KEY FEATURES

- Regrettably, two fatalities
- Financial performance underpinned by strong cash generation
- Cash breakeven price within targeted range at $34/tonne
- Substantial R3.1 billion reduction in controllable costs
- Balance sheet strengthened to net cash position of R548 million
- Restructuring of Sishen completed successfully
- Production reduced by 21% to 17.8 Mt consistent with revised Sishen mine plan
- HEPS of R3 billion, R9.41 per share, up 20%

OTHER SOURCES OF INFORMATION

Our website provides more information on our company and its performance.

www.angloamericankumba.com

COMMENTARY

Kumba Iron Ore Limited ('Kumba' or 'the company' or 'the group') announces its results for the six months ended 30 June 2016.

SAFETY

The focus on safety remains the key priority for the group. Regrettably, two of our colleagues lost their lives in the first six months of the year. It is with deep regret that we report the deaths of Mr Grahame Skansi, a drill operator at Kolomela mine, on 27 January 2016, and Mr Gideon Dihaisi, a learner electrician at Sishen mine, on 10 May 2016. Our heartfelt condolences go out to their loved ones. Any injury or loss of life in the work environment is both tragic and unacceptable. We have revised our safety programmes and plans to drive a turnaround. Interventions have been initiated to enhance employees' understanding of risk, ensure role clarity and improve overