter of findings relating to its tax audit covering the period 2006 to 2010, indicating potential adjustments to the group's taxable income for the period. As at 31 December 2015 the group had responded to the letter of findings, strongly objecting to the basis for the proposed adjustments, including representations on why interest and penalties, if any, should not be raised.

On 29 February 2016, the group announced the receipt of a tax assessment from SARS in respect of the letter of findings referred to above, relating to SIOC's overseas sales and marketing businesses, covering the period 2006 to 2010, for the amount of R5.5 billion. This includes interest and penalties of R3.7 billion.

The group has considered these matters in consultation with specialist external tax and legal advisors and disagrees with SARS' audit findings. The group is therefore in the process of preparing an objection to the assessment and has submitted an application to the Commissioner of SARS for a suspension of payment until the matter is resolved.

Furthermore, during 2015 SARS notified the group of its intention to conduct a field audit covering the 2011 to 2013 years of assessment, which is in progress.

The group believes that all the above matters have been appropriately treated in the results for the year ended 31 December 2015.

CAPITAL EXPENDITURE

Kumba spent R6.8 billion on capital in 2015. This included expansion capex of R0.9 billion (mainly on the Dingleton relocation project), R3 billion on stay-in-business (SIB) activities such as heavy mining equipment and infrastructure, and R2.9 billion on deferred stripping.

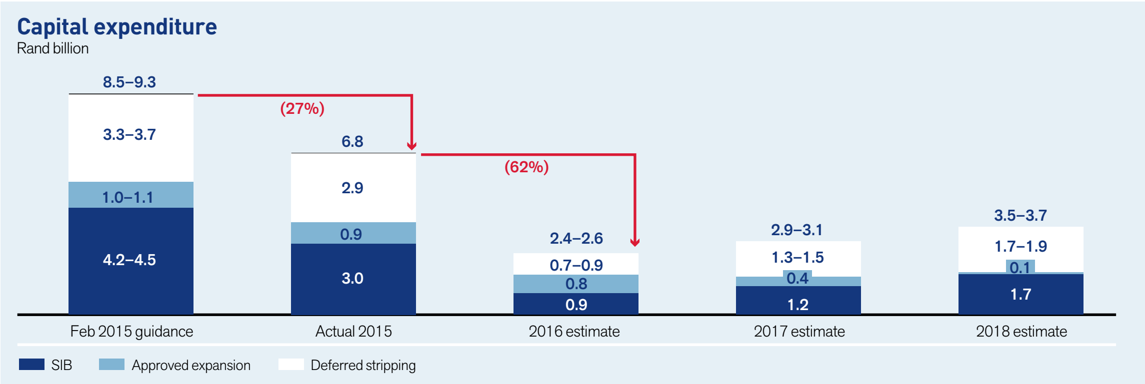
Given the current pricing environment, the group has reduced capital expenditure guidance (including deferred stripping) for 2016 and 2017 from what was previously guided. We have optimised our project portfolio resulting in the deferral of some of the capital spend to later years.

We expect capital expenditure (including deferred stripping) for 2016 to be in the range of R2.4 billion to R2.6 billion, for 2017 to be between R2.9 billion and R3.1 billion, and for 2018 to be between R3.5 billion to R3.7 billion (excluding estimated unapproved expansion projects). The expansion capex for 2016 to 2018 is for approved projects and will include mainly the Dingleton Relocation project. The relocation of residents is expected to be completed in 2016.

Deferred stripping capital expenditure per mine estimates are shown in the table below. The deferred stripping at Sishen will decrease materially from R2.5 billion in 2015 to around R470 million in 2016, as the new plan targets low strip areas, and optimisation of the pushback areas reduces the stripping ratio. After 2016 this will increase again as different areas of the pit will be mined. The capex guidance will be revised once pit layouts are optimised.

DEFERRED STRIPPING

		Unaudited		
Rand million	**2015**	2016	2017	2018
Sishen	**2,508**	400 – 500	1,050 – 1,150	1,600 – 1,700
Kolomela	**344**	300 – 400	250 – 350	100 – 200
Total	**2,852**	**700 – 900**	**1,300 – 1,500**	**1,700 – 1,900**



Totals exclude unapproved capex of: 2016: R0.1 billion; 2017: R0.2 billion; 2018: R0.2 billion.

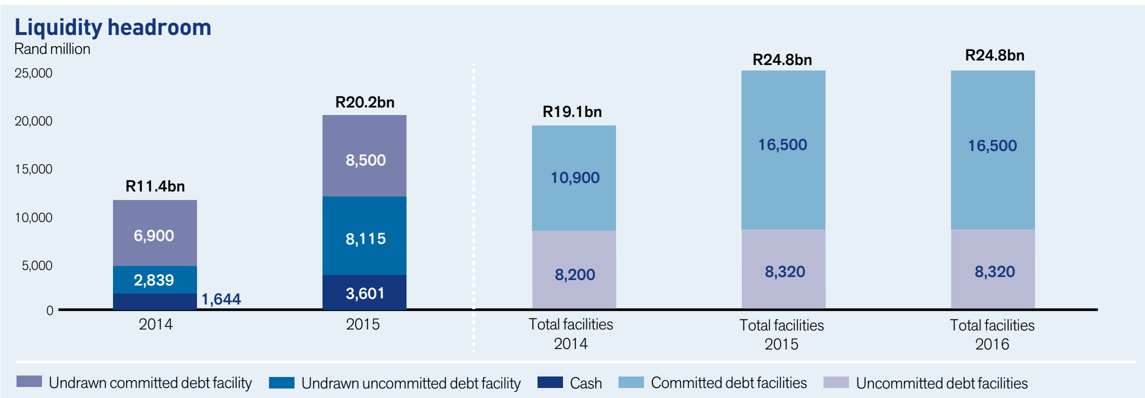
CASH FLOW

This year, cash generated amounted to R13.8 billion, 37% lower than in 2014 (R21.8 billion). The cash was used to pay the 2014 final dividend of R3.3 billion (2014: R15.2 billion), income tax of R0.6 billion (2014: R4.2 billion) and mineral royalties of R0.4 billion (2014: R1.3 billion).

NET DEBT AND LIQUIDITY

During the year Kumba continued to make significant progress in strengthening the balance sheet. The group ended 2015 with net debt of R4.6 billion, 42% down from 2014. Despite the lower profitability, the net debt to EBITDA ratio is stable. This is attributable to the stringent cost and capital management undertaken during the year. The balance sheet continues to strengthen, with net debt at the end of January 2016, under R4 billion. Total committed facilities are R16.5 billion and mature in 2020. Net financial guarantees issued in favour of the DMR in respect of environmental closure liabilities are R1.9 billion. As a result of the annual revision of closure costs a further shortfall of R861 million arose (of which R318 million is recoverable from ArcelorMittal SA). Guarantees will be issued in due course.

Kumba has met its debt facilities covenant requirements at 31 December 2015. Covenant headroom is being carefully monitored given the pressure on iron ore prices. Gearing is highly sensitive to certain uncontrollable market factors especially the iron ore price, exchange rates and freight rates. A R1 change to the ZAR/US$ exchange rate impacts the targeted breakeven price by US$3/tonne. At current favourable freight and exchange rates, in conjunction with the cash preservation strategy, the balance sheet should continue to strengthen.



Our performance

CHIEF FINANCIAL OFFICER'S REVIEW continued

SHAREHOLDER RETURNS

Kumba's share price declined significantly during the year from R240 at 31 December 2014 to R41 at 31 December 2015. The share price history since listing is presented below. Given the operating context, dividends were suspended.

Kumba closing share price
Rand per share

CHANGE IN ESTIMATES

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 these estimates.

The life of mine (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 report. Sishen's rehabilitation provision increased by R305 million and Kolomela's by R23 million in 2015. This increase relates mainly to changes in the LoM of Sishen and Kolomela normal inflationary adjustments as well as the incorporation of waste dump and infrastructure growth. Thabazimbi's rehabilitation provision increased by R288 million in 2015. R114 million relates to a reduction in the LoM from 2023 to 2016 as a result of the closure decision.

The effect of the change in estimate, which was applied prospectively from 1 January 2015, is detailed below:

CHANGE IN ESTIMATES

Rand million	Audited 31 December 2015
Increase in environmental rehabilitation provision	616
Increase in decommissioning provision	66
Decrease in profit attributable to the owners of Kumba	342
Rand per share	
Decrease in earnings per share attributable to the owners of Kumba	1.06

The change in estimate in the decommissioning provision has been capitalised to the related property, plant and equipment and as a result had no effect on profit or earnings per share.

IMPAIRMENT OF ASSETS

Kumba produces iron ore at Sishen and Kolomela mines in the Northern Cape province. The two mines are treated as separate cash-generating units (CGUs). Each CGU consists of its respective mining assets located in the Northern Cape. Given the low iron ore price environment, as well as supply and demand pressure, an impairment test was performed.

This was based on the fair value less costs of disposal of the CGU. The carrying value of Kolomela is recoverable and therefore no impairment charge was recorded. The valuation of Sishen at 31 December 2015, determined on a discounted cash flow basis (DCF), is R20.5 billion. Consequently an impairment charge of R6 billion (before tax) was recorded against the carrying value of Sishen with an associated deferred tax credit of R1.7 billion. The post-tax impairment charge is R4.3 billion.

The valuation is sensitive to the iron ore price and further deterioration in the long-term price outlook may result in additional impairment. The DCF model is most sensitive to forecasted iron ore prices and the ZAR/US$ exchange rate. The table below sets out the impact of an increase or decrease of 5% in the forecasted iron ore price and ZAR/US$ exchange rate assumptions on profit or loss.

IMPAIRMENT OF ASSETS

R billion	+5%	-5%
Assumption	Increase/(decrease) in operating profit or loss	Increase/(decrease) in operating profit or loss
Forecasted iron ore prices	5.5	(5.7)
ZAR/US$ exchange rate	5.8	(6)

THE OUTLOOK REMAINS CHALLENGING

Whilst significant progress has been made to protect the balance sheet, the group is undertaking further actions to conserve cash to ensure that Kumba is robust enough to withstand a longer period of low prices. For 2016, we are targeting a decrease in cash breakeven price to below US$40/tonne. We expect to reduce controllable costs by US$10/tonne from the 2015 average cash breakeven price of US$49/tonne, through a strong focus on operational delivery, and doing well at the things that we can control. There are of course uncontrollable items – such as the lump premium, freight rates, oil price and currency – each of which has a significant impact on our breakeven price. While we hope that these will be favourable in 2016, we cannot base our business on this being the case.

The successful reconfiguration of the operations and maintaining the integrity of our balance sheet is a priority and our focus is to ensure that we can deleverage the balance sheet even further, so that Kumba is robust enough to withstand a longer period of lower prices.

On 16 February 2016, Anglo American plc announced its intention to exit its 69.7% shareholding in Kumba, at the appropriate time and in an orderly and responsible manner. Anglo American plc and Kumba will work together to evaluate options for the exit and how the business can be set up as a standalone entity that will create sustainable value for its stakeholders.

I would like to conclude by thanking all my colleagues in the finance team for their support during this particularly difficult year. Now that we have taken the tough and painful decisions required to adapt our operations to the low-price operating environment, our task in 2016 is to ensure that these decisions and plans are implemented and well executed.

Frikkie Kotzee
Chief financial officer

SUMMARISED CONSOLIDATED BALANCE SHEET as at

Rand million	Audited 31 December 2015	Restated Audited 31 December 2014
Assets		
Property, plant and equipment	**32,671**	35,170
Biological assets	**11**	6
Investments held by environmental trust	**818**	791
Long-term prepayments and other receivables	**581**	555
Inventories	**2,560**	2,078
Deferred tax assets	**1**	871
Non-current assets	**36,642**	39,471
Inventories	**5,056**	5,288
Trade and other receivables	**3,212**	4,476
Cash and cash equivalents	**3,601**	1,664
Current assets	**11,869**	11,428
Total assets	**48,511**	50,899
Equity		
Shareholders' equity	**19,320**	20,764
Non-controlling interest	**5,847**	6,237
Total equity	**25,167**	27,001
Liabilities		
Interest-bearing borrowings	**8,000**	4,000
Provisions	**2,717**	1,964
Deferred tax liabilities	**7,680**	8,201
Non-current liabilities	**18,397**	14,165
Interest-bearing borrowings	**205**	5,593
Provisions	**349**	92
Trade and other payables	**3,407**	3,493
Current tax liabilities	**986**	555
Current liabilities	**4,947**	9 733
Total liabilities	**23,344**	23,898
Total equity and liabilities	**48,511**	50,899

Impairment of assets: Kumba produces iron ore at Sishen and Kolomela mines in the Northern Cape province. The two mines are treated as separate CGUs. Each CGU consists of its respective mining assets located in the Northern Cape. Given the low iron ore price environment, as well as supply and demand pressure, an impairment test was performed. This was based on the fair value less costs of disposal of the CGU. The carrying value of Kolomela is recoverable and therefore no impairment charge was recorded. The valuation of Sishen at 31 December 2015, determined on a discounted cash flow (DCF) basis, is R20.5 billion. Consequently an impairment charge of R6 billion (before tax) was recorded against the carrying value of Sishen with an associated deferred tax credit of R1.7 billion. The post-tax impairment charge is R4.3 billion.

The valuation is sensitive to the iron ore price and further deterioration in long-term prices may result in additional impairment. The DCF model is most sensitive to forecasted iron ore prices and the ZAR/US$ exchange rate.

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 reserve to cover short-term positions. Net working capital decreased by R1.4 billion from 31 December 2014 to R4.9 billion. This decrease is mainly due to a decrease in trade receivables of R1.6 billion and a decrease in finished product inventory to 4.7Mt from 6.5Mt at the end of 2015, as a result of higher sales and lower production volumes.

For more detail on the restatement of inventory refer to note 5 of the annual financial statements page 57.

Kumba ended 2015 with net debt of R4.6 billion, which is R3.3 billion lower than the net debt of R7.9 billion at the end of 2014. Total debt facilities at year-end amounted to R24.8 billion, of which R16.6 billion was undrawn.

The group's committed debt facilities of R16.5 billion (R4.5 billion term facility and R12 billion revolving facility) mature in 2020. The group also had undrawn uncommitted facilities of R8.3 billion at 31 December 2015. Kumba was not in breach of any of its financial covenants during the year.

The group has issued financial guarantees in favour of the DMR in respect of its environmental rehabilitation and decommissioning obligations to the value of R2.3 billion (2014: R2.3 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 (2014: R438 million). ArcelorMittal SA has guaranteed R429 million of this amount by means of bank guarantees issued in favour of SIOC. As a result of the annual revision of closure costs a further shortfall of R861 million arose (of which R318 million relates to ArcelorMittal SA). Guarantees for the shortfall will be issued in due course.

The total rehabilitation and decommissioning provision of the group was R2.8 billion at the end of 2015 (2014: R1.9 billion). The measurement of this provision is a key area where management's judgement is required and is based on certain estimates. As a result of changes in estimates, Sishen's rehabilitation provision increased by R305 million and Kolomela's by R23 million in 2015. This increase relates to changes in the LoM at Sishen and Kolomela, normal inflationary adjustments as well as the incorporation of waste dump and infrastructure growth. Thabazimbi's rehabilitation provision increased by R288 million in 2015. R114 million relates to a reduction in the LoM from 2023 to 2016 as a result of the closure decision. The effect of the changes in estimates was applied prospectively from 1 January 2015.

SUMMARISED CONSOLIDATED INCOME STATEMENT for the year ended

Rand million	Audited 31 December 2015	Audited 31 December 2014
Revenue	**36,138**	47,597
Operating expenses	**(33,494)**	(28,405)
Operating profit	**2,644**	19,192
Finance income	**265**	84
Finance costs	**(876)**	(519)
Gain/(loss) from equity accounted joint venture	**6**	(5)
Profit before taxation	**2,039**	18,752
Taxation	**(1,412)**	(4,604)
Profit for the year	**627**	14,148
Attributable to:		
Owners of Kumba	**469**	10,724
Non-controlling interest	**158**	3,424
	627	14,148
Earnings per share for profit attributable to the owners of Kumba (Rand per share)		
Basic	**1.46**	33.44
Diluted	**1.46**	33.38

The group's effective tax rate increased to 68% (2014: 25%) impacted by the de-recognition of an R801 million deferred tax asset.

A

The group's total revenue decreased by 24%, mainly as a result of the significant drop in average realised FOB iron ore prices offset to an extent by the weaker average ZAR/US$ exchange rate , as well as 6% higher total sales volumes. Capesize freight rates from Saldanha to China decreased by 45%, resulting in R482 million lower freight revenue.

B

Operating expenses, excluding impairments, were 2% lower as a result of the stringent cash preservation measures implemented. Inflationary linked input cost pressure, higher non-cash cost items (depreciation and rehabilitation) and increased distribution costs from MPT throughput pushed operating expenses higher. This was offset by labour and overhead cost savings, lower fuel prices and freight rates, lower mineral royalties on the back of reduced profitability, and higher capitalisation of deferred stripping costs. Unit cash costs at Sishen mine were R311/tonne, 14% higher than the R272/tonne of 2014, mainly driven by the 19% increase in waste mined. Kolomela mine incurred unit cash costs of R178/tonne (2014: R208/tonne), a 14% decrease. Lower mining volumes (R30/tonne) and higher production (R7/tonne) were the main contributors.

C

Operating profit of R8.6 billion (excluding impairments) decreased by 56% (2014: R19.2 billion). Kumba's operating profit margin decreased to 24% (2014: 41%), 27% from mining activities (2014: 46%). The fall in iron ore prices outlined previously impacted profitability.

Reconciliation of headline earnings (Rand million)

	Audited 31 December 2015	Audited 31 December 2014
Profit attributable to owners of Kumba	**469**	10,724
Impairment charge	**5,978**	439
Net loss on disposal and scrapping of property, plant and equipment	**9**	91
Reclassification of exchange differences on translation of foreign operations	**-**	(34)
Insurance proceeds received on items of property, plant and equipment written off in prior periods	**(29)**	-
	6,427	**11,220**
Taxation effect of adjustments	**(1,644)**	(128)
Non-controlling interest in adjustments	**(991)**	(86)
Headline earnings	**3,792**	11,006
Headline earnings (Rand per share)		
Basic	**11.82**	34.32
Diluted	**11.82**	34.32

Segment analysis (Rand million)

	Sishen mine	Kolomela mine	Thabazimbi mine	Logistics	Shipping operations	Other	Total
A **Revenue**							
2015	**23,869**	**7,980**	**877**	**–**	**3,412**	**–**	**36,138**
2014	33,094	9,437	1,172	–	3,894	–	47,597
B **Depreciation**							
2015	**2,428**	**732**	**–**	**6**	**–**	**157**	**3,323**
2014	1,858	643	36	6	–	93	2,636
Staff costs							
2015	**3,048**	**642**	**429**	**30**	**–**	**517**	**4,666**
2014	2,605	572	420	26	–	957	4,580
C **Operating profit**							
2015	**4,273[1]**	**4,423**	**(52)**	**(5,506)**	**(247)**	**(247)**	**2,644**
2014	20,423	5,906	(706)[1]	(4,548)	(309)	(1,574)	19,192

[1] Excluding impairment charge.

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended

Rand million	Audited 31 December 2015	Audited 31 December 2014
Total equity at beginning of year	**27,001**	27,184
Changes in share capital and premium		
Treasury shares issued to employees under employee share incentive schemes	**180**	93
Purchase of treasury shares	**–**	(107)
Changes in reserves		
Equity-settled share-based payment	**469**	525
Vesting of shares under employee share incentive schemes	**(180)**	(93)
Total comprehensive income for the year	**592**	11,036
Dividends paid	**(2,505)**	(11,521)
Changes in non-controlling interest		
Total comprehensive income for the year	**290**	3 430
Dividends paid	**(796)**	(3,657)
Equity-settled share-based payment	**116**	111
Total equity at end of year	**25,167**	27,001
Comprising		
Share capital and premium (net of treasury shares)	**(131)**	(311)
Equity-settled share-based payment reserve	**2,021**	1,685
Foreign currency translation reserve	**1,453**	1,256
Fair value reserve	**–**	74
Retained earnings	**15,977**	18,060
Shareholders' equity	**19,320**	20,764
Attributable to the owners of Kumba	**18,534**	19,925
Attributable to non-controlling interest	**786**	839
Non-controlling interest	**5,847**	6,237
Total equity	**25,167**	27,001
Dividend (Rand per share)		
Interim	**–**	15.61
Final	**–**	7.73

Summarised consolidated statement of comprehensive income

Rand million	Audited 31 December 2015	Audited 31 December 2014
Profit for the year	**627**	14,148
Other comprehensive income for the year, net of tax	**255**	318
Exchange differences on translation of foreign operations	**255**	352
Reclassification of gain relating to exchange differences on translation of foreign operations	**–**	(34)
Total comprehensive income for the year	**882**	14,466
Attributable to:		
Owners of Kumba	**592**	11,036
Non-controlling interest	**290**	3,430
	882	14,466

Total shares in issue were 322,085,974 (2014: 322,085,974) and treasury shares held were 1,109,732 (2014: 1,533,346). All treasury shares are held as conditional awards under the Kumba bonus share plan.

SUMMARISED CONSOLIDATED CASH FLOW STATEMENT for the year ended

Rand million	Audited 31 December 2015	Audited 31 December 2014
Cash generated from operations	**13,841**	21,769
Net finance costs paid	**(578)**	(285)
Taxation paid	**(594)**	(4,165)
Cash flows from operating activities	**12,669**	**17,319**
Additions to property, plant and equipment	**(6,752)**	(8,477)
Loan repaid by/(granted to) joint venture	**5**	(5)
Proceeds from the disposal of property, plant and equipment	**120**	78
Cash flows from investing activities	**(6,627)**	**(8,404)**
Purchase of treasury shares	**-**	(107)
Dividends paid to owners of Kumba	**(2,490)**	(11,450)
Dividends paid to non-controlling shareholders	**(811)**	(3,728)
Net interest-bearing borrowings (repaid)/raised	**(1,388)**	6,744
Cash flows from financing activities	**(4,689)**	**(8,541)**
Net increase in cash and cash equivalents	**1,353**	**374**
Cash and cash equivalents at beginning of year	**1,664**	1,053
Foreign currency exchange gains on cash and cash equivalents	**584**	237
Cash and cash equivalents at end of year	**3,601**	**1,664**

The group's cash generated from operations was down 36% from R21.8 billion in 2014 to R13.8 billion. The cash was used to pay the 2014 final dividend of R3.3 billion (2014: R15.2 billion) and income tax of R0.6 billion (2014: R4.2 billion), mineral royalties of R0.4 billion (2014: R1.2 billion) and R4.1 billion (2014: R3.9 billion) paid to employees in salaries and wages. Dividends paid to Kumba shareholders in 2015 in respect of 2014 came to R2.5 billion (2014: R11.5 billion) while our empowerment partners received R0.8 billion (R2014: R3.7 billion). In line with the group's cash preservation strategy, the board has suspended dividends for 2015.

In 2015, capital expenditure reduced by 20% to R6.8 billion (2014: R8.5 billion) to protect the balance sheet by cancelling, reducing or delaying the capital expenditure.

EVENTS AFTER THE REPORTING PERIOD

On 28 January 2016 SIOC commenced with a consultation process in terms of section 189 of the Labour Relations Act at its Sishen mine in the Northern Cape. SIOC's decision to commence a section 189 process follows the reconfiguration of the Sishen pit to a lower cost shell due to the continued low iron ore price environment.

The new configuration reduced the waste and production profiles of the mine to ~135Mt and ~27Mt respectively. The reduction in planned mining and production activities resulted in a re-evaluation of the on-mine equipment and the workforce required to support this reduced profile. Subject to consultation, it is currently estimated that 2,600 employees and 1,300 contractors may be affected.

The group is in the process of determining the impact of this decision on the ore reserves and mineral resources as declared in the 2014 Kumba Integrated Report. Early indications are that the Sishen mine ore reserves will decrease by an estimated 23% (~150 Mt) without reducing the life of the mine. These figures are preliminary in nature and exclude 2016 depletion and other movements that may realise due to annual geological model updates and revised long-term economic parameter forecasts. A complete life of mine will be finalised in 2016 for both operations to determine the impact on resources and reserves in accordance with SAMREC Code requirements.

No further material events have occurred between the end of the reporting period and the date of the release of these audited summarised consolidated financial statements, not otherwise dealt with in this report.

REGULATORY UPDATE

21.4% undivided share of the Sishen mine mineral rights
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. SIOC applied for the residual right early in 2014.

SIOC received notice from the Department of Mineral Resources (DMR) that the Director General of the DMR had consented to the amendment of SIOC's existing mining right in respect of the Sishen mine, by the inclusion of the residual 21.4% undivided share of the mining right for the Sishen mine, subject to certain conditions (which are described by the DMR as "proposals"). The conditions contained in the Letter of Grant relate substantively to domestic supply, support for skills development, research and development, and procurement.

SIOC believes that the MPRDA does not provide for the imposition of such conditions as contained in the consent letter, and further that certain of the conditions, described as "proposals", are not practically implementable and lack sufficient detail to provide the Company with legal certainty as to the requirements for compliance. SIOC therefore believes that the proposals are incapable of being unilaterally complied with. The most significant of these proposals include the reversion to the lapsed 2001 cost based supply agreement with ArcelorMittal SA, as well as the establishment of a supplier park to provide the mining industry with a significant portion of its capital goods in support of local procurement.

Until the legal and practical implications of the proposed conditions have been clarified with the DMR, SIOC is unable to accept the conditions.

Section 96 of the Mineral and Petroleum Resources Development Act (MPRDA) allows for an internal appeal to the Minister of Mineral Resources. SIOC therefore submitted an internal appeal to the Minister, setting out the basis of its objections to the proposals, as required by the MPRDA. SIOC has not yet received a response to its appeal.

In the interim, SIOC continues to engage with the DMR in relation to the proposed conditions in order to achieve a mutually acceptable solution.

OPERATIONAL PERFORMANCE

SISHEN MINE

Reconfiguring the mine pit to optimise for lower prices

ABOUT SISHEN MINE

Sishen mine is the largest operation in our portfolio, producing around 70% 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. All our mined ore is transported to the beneficiation plant where it is crushed, screened and beneficiated. We are the only haematite ore producer in the world to fully beneficiate its product, made possible through our DMS and jig technology. The mine has 5,575 permanent full time employees and 2,269 full time contractors and is currently being reconfigured.

STRATEGIC PURPOSE

To ensure sustainable zero harm production of ~27Mt per annum by 2016 through an empowered workforce, whilst securing the future.

SISHEN PERFORMANCE SUMMARY

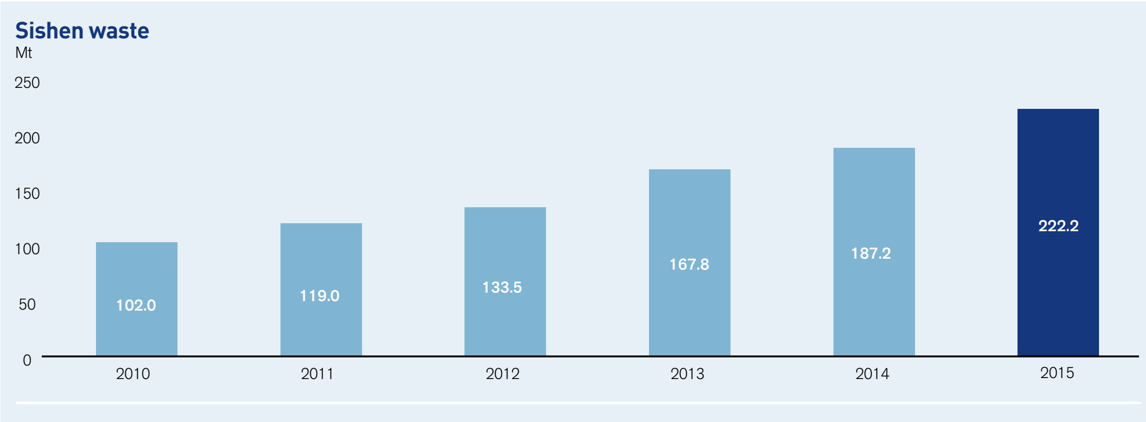
The deteriorating price environment necessitated a further optimisation of the Sishen mine plan. We have reconfigured the Sishen pit to a lower-cost shell configuration that will allow for a more flexible approach, reduce execution risk and lower capital cost over the life of mine. This is in line with our strategy to focus on value (cash generation) over volume to safeguard the mine's viability at lower prices.

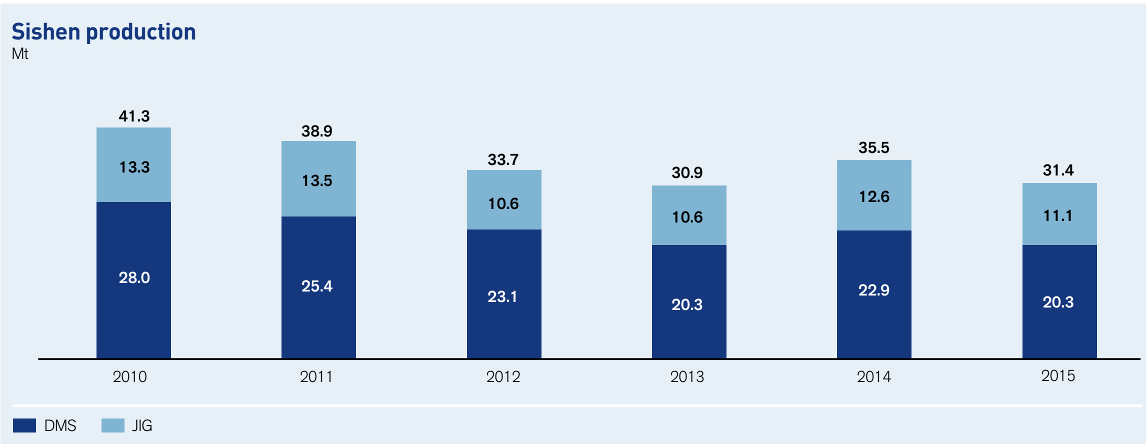
- Waste removal of 222.2Mt, up 35.0Mt on 2014 levels, higher to improve exposed ore levels and increase operational flexibility
- Reconfigured mine for lower prices and optimised for cash flow in the near term
- Further improvements in planning and scheduling implemented
- ISO 14001, ISO 9001, OHSAS 18001 certified
- LTIFR of 0.22, with zero fatalities
- Conditional granting by DMR of 21.4% mining right and appeal to proposals
- R71 million investment in social and community projects, in line with reduced profits
- Blending capacity into the plants constrained
- Production of 31.4Mt was 4.1Mt down on 2014 levels, largely a function of mining quantity and quality feedstock constraints to the DMS plant
- Unit costs of R311/tonne: R39/tonne up on 2014, mainly due to increase in mining expenditure driven by 19% increase in waste mined, partially offset by overhead cost savings and lower fuel prices

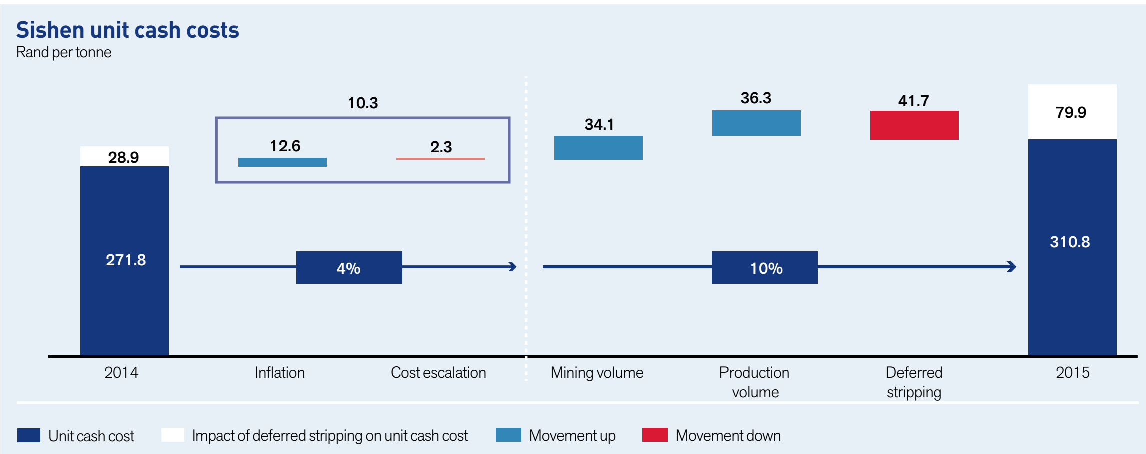
OUTLOOK

- Waste movement is expected to be materially below previous guidance of ~230Mt at ~135Mt and production guidance for 2016 is reduced from 36Mt to ~27Mt. It is expected that the reserve life will remain stable at ~15 years due to the lower production rates and will be confirmed during the 2016 annual planning cycle
- This mining profile will require detailed planning and more precise execution at Sishen, and effective implementation of the Operating Model will be crucial. The mine has already seen a 24% improvement in efficiency in internal waste mining activity of the North mine, where work management aspects of the Operating Model were introduced in August 2014. Pre-strip mining and heavy equipment activities at Sishen were implemented in July 2015 and are working well

SISHEN MINE PLAN MAP







Our performance

OPERATIONAL PERFORMANCE continued

KOLOMELA MINE

Continued strong performance supported by efficiency improvements

ABOUT KOLOMELA MINE

Situated near the town of Postmasburg in the Northern Cape province, Kolomela mine is our newest operation, beginning production in 2011, ahead of schedule and on budget. The mine produces lump ore with excellent physical strength that allows us to meet a niche demand. The mine has 1,143 permanent full time employees and 1,091 full time contractors.

STRATEGIC PURPOSE

Successfully operating a zero harm and attractive mine, positioned for growth.

KOLOMELA PERFORMANCE SUMMARY

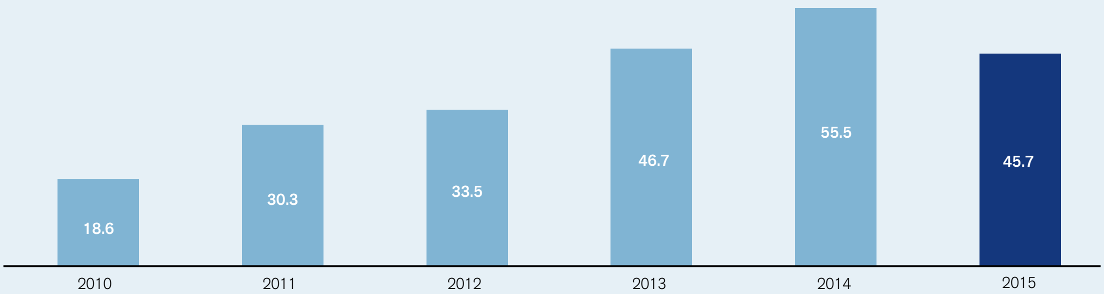
Revised mining plans, including deferral of mining at one of three pits, have been implemented. Mining to be concentrated on two primary pits with the third pit re-phased to around 2019.

- Waste volumes of 45.7Mt were 9.8Mt down on 2014 levels as a result of cessation of pre-stripping in the third pit
- Production of 12.1Mt, up 0.5Mt on 2014 levels, due to improvements in plant efficiencies and throughput rates during the year
- Reserve life increase to 21 years due to conversion of a portion of the Kapstevel South mineral resource to ore reserve
- Unit costs of R178/tonne, R30/tonne down on 2014, due to lower mining volumes and 0.5Mt higher production volumes
- Logistics' capacity increased to support higher production through reclaiming and loading efficiencies and improving train turnaround times
- LTIFR of 0.20, with zero fatalities
- ISO 14001, ISO 9001, OHSAS 18001 compliant
- R31 million investment in social and community projects, in line with reduced profits

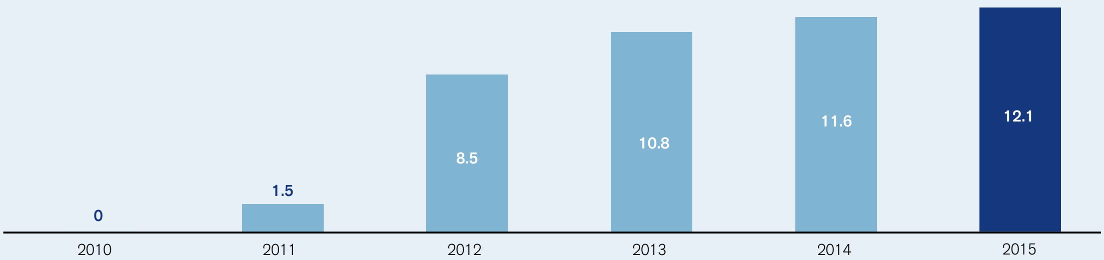
OUTLOOK

- During the year a new mine plan was implemented which included the ramping up of production to 13Mtpa by 2017, and the cessation of mining at the third pit until 2019. In order to maintain plant feed rates, waste mining was revised upwards from previously guided 35Mt – 38Mt to 46Mt – 48Mt
- Despite the increased rate of production the reserve life has increased to 21 years due to the conversion of the Kapstevel South mineral resource to ore reserves

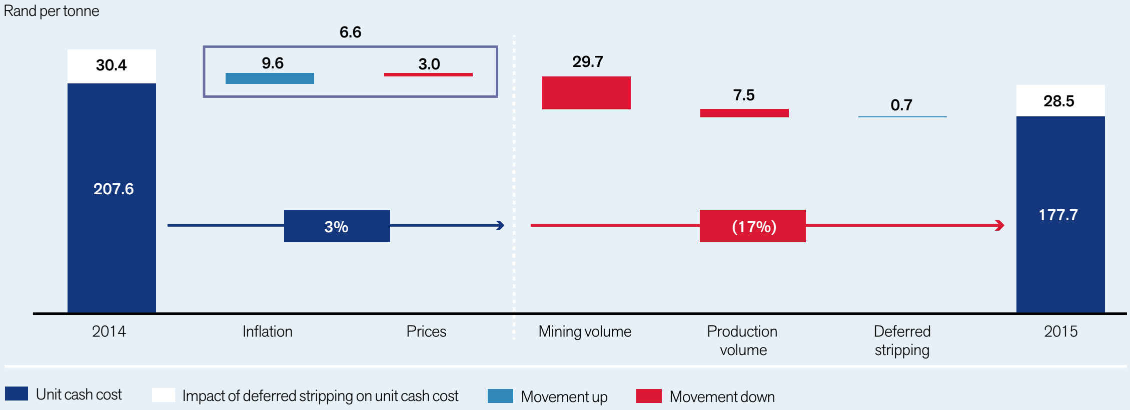
Kolomela waste
Mt



Kolomela production
Mt



Kolomela unit cash costs
Rand per tonne



Our performance

OPERATIONAL PERFORMANCE continued

THABAZIMBI MINE

Closing the mine through a consultative process

ABOUT THABAZIMBI MINE

Located in the Limpopo province, Thabazimbi mine has been in operation since 1931, making it the oldest iron ore mine in the country. Mining activities have taken place in three pits using conventional opencast methods, and ore is processed through a single processing facility. The mine produced primarily high-grade haematite ore (more than 62% iron ore content), and has historically sold its production exclusively to ArcelorMittal SA.

STRATEGIC PURPOSE

The mine has reached the end of its economic life.

THABAZIMBI PERFORMANCE SUMMARY

After a comprehensive review, the board resolved to close Thabazimbi mine with ramping down activities commencing in July 2015. Mining ceased at the end of September 2015 but some processing of previously mined material through the plant will continue until 2016. The mine closure will impact approximately 800 employees and 360 contractors. Guided by global best practice, the Anglo American Closure Standards and relevant legislation, we are implementing a mine closure process, taking employees, the environment, Thabazimbi town and its community into consideration throughout.

- 1.4Mt produced
- LTIFR of 0.16, with zero fatalities
- Mine closure progressing according to plan
- ISO 14001, ISO 9001, OHAS 18001 certified
- R10.1 million investment in social and community projects, in line with reduced profits
- A significant slope failure in June 2015, but effective critical control monitoring triggered life-saving response plans
- Mine reached the end of its economic life; mining activities ceased in September 2015

Image
A view of Thabazimbi mine in 2010.

OUTLOOK

- Material mined previously was processed during the last quarter of 2015 and this will continue until the second quarter of 2016. Closure procedures are in progress and all activity at the mine is expected to cease at the end of 1H16

SALDANHA BAY PORT AND RAIL

Increase in export sales underpinned by port performance

ABOUT SALDANHA BAY PORT AND RAIL

Located in Saldanha Bay in the Western Cape province, the Saldanha Bay port is owned and operated by Transnet, a state-owned entity. The port is connected to Sishen and Kolomela mines by Transnet's Sishen/Kolomela-Saldanha IOE railway line. Iron ore is exported from the port to markets in the Asia-Pacific, Europe and the Middle East and North Africa.

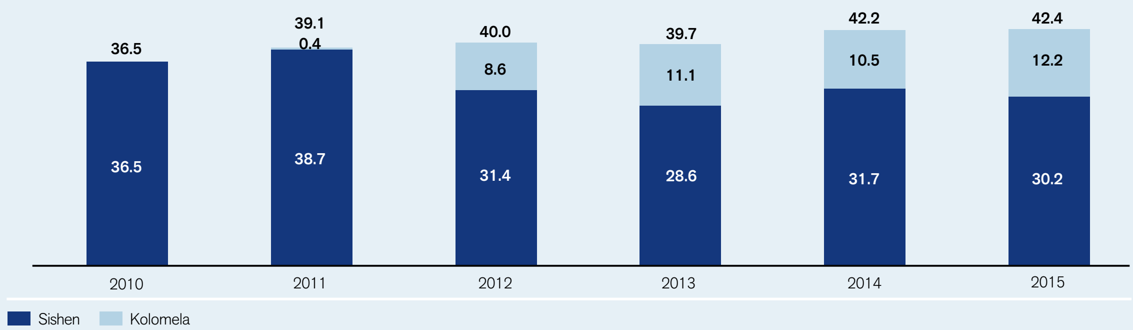
STRATEGIC PURPOSE

Successfully focusing on improved blending strategies in Saldanha Port, striving to further improve the quality consistency of our products.

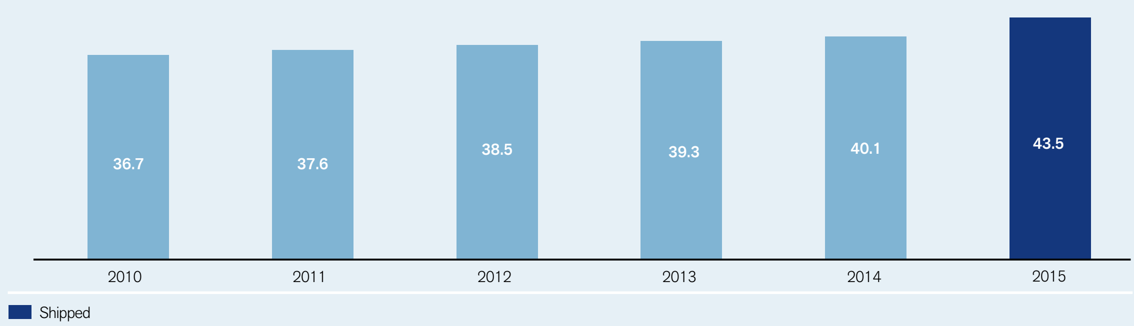
SALDANHA BAY PORT AND RAIL PERFORMANCE SUMMARY

- Export sales of 43.5Mt were 3.0Mt up on 2014 due to an increase in shipments through the MPT
- Saleable stocks reduced to a more optimal level of 4.7Mt
- 42.4Mt railed to Saldanha Port, in line with 2014

Volumes railed
Mt



Volumes shipped
Mt



OUTLOOK

• Export sales are expected to be ~40Mt in 2016

Our performance

ORE RESERVES AND MINERAL RESOURCES

Kumba's 2015 Reserve and Resource report is reported in accordance with the latest national SAMREC Code. It is incorporated in the Company's business processes via a Reserves and Resources Reporting Policy.

It is expected that the 2016 Kumba ore reserves and mineral resources may decrease materially from those stated in 2015. On 8 December 2015, Kumba issued an operational update which advised that due to deteriorating iron ore prices, Sishen would be reconfigured to enable a more affordable pit shell. This would allow for a more flexible approach and lower capital costs over the life of mine. Waste movement is substantially below previous guidance of ~230Mt at ~135Mt and production is substantially reduced from previous guidance of 36Mt for 2016 to ~27Mt. In addition, the continued softening of the iron ore market is expected to have a material impact on the 2016 ore reserves (~150Mt reduction) and mineral resources.

SALIENT FEATURES

In 2015 the board resolved, after discussions with the operation's client ArcelorMittal SA as well as the DMR, to close the Thabazimbi mine, ramping down activities commenced in July 2015 and mining ceased in September 2015. All saleable product in 2016 is scheduled to be beneficiated from existing run-of-mine buffer stockpiles. Thabazimbi mine is in the process of submitting a closure application to be submitted to the DMR.

Following the ruling by the Constitutional Court in December 2013, SIOC applied to be granted the residual 21.4% share of the mining right at the Sishen mine. In October 2015, SIOC received notice from the DMR that the Director General of the DMR consented to the amendment of SIOC's existing mining right in respect of the Sishen mine to include the residual 21.4% share, subject to certain conditions (which were described by the DMR as "proposals"). Until the legal and practical implications of the proposed conditions have been clarified with the DMR, SIOC is unable to accept the conditions. Section 96 of the Mineral and Petroleum Resources Development Act (MPRDA) allows for an internal appeal to the Minister of Mineral Resources. SIOC therefore submitted an internal appeal to the Minister as per the requirements of the MPRDA, challenging the imposition of the conditions on the basis that the MPRDA does not provide for the imposition of such conditions as are contained in the consent letter.

Image
A view of a drum reclaimer at the stockyard in Sishen mine.

INTRODUCTION AND SCOPE

This statement is an extract from the online Ore Reserve and Mineral Resource report (website: www.angloamericankumba.com/investors/annual-reporting), which in turn is a condensed version of the full 2015 in-house Kumba Iron Ore Resource and Reserve report 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.

Kumba's 2015 Reserve and Resource Statement is reported in accordance with The South African Code for 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 (website: http://www.angloamericankumba.com/sustainability/approach-and-policies.aspx). The policy is supported by reporting procedures and templates, which channel the reporting requirements down to a site-specific level, to ensure that Kumba meets the necessary Johannesburg Stock Exchange listing requirements.

The information on ore reserves and mineral resources was prepared by or under the supervision of Competent Persons as defined in the SAMREC Code. All Competent Persons have sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking. All the Competent Persons consent to the inclusion in this statement of the information in the form and context in which it appears.

All Competent Persons informing the 2015 Kumba Iron ore reserve and resource report assumed responsibility by means of signing a Competent Person appointment letter, kept by the Company's Principal - Mineral Resources and Geometallurgy, at Kumba's Centurion Gate office in Pretoria, South Africa.

Apart from the annual scheduled peer review of site-specific ore reserve and mineral resource statements, Kumba is subject to a comprehensive programme of reviews aimed at providing assurance in respect of ore reserve and mineral resource estimates. The reviews are conducted by suitably qualified Competent Persons from within the Anglo American group, or by independent consultants.

The frequency and depth of the reviews is a function of the perceived risks and/or uncertainties associated with a particular ore reserve and/or mineral resource. None of the 2015 Kumba Ore Reserve and Mineral Resource estimates were subjected to independent third-party reviews during 2015.

The ore reserve and mineral resource estimates quoted in this 2015 Integrated Report are reported on a 100% basis irrespective of attributable shareholding that is separately indicated in this statement per site. The estimates serve as an indication of Kumba's ore reserve and mineral resource status at 31 December 2015, and compare it with the ore reserves and mineral resources as estimated and reported in December 2014. It is not an inventory of all mineral occurrences identified, but is a reasonable and realistic estimate of those which, under assumed and justifiable technical, environmental, legal and economic conditions, may be economically extractable at current (ore reserves) and eventually 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.

The declaration of ore reserves in this document is derived from indicated and measured 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 current economic viability of ore reserves and reasonable and realistic prospects for eventual economic extraction (RRPEEE) of mineral resources, are based on Anglo American's March 2015 long-term forecast for iron ore, adjusted to what is referred to as 'effective market prices – free-on-rail' for each Kumba site. The long-term commodity price forecasts are prepared by in-house specialists largely using estimates of future supply and demand and long-term economic outlooks.

The costs are based on current 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 envelops that portion of the iron ore considered to have RRPEEE.

The economic parameters as discussed, in combination with cut-off grades (which consider existing beneficiation capabilities to meet product quality specifications) are applied to the site-specific three-dimensional geological models and mining models to define that portion of the iron ore which is currently (ore reserves) and eventually economically extractable (mineral resources).

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 notarially executed new-order mining and prospecting rights, the latter located immediately adjacent to the mining rights. These rights are held by SIOC, in which Kumba holds a 73.9% share with BEE partnership being divided between Exxaro (20.0%), the Sishen Iron Ore community development trust (3.0%) and the Sishen Iron Ore Company Employee Share Participation Scheme (3.1%).

ORE RESERVES AND MINERAL RESOURCES

continued

The overall economic interest attributable to SIOC, Kumba Iron Ore (KIO) and Anglo American (AAplc) is summarised in the table below.

KUMBA IRON ORE AND ANGLO AMERICAN PLC 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]	
Mine asset	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Kolomela mine	**100.0**	100.0	**73.9**	73.9	**26.1**	26.1	**51.5**	51.5
Sishen mine	**100.0**	100.0	**73.9**	73.9	**26.1**	26.1	**51.5**	51.5
Thabazimbi mine	**100.0**	100.0	**73.9**	73.9	**26.1**	26.1	**51.5**	51.5
Zandrivierspoort project	**50.0**	50.0	**37.0**	37.0	**63.0**	63.0	**25.8**	25.8

[1] The holding company Sishen Iron Ore Company (SIOC) is 73.9% owned by Kumba Iron Ore, and in turn Kumba Iron Ore is 69.7% owned by Anglo American (as at 31 December 2015).

In addition to the mining right areas, Kumba has declared mineral resources on a further 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 0.4% and 0.9% respectively of KIO's and Sishen mine's exclusive mineral resource
- The Zandrivierspoort exploration project, which comprises 40% of Kumba's total exclusive 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 DMR 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, and is still awaiting a ruling.

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.

Ore reserve and mineral resource estimation and classification processes are presented in more detail in the online Ore Reserve and Mineral Resource Report.

The 2015 mineral resource estimates were derived using the February 2015 updated geological models of Kolomela and Sishen mines and the February 2013 geological models of Thabazimbi mine and the Zandrivierspoort project as a base.

The 2015 Sishen mine and Kolomela mine ore reserves were derived from the 2015 life of mine plan scenarios as approved by the relevant Kumba planning steering committee in October 2015. The 2015 Thabazimbi mine ore reserves were derived from a simulation of run-of-mine buffer stockpile plant feed, to be converted into saleable product, since all in-pit mining activities have ceased at the operation. It must however be emphasised that the 2015 ore reserves and mineral resources have been declared using the March 2015 long-term forward-looking iron ore price ($75.00/tonne – Platts 62% CFR China Long Term Price). As a result of rapidly declining iron ore prices, Kumba initiated a review of its long-term plan late in the last quarter of 2015. Various conceptual scenarios at lower long-term prices were evaluated in order to reconfigure Sishen mine to a lower cost producer, thereby focusing on value over volume. It is expected that this will have a significant impact of ~150Mt on the Company's ore reserves and mineral resources which is not reflected in the statement and which will form part of the 2016 reporting cycle.

In addition, the Zandrivierspoort project Mineral Resources will also be taken under review in 2016, to verify their reasonable and realistic prospects for eventual economic extractability.

Ore reserve estimates for the mining operations were updated within three months before the end of the 2015 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 10 months before the end of the year of reporting.

KUMBA'S ORE RESERVE REPORT FOR 2015 (REFERENCED AGAINST 2014)

The ore reserves have been estimated in accordance with *The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves* (The SAMREC Code 2007 edition – 2009 amended version).

			2015				2014			
			Ore reserves							
Operations/Project	% owned by KIO	Reserve category	Tonnage (Mt)	Grade (% Fe) average	Grade (% Fe) cut-off*	Reserve life ** years	Tonnage (Mt)	Grade (% Fe) average	Grade (% Fe) cut-off	Reserve life ** years
Mining operations										
Kolomela mine	73.9	Proved	**75.4**	**65.1**			83.3	64.6		
		Probable	**136.8**	**63.9**			104.7	64.3		
		Sub-total	**212.3**	**64.3**	**50**	**21**	**188.0**	**64.4**	**42**	**21**
Sishen mine	73.9	Proved	**462.3**	**59.4**			556.8	59.4		
		Probable	**210.4**	**57.2**			159.8	56.2		
		Sub-total	**672.7**	**58.7**	**40**	**15**	**716.6**	**58.7**	**40**	**16**
Thabazimbi mine	73.9	Proved	**–**	**–**			0.4	61.9		
		Probable	**0.7**	**58.7**			9.3	60.3		
		Sub-total	**0.7**	**58.7**	**54**	**1**	**9.7**	**60.4**	**54**	**9**
Kumba Iron Ore mining operations		Proved	**537.7**	**60.2**			640.6	60.1		
		Probable	**347.9**	**59.8**			273.8	59.4		
		Total	**885.6**	**60.0**			**914.3**	**59.9**		
Company										
Kumba Iron Ore Total ore reserves		Proved	**537.7**	**60.2**			640.6	60.1		
		Probable	**347.9**	**59.8**			273.8	59.4		
		Total	**885.6**	**60.0**			**914.3**	**59.9**		

* The cut-off grade used for ore reserves is variable and is 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.

** Reserve life represents the period in years in the approved 2015 life of mine plan for scheduled extraction of proved and probable reserves. The reserve life is limited to the period during which the ore reserves can be economically exploited. Where the scheduled ore reserves falls below 25% of the average annual production rate the period beyond this is excluded from the reserve life, implying for example that a year where the run-of-mine of an operation is made up of 26% proved and probable ore reserves and 74% inferred mineral resources counts as a reserve life year.

For more detail, refer to the online Ore Reserves and Mineral Resources Report (website: www.angloamericankumba.com/investors/annual-reporting)

ORE RESERVES AND MINERAL RESOURCES

continued

KUMBA'S SALEABLE PRODUCT ESTIMATE AS AT 31 DECEMBER 2015 (REFERENCED AGAINST 2014)

The saleable product estimates are derived by applying site-specific metallurgical yield algorithms (defining the relationship between run-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.

The 2015 life of mine plans, considering current contract and client supply agreement conditions, deliver a total saleable product of 708.4Mt with an average 64.8% Fe over the reserve life years for the three mining operations.

KUMBA'S SALEABLE PRODUCT FOR 2015 (REFERENCED AGAINST 2014)

					2015		2014	
					Saleable product			
Operations/Project	% owned by KIO	Saleable product category	**2015 Metallurgical yield (%)**	2014 Metallurgical yield (%)	**Tonnage (Mt)**	**Grade (% Fe) Average**	Tonnage (Mt)	Grade (% Fe) Average
Mining operations								
Kolomela mine[1]	73.9	Proved	**99.8**	99.8	**75.3**	**65.1**	83.1	64.6
		Probable	**99.8**	99.8	**136.6**	**63.9**	104.5	64.3
		Sub-total	**99.8**	99.8	**211.8**	**64.3**	**187.6**	**64.4**
Sishen mine[2]	73.9	Proved	**78.0**	76.7	**360.4**	**65.2**	427.0	65.7
		Probable	**64.5**	67.7	**135.6**	**64.7**	108.3	64.3
		Sub-total	**73.7**	74.7	**496.0**	**65.1**	**535.2**	**65.4**
Thabazimbi mine[3]	73.9	Proved	**0.0**	75.6	**0.0**	**0.0**	0.3	62.5
		Probable	**78.6**	75.6	**0.5**	**63.4**	7.0	62.9
		Sub-total	**78.6**	75.6	**0.5**	**63.4**	**7.3**	**62.8**
Kumba Iron Ore		Proved	**81.0**	79.7	**435.7**	**65.2**	510.4	65.5
mining operations		Probable	**78.4**	80.3	**272.7**	**64.3**	219.7	64.2
		Total	**80.0**	79.9	**708.4**	**64.8**	**730.2**	**65.1**
Company								
Kumba Iron Ore		Proved	**81.0**	79.7	**435.7**	**65.2**	510.4	65.5
Total		Probable	**78.4**	80.3	**272.7**	**64.3**	219.7	64.2
		Total	**80.0**	79.9	**708.4**	**64.8**	**730.2**	**65.1**

1 Kolomela mine is a direct shipping ore operation where ore reserves are crushed and screened to deliver saleable product at the required top sizes.

2 Sishen mine beneficiates its high-grade ore reserves by means of a dense media separation plant and its lower-grade ore reserves by means of a jig facility to produce saleable product according to required client specifications.

3 Thabazimbi mine's remaining ore reserves are beneficiated by means of a dense media separation plant, to produce a saleable product acceptable to its domestic market.

KUMBA'S MINERAL RESOURCE (IN ADDITION TO ORE RESERVE) ESTIMATE AS AT 31 DECEMBER 2015 (REFERENCED AGAINST 2014)

The mineral resources have been estimated in accordance with the SAMREC Code (2007 edition - 2009 amended version).

				2015				2014			
		%		Tonnage	Average	Average	%Fe	Tonnage	Grade (%Fe)		
		owned									
Operations/Project	Ore type	by KIO	Resource category	(Mt)	%Fe	% Fe_3O_4*	Cut-off**	(Mt)	Average	Fe_3O_4	Cut-off
Mining operations											
Kolomela mine	Haematite	73.9	Measured	**32.9**	**61.9**			21.9	64.9		
• Mineral resources in addition to ore reserves			Indicated	**57.2**	**61.5**			81.2	64.1		
			Measured and indicated	**90.2**	**61.6**			103.1	64.2		
			Inferred (considered for LoMP)	**51.5**	**64.8**		**50**	44.1	64.5		50
			Inferred (outside LoMP)	**46.6**	**62.6**			105.7	64.2		
			Sub-total	**188.3**	**62.8**			**252.9**	**64.3**		
Sishen mine	Haematite	73.9	Measured	**281.2**	**63.3**			324.5	61.8		
• Mineral resources in addition to ore reserves			Indicated	**144.4**	**56.4**			142.6	56.9		
			Measured and indicated	**425.6**	**61.0**			467.1	60.3		
			Inferred (considered for LoMP)	**35.0**	**56.9**		**40**	28.9	52.5		40
			Inferred (outside LoMP)	**72.0**	**57.0**			67.8	57.2		
			Sub-total	**532.5**	**60.2**			**563.8**	**59.5**		
Thabazimbi mine	Haematite	73.9	Measured	**0.2**	**63.0**			0.3	64.0		
• Mineral resources in addition to ore reserves			Indicated	**7.7**	**62.3**			10.8	62.1		
			Measured and indicated	**8.0**	**62.3**			11.1	62.1		
			Inferred (considered for LoMP)	**–**	**–**		**55.0**	1.4	59.5		55.0
			Inferred (outside LoMP)	**0.4**	**58.9**			4.6	62.9		
			Sub-total	**8.4**	**62.1**			**17.1**	**62.1**		
Kumba Iron Ore – mining operations			Measured	**314.4**	**63.2**			346.7	62.0		
• Total mineral resources in addition to ore reserves			Indicated	**209.4**	**58.0**			234.6	59.6		
			Measured and indicated	**523.8**	**61.1**			581.3	61.1		
			Inferred (considered for LoMP)	**86.4**	**61.6**			74.5	59.8		
			Inferred (outside LoMP)	**119.0**	**59.2**			178.1	61.5		
			Sub-total	**729.2**	**60.9**			**833.8**	**61.0**		

ORE RESERVES AND MINERAL RESOURCES

continued

KUMBA'S MINERAL RESOURCE (IN ADDITION TO ORE RESERVES) STATEMENT FOR 2015 (REFERENCED AGAINST 2014)

continued

				2015				2014			
		%		Tonnage	Average	Average	% Fe	Tonnage	Grade (% Fe)		
Operations/Project	Ore type	owned by KIO	Resource category	(Mt)	% Fe	% Fe_3O_4*	Cut-off**	(Mt)	Average	Fe_3O_4	Cut-off
Projects											
Zandriviersport	Magnetite and haematite	37.0	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	
			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 Iron Ore - 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**	**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	
			Grand total	**476.1**	**34.5**	**40.8**		**476.1**	**34.5**	**40.8**	
Company											
Kumba Iron Ore			Measured	**421.4**	**56.0**			453.7	55.6		
• Grand total Mineral Resources in addition to Ore Reserves			Indicated	**415.8**	**46.3**			441.0	47.8		
			Measured and indicated	**837.2**	**51.1**			894.7	51.7		
			Inferred (considered for LoMP)	**86.4**	**61.6**			74.5	59.8		
			Inferred (outside LoMP)	**281.7**	**44.9**			340.8	48.6		
			Grand total	**1,205.3**	**50.4**			**1,310.0**	**51.4**		

* Fe_3O_4 – Magnetite

** The cut-off grade quoted for all the Kumba sites except the Zandriviersport project, is a fixed chemical cut-off grade. In the case of Zandriviersport, 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 breakeven cost.

GOVERNANCE

Sound corporate governance provides a critical foundation, both for protecting stakeholder value and for achieving our strategic growth objectives. Independent expert review of our operations and activities is key in monitoring and driving compliance, in ensuring good governance, in setting strategy, and in embedding the highest levels of integrity and professionalism that should permeate across the organisation.

ROLE OF THE BOARD

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, while always considering the best interests of all stakeholders.

VALUE DISTRIBUTED IN 2015

EMPLOYEES

R4.6 billion

PROVIDERS OF FINANCE

R876 million

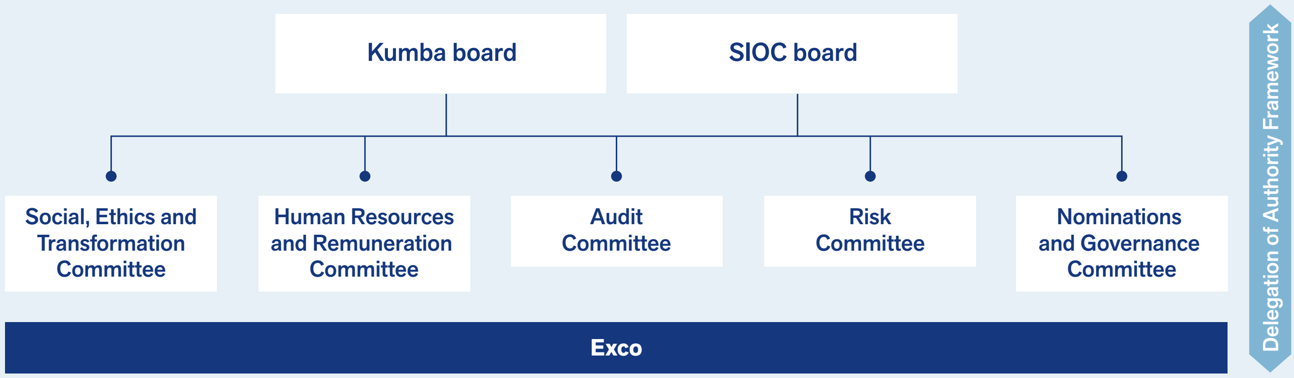
SHAREHOLDERS

R3.3 billion

GOVERNMENT

R949 million

GOVERNANCE FRAMEWORK



CORPORATE GOVERNANCE

THE KUMBA BOARD

The Company has a unitary board structure with a majority of independent non-executive directors. The board considers six out of the 10 non-executive directors to be independent. Two of the 10 directors are representatives of our majority shareholders, and two of the 10 directors are executive management. Brief biographies of all directors outlining their qualifications and skills are included on pages 14 to 15 of this report.

DIRECTOR	DESIGNATION	APPOINTMENT DATE
Allen Morgan	Independent non-executive director (lead independent director)	9 February 2006
Andile Sangqu	Non-executive director	29 June 2015
Buyelwa Sonjica	Independent non-executive director	1 June 2012
Dolly Mokgatle	Independent non-executive director	7 March 2006
Fani Titi	Independent non-executive director (Chairman)	1 October 2012
Frikkie Kotzee	Executive director (CFO)	1 June 2012
Litha Nyhonyha	Independent non-executive director	14 June 2011
Natascha Viljoen	Non-executive director	8 February 2016
Norman Mbazima	Executive director (CEO)	1 September 2012
Tony O'Neill	Non-executive director	30 September 2013
Zarina Bassa	Independent non-executive director	2 December 2008

Note 1: Although our Chairman is considered independent, the lead independent director plays a significant role in providing sound leadership and advice to the board when our Chairman is unable to fulfil his duties

Note 2: Average length of service of executive directors: 4 years
Average length of service of non-executive directors: 2 years
Average length of service of independent directors: 5 years
Average length of service for the board overall: 4 years

BOARD ATTENDANCE DURING 2015

Ten board meetings were held during 2015. The table below shows each director's attendance at the board meetings and the legends below explain the purpose of each meeting.

Director	6 Feb 2015	12 Mar 2015^	16 Apr 2015	8 May 2015	28-29 May 2015☆	19 Jun 2015~	17 Jul 2015	15 Oct 2015+	26 Oct 2015++	20 Nov 2015	Number of meetings: 10
F Titi (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
ZBM Bassa	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
GS Gouws	✓	✓	✓	R	R	R	R	R	R	R	3/3
FT Kotzee	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
KT Kweyama	✓	A	A	R	R	R	R	R	R	R	1/1
NB Mbazima	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
DD Mokgatle	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
AJ Morgan	✓	✓	✓	✓	✓	✓	✓	A	✓	✓	9/10
LM Nyhonyha	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
AM O'Neill	✓	A	A	A	✓	A	✓	A	A	✓	4/10
BP Sonjica	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/10
A Sangqu	NA	NA	NA	NA	NA	NA	✓	✓	✓	✓	4/4

✓ Indicates attendance.
A Indicates absence with an apology.
R Resigned.
~ Annual board risk workshop.
\+ Board training
^^ Board governance workshop.
☆ Annual board strategy workshop.
NA Not appointed.
^ Special meeting to sign-off 2014 reporting suite.
++ Special board meeting

GOVERNANCE IN ACTION

The board held a day-long Risk workshop during the year under review. The key focus of this session was the Company's response to the declining iron ore price and the mitigation of the associated risks. In addition, the board reviewed the risk appetite and tolerance levels of the Company, given the high risk exposure introduced by the declining iron ore prices.

THE SIOC BOARD

Governance at Kumba must take cognisance of the fact that its main operating subsidiary, SIOC, has a shareholding structure that reflects the BBBEE Code 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) regulates the authority levels of each separate board.

The SIOC board comprises non-executive directors drawn from the entity's minority shareholders, executive directors drawn from the Kumba 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 by Kumba's board committees and feedback on deliberations of board committees meetings is provided at each SIOC board meeting.

THE ROLE OF THE BOARD

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, while always considering the best interests of all stakeholders. The board is also responsible for the achievement of the Kumba vision. 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. During the year under review, no independent advice was sought by the board. Members also have direct access to Kumba's external and internal auditors, the Company secretary, and all members of the executive management team, at all times.

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 aligned with the provisions of all relevant statutory and regulatory requirements, including, among others, the Companies Act No 71 of 2008, as amended (the Companies Act), the JSE Listings Requirements, King III and the Company's Memorandum of Incorporation. The board charter is reviewed annually, at a minimum, or as and when required during the year. Due to significant changes in the JSE Listings Requirements for the year under review, the charter was accordingly updated in November 2015, together with the terms of reference of all the committees.

Directors' independence

If a director has served for a period of more than nine years, best practice requires the board to consider whether that director continues to be independent, in executing their

Image
Members of the Kolomela leadership team in a management meeting.

CORPORATE GOVERNANCE continued

fiduciary duties. The board, upon recommendation from its Nominations and Governance Committee, has adopted the practice of annually reviewing directors' independence if their tenure has reached nine years or more, and recommending to shareholders that they be re-appointed annually.

Based on the results of the evaluation, the board will consider whether there is any evidence of any circumstance and/or relationship that would impair their judgement, to the extent that their independence is compromised. The first process to evaluate the independence of directors appointed to the board in 2006 was undertaken in April 2015, prior to the annual general meeting (AGM) in May 2015. This process will be repeated in 2016, and will continue, as long as the nine-year tenure is exceeded.

In respect of other directors, determination of independence is guided by King III, the JSE Listings Requirements and other best practice. The Chairman of the board is also subject to re-appointment by the board and an annual evaluation of his independence and performance is carried out during his annual review.

The lead independent director provides the Chairman with feedback from the annual evaluation process.

Appointment of directors

The Nominations and Governance Committee recommends the appointment of new directors for approval by the board according to a strategy adopted by the board. There is a policy in place which details procedures for appointments to the board. Such appointments are formal and transparent and a matter for the entire board, assisted by the Nominations and Governance Committee. When appointing directors, the board takes cognisance of its needs in terms of skills, experience, diversity, size and demographics. In 2015, the board also approved a Gender Diversity Policy, in line with the changes in the JSE Listings Requirements. Details of all board members can be found on pages 14 to 15.

Changes to the board during the year

During the year under review, Mr Gert Gouws resigned from the board as a representative of the Industrial Development Corporation (IDC) at the Company's AGM held on 9 May 2015 after nine years on the board. The Company would welcome a replacement from the IDC should they choose to nominate a representative director, at the appropriate time.

Mr Andile Sangqu was appointed as a non-executive director, with effect from 29 June 2015, representing Anglo American, the Company's majority shareholder.

Post year-end, Mr Tony O'Neill, a majority shareholder representative on the board, resigned with effect from 5 February 2016 and was immediately replaced by Ms Natascha Viljoen.

Non-executive directors' fees

Details regarding non-executive remuneration are contained in the Remuneration Report on page 96. Our non-executive directors again recommended that the board not receive an annual increase. This recommendation was based on consideration of the difficult environment in which the Company is operating.

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 and noted by the board at each 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 effective management and running of the Company's business in terms of strategies and objectives approved by the board.

Rotation and election of directors

In accordance with the Company's Memorandum of Incorporation and in terms of the Companies Act, at least one third of directors shall retire from the board each year. They may, however, offer themselves for re-election at the appropriate AGM. In 2015, Mr Allen Morgan, Ms Buyelwa Sonjica, Ms Dolly Mokgatle and Mr Fani Titi retired and were re-elected at the AGM. In 2016, Mr Allen Morgan, Mr Andile Sangqu, Ms Dolly Mokgatle, Ms Natascha Viljoen and Ms Zarina Bassa will retire and offer themselves for re-election. All retiring directors will be subject to an annual evaluation prior to the AGM.

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 2015, the board attended a formal training session, facilitated by the JSE, and held at their premises. The session included topics on the amended JSE Listings Requirements and insider trading. The session was facilitated by the JSE's key client liaison and various JSE executives presented on pertinent issues.

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 is performed every three years that includes personal interviews with individual directors. An external assessment was carried out in 2015.

For the year under review, results from the various evaluations undertaken were articulated in a document tabled at the Nominations and Governance Committee and board meetings held in November 2015. Issues that needed to be addressed to improve the board's performance were reported to the board and actioned accordingly. Although no significant matters of concern were noted from the evaluation, the board took cognisance of areas in which improvement could be made (for example, long-term board succession planning) and plans are being put in place to implement these improvements.

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 shareholders and the board, and the Chairman, during periodic shareholder roadshows. This emphasises the importance of shareholder attendance at our AGM where interaction is encouraged and welcomed. The Chairmen of the Audit, Human Resources, Remuneration and Social, Ethics and Transformation Committees are also available to interact with shareholders at the AGM.

Finally, the executive directors also 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.

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 Services (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, Human Resources 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 also acts as 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 the following:

- To review the principles, policies and practices adopted in the preparation of the financial statements of the Company and to ensure that the interim and annual financial statements of the group and any other formal announcements relating to the group's financial performance comply with all statutory and stock exchange requirements
- To review the work of the group's external auditors and the internal auditors to ensure the adequacy and effectiveness of the group's financial, operating, compliance and risk management controls
- To review the management of risk and the monitoring of compliance effectiveness within the group, in conjunction with the Risk Committee
- To perform all the functions required by section 94(7) of the Companies Act

The Audit Committee report is on pages 17 – 20 of the annual financial statements, which also elaborates on the 2015 activities of the Committee

COMPOSITION AND ATTENDANCE DURING 2015

Member	4 Feb 2015*	7 May 2015	15 Jul 2015	28 Sep 2015	6 Nov 2015	No of meetings: 5
ZBM Bassa (Chairman)	✓	✓	✓	✓	✓	5/5
DD Mokgatle	✓	✓	✓	A	✓	4/5
LM Nyhonyha	✓	✓	✓	✓	✓	5/5
AJ Morgan	✓	✓	✓	✓	✓	5/5

✓ Indicates attendance.
A Absent with apology.
* Special committee meeting to review the 2014 integrated reporting suite.

CORPORATE GOVERNANCE continued

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 attend meetings of the Committee. The Committee has terms of reference in place outlining its purpose and responsibilities, which include the following:

- 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 the disclosure regarding risk is comprehensive, timely and relevant

Refer to page 32 for information on how the Company manages its risks and opportunities.

COMPOSITION AND ATTENDANCE DURING 2015

Member	4 Feb 2015	7 May 2015	6 Nov 2015	No of meetings: 3
LM Nyhonyha (Chairman)	✓	✓	✓	3/3
ZBM Bassa	✓	✓	✓	3/3
GS Gouws	✓	✓	R	2/2
DD Mokgatle	✓	✓	✓	3/3
AJ Morgan	✓	✓	✓	3/3
BP Sonjica	✓	✓	✓	2/3
AH Sangqu	NA	NA	✓	1/1

✓ Indicates attendance.
NA Indicates not appointed.
R Resigned.

Social, Ethics and Transformation Committee (Setco)

The Social, Ethics and Transformation Committee is constituted as a statutory committee in terms of the Companies Act and as approved by the board. The Committee comprises three independent non-executive directors. The Committee met three times during the year under review and, in addition to committee members, the Chief executive, Executive heads of safety, health and environment, public affairs and human resources attended the Committee meetings. The Committee has terms of reference in place outlining its purpose and responsibilities, which include the following:

- 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 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, ethics and transformation 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, ethics and transformation issues
- To encourage participation, cooperation and consultation on safety, sustainable development, health, environmental, social, ethics and transformation issues, matters of governments and national and international organisations
- 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 Sustainability Report 2015, is available on the Company's website www.angloamericankumba.com/investor_fin_reports.php.

COMPOSITION AND ATTENDANCE DURING 2015

Member	3 Feb 2015	6 May 2015	5 Nov 2015	No of meetings: 3
DD Mokgatle	✓	✓	✓	3/3
AJ Morgan	✓	✓	✓	3/3
BP Sonjica	✓	✓	✓	3/3
AH Sangqu	NA	NA	✓	1/1

✓ Indicates attendance.
NA Indicates not appointed.

Human Resources and Remuneration Committee (Remco)

Remco comprises four non-executive directors and its mandate includes dealing with all matters relating to human resources and remuneration issues, including employee relations, industrial relations, the attraction and retention of employees and the implementation of equitable compensation policies and plans. The Committee met four times during the year under review and, in addition to Committee members, the Chief executive, the Executive head of human resources and the Anglo American plc 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 general management of the Company and its subsidiaries. The Committee also assists the board with the following pertinent matters:

- To ensure that the remuneration philosophy, as noted by shareholders, is applied consistently throughout the Company
- To ensure that directors, executive management and the general workforce are remunerated fairly
- To ensure the transparent and accurate reporting of remuneration matters

The remuneration report for the year under review is on page 90.

COMPOSITION AND ATTENDANCE DURING 2015

Member	3 Feb 2015	6 May 2015	14 Jul 2015	11 Nov 2015	No of meetings: 4
AJ Morgan (Chairman)	✓	✓	✓	✓	4/4
F Titi	✓	✓	✓	✓	4/4
GS Gouws	✓	✓	R	R	2/2
LM Nyhonyha	NA	NA	NA	✓	1/1
ZBM Bassa	NA	NA	NA	✓	1/1

✓ Indicates attendance.
NA Indicates not appointed.
R Resigned.

Nominations and Governance Committee

The Committee has an independent role, operating as an overseer and a maker of recommendations to the board for its consideration and final approval. 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:

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

In addition, the Committee attends to the following:

- Creates governance policies and procedures that defines the roles and responsibilities of the board
- Develops processes to enhance corporate governance best practice in the Company
- Initiates and oversees the annual evaluation of the board, the Chairman, the Company secretary and the board Committees and their Chairman

In line with the JSE's Listings Requirements, the Committee is chaired by the Chairman of the board.

COMPOSITION AND ATTENDANCE DURING 2015

Member	7 May 2015	15 Jul 2015	20 Nov 2015	No of meetings: 3
F Titi (Chairman)	✓	✓	✓	3/3
ZBM Bassa	✓	✓	✓	3/3
AJ Morgan	✓	✓	✓	3/3
LM Nyhonyha	✓	✓	✓	3/3
DD Mokgatle	✓	✓	✓	3/3

✓ Indicates attendance.

The Executive Committee (Exco)

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 of each material area

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
- Establishing and overseeing best management practices
- Making senior managerial appointments
- Overseeing managerial performance

All members of Exco have also been identified as prescribed officers of the Company in terms of the Companies Act.

CORPORATE GOVERNANCE continued

GOVERNANCE IN ACTION

King III

During the year under review, the board complied with King III recommendations as outlined in the Code of Corporate Practices and Conduct and materially entrenched the majority of King III principles into its internal controls, policies, terms of reference and overall procedures.

KING III COMPLIANCE SCORECARD AS PER THE IOD GOVERNANCE ASSESSMENT TOOL

Board composition	AAA
Remuneration	AAA
Governance: office bearers	AAA
Board roles and duties	AAA
Accountability	AAA
Performance assessment	AAA
Board Committees	AAA

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

100% COMPLIANT

A table setting out how Kumba has applied the principles of King III is available on the Company's website (www.angloamericankumba.com). The table also highlights any exceptions, if any, in the application of the King Code.

Ethics

Kumba is committed to achieving the highest standards of ethical behaviour and, during the year under review, 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 Management Ethics Steering Committee, and where necessary, by external forensic specialists. The Steering 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 whistle-blower, via Deloitte. The Company secretary, Ms Avanthi Parboosing, is the Ethics Officer of Kumba.

Compliance

Complying with all applicable legislation, regulations, standards, best practices and codes is integral to the Company's success and sustainability. The board delegated the responsibility for compliance to management and the monitoring of business compliance with all the relevant regulatory obligations is conducted by the compliance function. The Regulatory compliance manager implemented a compliance programme during the year under review to mitigate the regulatory risk of non-compliance with those pieces of legislation that have been identified as of importance. In order to test adherence to regulatory obligations, an appropriate independent risk-based compliance monitoring plan was executed throughout the business.

The Compliance manager reports operationally to the Company secretary and has regular direct contact with the Chief financial officer, Chief executive and senior management. In addition, the Compliance manager attends key management and governance meetings and reports into the Risk Committee. During the year under review, the JSE made material amendments to its listings requirements. This Committee assessed the Company's compliance with these requirements and all other statutory and governance codes and was satisfied that it was fully compliant.

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 9 February 2016.

Company secretary

Ms Avanthi Parboosing is the appointed Company secretary. Her primary role 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. The Company secretary is a prescribed officer.

An annual evaluation of the Company secretary was carried out by the Nominations and Governance Committee, on behalf of the board. The results of the evaluation confirmed that the Company secretary continues to demonstrate the requisite level of knowledge and experience to carry out her duties. The board is also comfortable that she maintains an arm's length relationship with individual directors and confirms that she is not a director of the Company or any of its subsidiaries.

Dealing in securities

In alignment with JSE Listings Requirements, Kumba has a defined policy of conduct for directors and employees dealing in the Company's securities. 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, ad hoc trading embargos are imposed on individuals who possess price-sensitive information of a particular nature, at any given time.

JSE Socially Responsible Investment (SRI) Index

Kumba is a constituent on the JSE SRI Index. The Index assesses the constituent's performance in terms of triple bottom-line reporting on issues such as environment, society and economy as well as corporate governance.

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, Rand Merchant Bank (RMB). The Company is satisfied that the sponsor has executed its mandate with due care and diligence for the year under review.

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

LETTER FROM THE CHAIRMAN OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE (REMCO)

Allen Morgan
Chairman of the Human Resources and Remuneration Committee

We were pleased to receive positive feedback from our various stakeholders on the messaging contained in my letter last year and we hope that stakeholders derive value again this year from this communication.

As Chairman of the Human Resources and Remuneration Committee (Remco), this is the second successive letter that I am writing for Kumba's integrated report. The aim of the letter is to serve as a brief introduction to the detailed review of our remuneration policies, practices and performance and to highlight those issues that I see as particularly important. We were pleased to receive positive feedback from our various stakeholders on the messaging contained in my letter last year and we hope that stakeholders derive value again this year from my communication.

Our remuneration activities this year have been largely influenced by the toughest commodity market conditions that Kumba has yet faced. As a single commodity player that is currently in the third quartile of the cost curve, the falling prices have placed significant pressure on the Company's business model and its employees, and has highlighted the critical importance of having effective human resource and remuneration policies in place. Given the continuing levels of market uncertainty, and the need to implement a substantial turnaround strategy, the value of retaining and motivating the best talent has taken on particular significance.

FULFILLING OUR RESPONSIBILITIES: THE ROLE AND COMPOSITION OF REMCO

One of the most important functions of Remco is to ensure that Kumba has the right policies and practices to attract, motivate and retain the right talent for the Company, including in particular at the executive and leadership level. As outlined in more detail in our Remco report, our general pay structure comprises a combination of cash, benefits, and incentives (both short-term and long-term), designed to ensure effective delivery of our strategy, in alignment with stakeholder expectations in this regard. The performance incentive system at our operations focuses on the objectives set for each mine (such as leading and lagging safety indicators, production and waste stripping targets, and cost optimisation), while executive pay is related to the strategic objectives and performance of the Company as a whole. In this way, our remuneration seeks to support delivery of our overall strategy.

Each year the Committee reviews the skills profile of the Company and its leadership team, and we adjust our remuneration plans and policies accordingly. As a committee, we participate in all decisions relating to senior appointments and promotions. The policies we approve set the tone for talent retention and transformation across the Company. We are also responsible for undertaking annual evaluations of the performance of Kumba's executive directors, and for ensuring that their remuneration is linked to performance. In February each year we agree the indicators used to assess the performance of each director, and in November we assess their performance against these identified measures. The role of these indicators, which informs executives' remuneration, is to incentivise and reward performance in delivering on the Company strategy, over the short, medium and long term. Details regarding executive pay in relation to annual performance in respect of the Chief executive and Chief financial officer are contained in the Remuneration report.

The Committee is also responsible for reviewing Kumba's disclosure on remuneration in its annual integrated report, and for ensuring that this disclosure is straightforward, accurate and complete, and aligned with best governance practice. This disclosure should provide sufficient forward-looking information for shareholders to assess the remuneration policy and approve a resolution in terms of section 66(9) of the Companies Act, 2008.

Given the nature of its responsibilities, the composition and independence of the Remco is critical. As outlined in more detail in the governance review, in May 2015, Mr Gert Gouws, the IDC nominated representative on our board, retired, having served as a non-executive director for nine years.

In July 2015, Zarina Bassa and Litha Nyhonyha, both experienced independent directors, were appointed to the Committee. Both Zarina and Litha have significant corporate governance experience across a range of companies and sectors, and are both members and Chairmen (separately) of the Kumba Audit Committee and Risk Committee. This additional depth will help us in ensuring a smooth succession process within Remco over the longer term.

RESPONDING TO THE TOUGH MARKET CONDITIONS

As noted earlier, our decisions and activities this year have been informed primarily by the particularly tough operating environment. We have had to balance the drive for strict financial prudence with the imperative of retaining the skills and experience needed to implement Kumba's ambitious turnaround strategy.

While we acknowledge the concerns of shareholders and other stakeholders for restraint in executive pay, we believe strongly that our remuneration policy must remain sufficiently competitive to retain and motivate the required talent in critical areas. Given the current context, a key objective has been to ensure that we have the appropriate short-term incentives in place to retain the necessary technical skills for Kumba's turnaround, particularly given the potential for skills loss and migration in this volatile environment.

Of the various decisions the Committee took during 2015, I would like to highlight the following:

- We have approved the change that all employees in entry-level management (Band 6) will be awarded cash in place of shares; this cash payment will be deferred for one year
- The Bonus Share Plan will now be referred to as the Deferred Bonus Arrangement (DBA), and changes thereto are aligned with market best practice
- Given the tough operating context, we have approved a freeze in annual increase in 2016 for all directors, executives, and for all employees in senior management categories (Band 5 and above)
- The threshold and stretched targets on the ROCE achieved performance indicators, of 12% and 18% respectively was agreed in July 2015. The targets were previously 55% and 70% for the threshold and stretch respectively

During the year under review we have played an important oversight role regarding the human resource issues relating to the Thabazimbi closure, the restructuring of the head office, and more recently the restructuring processes at our Sishen and Kolomela operations. We will continue to do so in the year ahead, ensuring that due process is followed and that employees are supported, with due care, in managing the challenges associated with the organisational restructuring process. The inclusive and respectful approach adopted by the Company with regard to engagement with our employees and our various stakeholders (including government and unions) ensured a successful and smooth closure process at Thabazimbi. This approach extended to the restructuring activities at Sishen, Kolomela and the head office.

The recent significant deterioration in Kumba's share price, resulting from the volatile commodity price environment, has had a substantial negative impact on Kumba's broad-based employee share ownership scheme, Envision. Dividend payments totalling R37.4 million before tax were made during March 2015. The second five-year phase of Envision will mature in 2016. Following the fall in the share price, it is sadly anticipated that the value of benefits attached to the Envision pay-out will be zero. As such, an important priority in 2016 will be to convey this reality to our participating employees, in order to manage expectations.

APPRECIATION

I wish to thank my colleagues on the Human Resources and Remuneration Committee who have assisted me in fulfilling the Committee's important responsibilities. I also extend my thanks to Mr Norman Mbazima and his management team, for the hard work and dedication during the year under review. The year ahead promises to be another tough year but I know that I can confidently count on the support of the management team and my colleagues' in delivering on our responsibilities for progressive remuneration policies and practices.

Allen Morgan
Chairman of the Human Resources and Remuneration Committee
10 March 2016

REMUNERATION AND PERFORMANCE

KEY REMUNERATION DEVELOPMENTS AND ACTIVITIES OF REMCO

The following are some of the key developments and activities of Remco during 2015:

Changes to the membership of Remco:

- After serving as a non-executive director for nine years, Mr Gert Gouws ceased to be a member of Remco with effect from 8 May 2015
- Mr Litha Nyhonyha, who is chairman of the Risk Committee and a member of the Audit Committee, was appointed as a member of Remco with effect from 17 July 2015
- Ms Zarina Bassa, who is chairman of the Audit Committee and a member of the Risk Committee, was appointed as a member of Remco with effect from 17 July 2015

Key management changes during 2015:

- Mr Andrew Loots, Executive head of operations, left the employ of the Company on 30 September 2015 after 25 years of service with Anglo American plc
- Mr Billy Mawasha, the Executive head of technical and projects, was appointed as acting Executive head of operations with effect from 1 October 2015 until 31 January 2016. Mr Mawasha was subsequently transferred to the position of Executive head of operations and integration with effect from 1 February 2016
- Mr Glen Mc Gavigan was appointed as an acting Executive head of technical and projects with effect from 1 October 2015. Mr Mc Gavigan also now serves on the Executive Committee of the Company, and has been appointed as a prescribed officer of Kumba
- Mr Nic Bowen was appointed as the Executive head: Sishen mine with effect from 1 February 2016, on a one-year contract. Mr Bowen will serve on the Executive Committee of the Company

The volatile iron ore market and consequent deterioration of the Company's share price has had a significant negative impact on the employee share ownership plan (Envision). Dividend payments totalling R37.4 million before tax were made during March 2015 in respect of 2014 dividends. As a result of the fall in the Kumba share price, the Envision unit value fell to a level of zero since March 2015.

The Committee also took the following key decisions during 2015:

- Approved changes for the Bonus Share Plan to be referred to as the Deferred Bonus Arrangement (DBA)
- Employees in Band 6/12 to be awarded cash in place of shares. Cash is deferred for one year
- Due to tough operating conditions, approved a 2016 freeze in annual increase for directors, executives and employees in senior management categories
- Reviewed and approved the 2014 performance assessments and performance incentive payments for the Chief executive and prescribed officers
- Reviewed and approved the 2015 share allocation awards under the Deferred Bonus Arrangement and Long-Term Incentive Plan (LTIP) for the Chief executive, and applicable employee categories
- Approved the 2015 performance conditions for LTIP
- Approved 2015 performance contracts of the Chief executive, the Chief financial officer as well as all prescribed officers
- Considered recommendations by management in relation to non-executive director remuneration for final recommendation by the board to shareholders
- Reviewed and approved the succession plan strategy for executive directors and other senior executives of the Company
- Reviewed the remuneration disclosure in the Integrated Report to ensure that it was accurate and transparent and provided 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
- Oversaw and guided the Thabazimbi closure, specifically in relation to all human resource related issues
- Oversaw and guided the restructuring of the Company's head office and support service functions at Sishen and Kolomela

OBJECTIVES OF THIS REPORT

This report covers the following aspects of remuneration in Kumba:

Part one

- Roles, responsibilities and constitution of Remco
- An overview of key elements of remuneration for all employees, with detailed explanations for executive directors, prescribed officers and non-executive directors
- An overview of reward policy and practices within Kumba

Part two

- Details of remuneration outcomes and activities in 2015, namely remuneration paid to directors and executive management during 2015, including details of long-term incentives awarded during the year

PART ONE: REMUNERATION PHILOSOPHY AND POLICY

Role of Remco and terms of reference

The Remco assists the board with remuneration policies and programmes in line with Company strategy and objectives, with a specific focus on executive and prescribed officer remuneration. Remco's governance activities include:

- Approving:
  - 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
- Reviewing and making recommendations to the board on:
  - 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 target

The Remco terms of reference are available on Kumba's website.

Membership of Remco

The Committee comprises the following independent non-executive directors:

- AJ Morgan (Chairman)
- F Titi
- L Nyhonyha
- Z Bassa

Frequency and attendance of Committee meetings

In addition to Committee members, the Chief executive, Executive head of human resources and the Anglo American plc head of reward attend meetings of the Committee. Directors are not involved in any decisions regarding their own remuneration and are recused from such discussions and deliberations.

Remco met four times during the year and attendance is presented in the table on page 85. Abridged biographies for the members of Remco are available on pages 14 – 15 of this report as well as on the Company website at: www.angloamericankumba.com/about-us/leadership-teams/our-board.aspx.

REWARD APPROACH

Our remuneration philosophy underpins our strategy

Our reward philosophy forms an integral part of our employment ethos and supports Company strategy. Our reward strategy aims to:

- Maintain Kumba as an employer of choice
- Motivate 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 critical link between executive remuneration and performance against strategy, with the ultimate aim of creating shareholder value.

REMUNERATION AND PERFORMANCE

continued

KUMBA'S APPROACH TO REWARD

Elements of remuneration

The table below describes the key elements of the remuneration packages paid to all employees, including executive directors and prescribed officers during the 2015 financial year.

	STRATEGIC INTENT	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	Salary	Monthly	All employees
	• 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	Benefits	• Employer contribution to selected retirement funds • Subsidised medical aid • Life and disability insurance • Housing allowances and five-year mortgage subsidy plan • Study assistance for formal education	
			• Other allowances	Job specific Scarce skills Transformation
Performance incentives	• Aim to align achievement of production, safety and cost targets at operational level • Encourage the achievement of stretch targets at Company/ business unit/functional/individual level • Align management and shareholder interest • Long-term retention	Performance bonus	Cash paid on monthly, quarterly, bi-annual or annual basis, depending on circumstances at each mine	Bargaining unit employees
			The incentive is delivered in two parts: (i) Annual cash incentive (ii) Deferred cash bonus with a holding period of one year before vesting	Entry level management (Band 6/12)
			The incentive is delivered in two parts: (i) Annual cash incentive (ii) Deferred bonus shares with a holding period of three to five years (for the Chief executive) before vesting	Senior management and above

	STRATEGIC INTENT	REMUNERATION ELEMENTS	PAY DELIVERY	ELIGIBILITY
Long-term incentives	Retention of skills and achievement of direct alignment with shareholder interest	Long-term incentive plan (LTIP)	Delivered in conditional shares with specified performance conditions attached	Executive directors
	Reward employees for contribution to long-term sustainable Company performance	Forfeitable shares	Delivered in forfeitable shares	Prescribed officers and selected senior managers, excluding executive directors
	Attract and retain key employees	Participation in employee share ownership plan (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, external market and country benchmarks.

The remuneration of executive directors and prescribed officers consists of fixed and variable components that are designed to ensure a substantial portion of the remuneration package is linked to the achievement of the Company's strategic objectives, thereby aligning incentives awarded to the creation of sustainable 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 performance incentive elements 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 page 99 of this report.

Variable remuneration

Variable remuneration consists of two elements: an annual performance incentive; and long-term incentive plans that run over a three–year performance period (and an additional two-year holding period in the case of the Chief executive).

ANNUAL PERFORMANCE INCENTIVES	
Purpose	The incentive is designed to reward and motivate the achievement of agreed Company, strategic, financial and operational objectives, linked to key performance areas within employees' respective portfolios. Through the deferred bonus arrangement, long-term sustained performance is encouraged.
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 March of the following year • A deferred bonus arrangement in which a proportion of the cash incentive is matched and awarded as (i) 140% (150% for the Chief executive) of the cash incentive in deferred shares, 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. This is applicable to executive directors, prescribed officers and senior management (ii) 70% of the cash incentive is deferred, which is awarded after the end of the relevant financial year. The deferred cash is linked to performance during the financial year in the same manner as the annual cash incentive, and is subject to a one-year holding period before vesting, during which it remains restricted. This is only applicable to entry level management (Band 6)

REMUNERATION AND PERFORMANCE

continued

ANNUAL PERFORMANCE INCENTIVES

	The deferred bonus shares as well as deferred cash will be forfeited if the participant leaves employment during the restricted period (except if the participant is a 'good leaver' under the DBA scheme rules). Participants earn dividends on the deferred bonus shares.
Performance measures	Managers within Kumba are measured on business-specific strategic value drivers aligned to operational and/or mine-specific strategic priorities as approved by the board. In 2015 emphasis was placed on the following: • Leading and lagging **safety** indicators including safety leadership • Total **production** and compliance to **mine plan** • Cost optimisation (unit cost) • **Financial** performance – EBIT, operating free cash flow, earnings per share (Kumba Iron Ore and Anglo American plc)
Maximum value of annual performance incentive	The values of the annual performance incentive for executive directors and prescribed officers are: **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 performance management standard. This is based on a maximum on-target cash 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 performance management standard. 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 Group Management Committee (GMC) of Anglo American plc at the end of the year taking into account Kumba business performance against the targets set for the year. The business multiplier has ranged between 0.5 and 1.3 over the past seven 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 performance incentive for prescribed officers and Chief financial officer.
Changes in 2015	All employees in Band 6 are awarded cash in place of shares. Cash is deferred for one year before vesting. The Bonus Share Plan will be referred to as the Deferred Bonus Arrangement (DBA). The changes are aligned to market best practice.

KEY PERFORMANCE FOCUS AREAS FOR 2016

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 • Stripping ratio
Cost	• Unit costs • Additional agreed initiatives
Financial	• EBIT • Operating free cash flow • Earnings per share (Kumba Iron Ore (KIO) and Anglo American plc group)

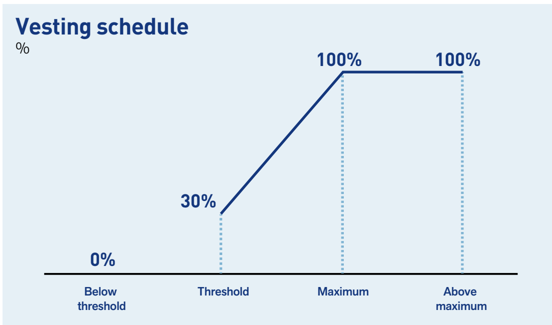
LONG-TERM INCENTIVES

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.
2015 performance measures	Two performance conditions, measured over a three-year performance period, apply to each allocation:

Performance Indicator	Weighting	Threshold target	Stretch target
Return on capital employed (ROCE) achieved	50%	12%	18%
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 2015	The threshold and stretched targets on the ROCE achieved performance indicator, of respectively 12% and 18%, were agreed by the Remco in July 2015. The targets were previously 55% and 70% for the threshold and stretch respectively.
Company limits	The aggregate limit for the BSP and LTIP is 10% of the issued share capital. Shares are purchased in the market and not issued for purposes of settlement of the BSP or LTIP. The current level of outstanding shares is <1% as a percentage of total issued share capital.

Executive directors' and prescribed officers' contracts of employment

Executive directors and prescribed officers are not employed on fixed-term contracts but have standard employment contracts with notice periods of up to 12 months. Although restrictions apply for six months after termination of service, no restraint of trade provisions apply and no restraint payments have been made during the year. There are no changes of control provisions or any provisions relating to payment on termination of employment.

External appointments of executive directors and prescribed officers

External appointments are subject to approval by the board and are governed by the business integrity policy.

REMUNERATION AND PERFORMANCE

continued

NON-EXECUTIVE DIRECTORS' FEES

Non-executive directors do not have employment contracts with the Company or participate in any of the Company's incentive plans. Non-executive directors are subject to retirement by rotation and re-election by shareholders in accordance with the Memorandum of Incorporation of the Company.

Based on proposals by management, 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 were paid for the year under review.

Annual fees payable to non-executive directors were approved by shareholders at the AGM on 8 May 2015. The fees are as follows:

	2015/2016 fees per annum (Rand)*	
Capacity	Chairman	Member
Board of directors	1,242,150	209,265
Audit Committee	297,300	138,915
Risk Committee	297,300	138,915
Social, Ethics and Transformation Committee	297,300	138,915
Human Resources and Remuneration Committee	297,300	138,915
Nominations and Governance Committee	N/A**	138,915

* No increase awarded for 2016.

** The Nominations and Governance Committee is chaired by the Chairman of the board and there are no additional fees paid for this responsibility.

PART TWO: DISCLOSURE ON THE IMPLEMENTATION OF POLICIES FOR THE FINANCIAL YEAR

GUARANTEED PAY ADJUSTMENTS

Average rate of increase

The average rate of increase on the guaranteed package granted in 2014 for the 2015 financial year for executive directors was 5.5%, excluding offshore remuneration.

The average increase for prescribed officers granted in 2014 for the 2015 financial year was 6.0% and 6.5% for all other management employees.

During 2014, Kumba and the representative trade unions signed a multi-year collective wage agreement for the period 1 July 2014 to 30 June 2017. The second year of the agreement was implemented on 1 July 2015. A total increase of 9% was granted in line with the agreement.

ANNUAL PERFORMANCE INCENTIVE OUTCOMES

During 2015 total production declined 7% to 44.9Mt compared to 48.2Mt in 2014 due to operational challenges at Sishen mine. Kolomela continued to perform well. Record export sales of 43.5Mt were achieved by the Company.

Kumba's full year results reflect the challenging market conditions, with the realised free-on-board (FOB) iron ore price declining 42% to US$53/tonne largely resulting in a 66% decrease in headline earnings to R11.82 per share (2014: R34.32).

The annual cash incentive and award of bonus shares are based on performance outcomes as detailed below and the outcomes for 2015 were as follows:

CHIEF EXECUTIVE'S PERFORMANCE

	Actual performance level				
Key results area	Below	Threshold	On target	Above	Maximum
Company performance (75%)					
Safety (15%)		●			
Operational (30%)			●		
Costs (10%)					●
Operating profit (5%)					●
Operating free cash flow (5%)					●
Anglo American plc and Kumba earnings per share (10%)	●				
Personal performance (25%)				●	
OVERALL PERFORMANCE			●		

Resulting BSP award:	**Cash award of 65.30% 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:	No loss of life in 2015. Operational targets were generally achieved in spite of challenging operating conditions that necessitated reconfiguration of the Sishen mine plans to shift from a volume- to a value-based strategy. Reorganisation and capital management delivered a reduction of R4 billion in controllable costs. Net debt reduced by 42% to R4.6 billion.

CHIEF FINANCIAL OFFICER'S PERFORMANCE

	Actual performance level				
Key results area	Below	Threshold	On target	Above	Maximum
Safety, health and environment (5%)				●	
Financial strategy and planning (25%)			●		
Financial reporting (20%)				●	
Mission critical projects (30%)				●	
People and transformation (10%)				●	
Investor relations (10%)				●	

	Actual performance level				
Key results area	Below	Threshold	On target	Above	Maximum
OVERALL PERFORMANCE				●	

REMUNERATION AND PERFORMANCE

continued

CHIEF FINANCIAL OFFICER'S PERFORMANCE continued

Resulting BSP award:	**Cash award of 36.54% of annual BEC**. Shares based on 140% of the cash bonus, deferred for three years
Key performance commentary:	No loss of life in 2015. Operating expenses, excluding impairments, were 2% lower as a result of stringent cash preservation measures implemented. The Dingleton project, which would enable Sishen mine to extract ore resources between the mine and the town, made good progress in 2015. Sound oversight of key financial matters. Intensively assessed proposed capital expenditure and reduced capex for the year by 20% to R6.8 billion (including deferred stripping). Focused on savings on overheads, study costs and headcount rationalisation, delivering savings of R0.9 billion.

LTIP VESTING OUTCOMES AND AWARDS

For both the Chief executive and Chief financial officer, the first long-term incentive plan share awards were made in 2013 and will result in an outcome at the end of 2015.

Conditional awards made during 2013 in terms of the LTIP rules are subject to the following performance measures:

- Return on capital employed (ROCE) – 50%
- Total shareholder return (TSR) – 50%

ROCE performance and vesting conditions

% of LTIP vesting	Performance level	ROCE target for 2013 award	ROCE achieved
30%	Entry (lower)	52.0%	
60%	Target	54.7%	**58.8%**
100%	Extended (upper)	57.5%	

As a result of the actual ROCE performance being above the extended/upper target of 57.5%, 100% of conditional shares subject to ROCE performance condition will vest in 2016.

TSR PERFORMANCE AND VESTING CONDITIONS

The percentage of the conditional shares that is subject to the TSR performance condition that will vest is determined by assessing the Company's performance relative to a peer group in terms of TSR. The threshold target is the median of the comparator peer group with a stretch target of the upper quartile TSR ranking on the comparator peer group.

Kumba's TSR was below the median of the comparator peer group, therefore 0% of shares subject to this performance criterion will vest. All unvested shares will lapse.

2015 EMOLUMENTS (AUDITED)

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 2015 performance (paid March 2016)	Face value of BSP shares awarded in respect of 2015 performance (awarded March 2016)	Directors' fees	Committee fees	LTIP – Value earned in respect of performance period 2013-2015 (vesting 2016)	**2015**	2014
Executive directors									
NB Mbazima[1]	8,942	1,285	4,027	6,041			719	**21,014**	19,765
FT Kotzee[2]	4,255	412	1,460	2,044			217	**8,388**	7,914
Sub-total	**13,197**	**1,697**	**5,487**	**8,085**			**936**	**29,402**	**27,679**
Non-executive directors									
F Titi					1,227	–		**1,227**	1,166
ZBM Bassa					207	550		**757**	578
GS Gouws[3]					116	–		**116**	447
KT Kweyama[4]					50	–		**50**	196
DD Mokgatle					207	686		**893**	709
AJ Morgan					207	823		**1,030**	839
LM Nyhonyha					207	550		**757**	568
AM O'Neill					207	–		**207**	196
BP Sonjica					207	275		**482**	447
AH Sangqu[5]					105	139		**244**	–
Sub-total					**2,740**	**3,023**		**5,763**	**5,146**
Prescribed officers									
AC Loots[6]	6,808	296	–	–				**7,104**	5,467
FM Louw[7]	–	–	–	–				**–**	3,972
VF Malie[8]	–	–	–	–				**–**	328
B Mawasha[9]	4,081	541	1,251	1,751				**7,624**	8,304
GM Mc Gavigan[10]	451	61	162	227				**901**	–
Y Mfolo	2,061	296	669	937				**3,963**	3,691
LLA Mgadzah	1,944	278	333	466				**3,021**	3,217
A Parboosing	1,845	269	562	787				**3,463**	2,795
TS Smit[11]	2,845	517	999	1,399			1,130	**6,890**	–
SV Tyobeka	2,202	319	767	1,074				**4,362**	4,231
Sub-total	**22,237**	**2,577**	**4,743**	**6,641**			**1,130**	**37,328**	**32,005**
Total	**35,434**	**4,274**	**10,230**	**14,726**	**2,740**	**3,023**	**2,066**	**72,493**	**63,284**

1 Emolument includes base salary of R1,066,413 (EUR 63,345) and retirement benefits of R266,603 (EUR 15,836) (25% of base salary) paid by KITSA in respect of services rendered offshore during 2015, and a base salary from Anglo American SA of R256,690.

2 Emolument includes base salary of R1,300,504 (EUR 77,250) paid by KITSA in respect of services rendered off shore during 2015.

3 Resigned 8 May 2015.

4 Resigned 29 April 2015.

5 Appointed 29 June 2015.

6 Resigned 30 September 2015. Base salary includes all termination benefits.

7 Restructuring of the Executive head of projects role during 2014, resulted in FM Louw ceasing to be a prescribed officer with effect from 1 November 2014.

8 Resigned 1 March 2014.

9 Emoluments include acting allowance in base salary for additional responsibilities as acting Executive head of operations from October 2015.

10 Emoluments include acting allowance in base salary for additional responsibilities as acting Executive head of technical and projects from October 2015.

11 As a member of Exco, TS Smit is a prescribed officer of the Company, however he was employed by Anglo American Luxembourg S.A.R.L. up until 31 July 2015. From 1 August 2015, TS Smit is employed by Kumba Singapore Pte and emoluments are shown from 1 August 2015 and paid in Singapore Dollars. The LTIP value earned relates to an award made while employed by Anglo American Luxembourg S.A.R.L.

REMUNERATION AND PERFORMANCE

continued

Interests of executive directors and the prescribed officers

The interests of the executive directors and of prescribed officers in shares of the Company granted in terms of the various long-term incentive schemes are shown below.

		Granted awards			Vested awards			Outstanding awards		
Capacity and name	Number of awards at 1 January 2015	Granted during 2015	Date of grant	Market value on grant date R'000	Number of shares vested during 2015	Vesting date	Notional value at date of vesting R'000	Number of awards at 31 December 2015	Notional value of outstanding awards R'000	Earliest date of vesting of outstanding awards
Executive directors										
Bonus Share Plan										
NB Mbazima	19,162	23,315	01-Mar-15	5,339	–			42,477	1,750	01-Mar-16
FT Kotzee	7,332	9,342	01-Mar-15	2,139	–			16,674	687	16-Feb-16
LTIP										
NB Mbazima	51,396	54,409	01-Mar-15	4,237	–			105,805	1,252	01-Mar-16
FT Kotzee	15,843	16,819	01-Mar-15	1,310	–			32,662	386	01-Mar-16
Sub-total	**93,733**	**103,885**		**13,025**	**–**		**–**	**197,618**	**4,075**	
Prescribed officers										
Bonus Share Plan										
AC Loots	12,349	12,484	01-Mar-15	2,859	24,833	01-Oct-15	1,934	–	–	
FM Louw	15,073	–		–	15,073	01-Apr-15	2,241	–	–	
VF Malie	8,302	–		–	2,776	01-Mar-15	636	5,526	228	01-Mar-16
B Mawasha	11,473	19,189	01-Mar-15	4,394	–			30,662	1,263	01-Mar-16
GM Mc Gavigan	5,195	7,478	01-Mar-15	1,712	–			12,673	522	01-Mar-16
Y Mfolo	8,670	7,420	01-Mar-15	1,699	–			16,090	663	16-Feb-16
LLA Mgadzah	8,180	6,336	01-Mar-15	1,451	–			14,516	598	16-Feb-16
A Parboosing	4,076	1,217	01-Mar-15	279	–			5,293	218	16-Feb-16
SV Tyobeka	10,326	8,667	01-Mar-15	1,985	–			18,993	783	16-Feb-16
Sub-total	**83,644**	**62,791**		**14,379**	**42,682**		**4,811**	**103,753**	**4,275**	
Total	**177,377**	**166,676**		**27,404**	**42,682**		**4,811**	**301,371**	**8,350**	

DISTRIBUTION STATEMENT

Rand million	2015	2014
Employees	4,666	4,580
Providers of finance	876	520
Government	949	5,424
Community spend	175	202
Shareholders	3,301	15,178
Value reinvested	1,005	1,384
Value retained/(distributed)	3,717	(599)

DIRECTORS' BENEFICIAL INTEREST IN KUMBA

The aggregate beneficial interest in Kumba at 31 December 2015 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 2015 and the date of approval of the annual financial statements.

	2015			2014		
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	–	148,282	148,282	–	70,558	70,558
F Kotzee	–	49,336	49,336	–	23,175	23,175
Sub-total	–	197,618	197,618	–	93,733	93,733
Non-executive directors						
DD Mokgatle[2]	428	–	428	428	–	428
GS Gouws[3]	N/A	–	N/A	213	–	213
Sub-total	–	–	428	641	–	641
Total	428	197,618	198,046	641	93,733	94,374

1 Granted under the Bonus Share Plan, Long-term Incentive Plan and disclosed in the tables above.
2 Total indirect interest held by spouse.
3 Total indirect interest held by spouse. Mr G Gouws resigned on 8 May 2015.

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.

Administration

RUSSELL AND ASSOCIATES 8667/15

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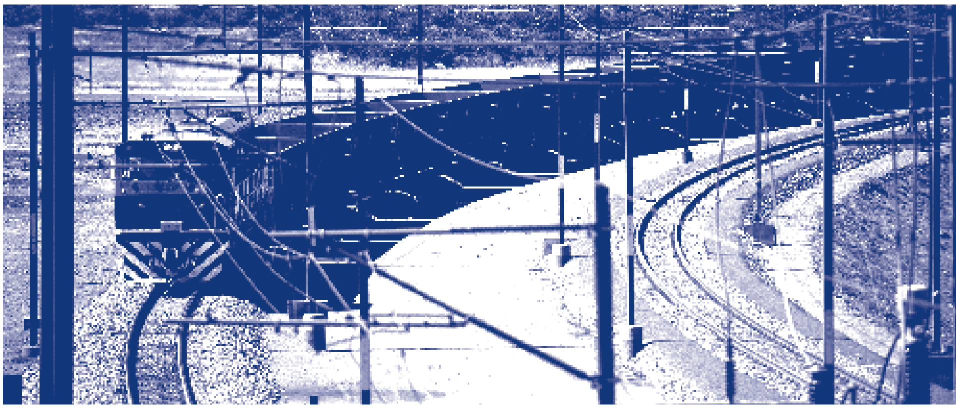

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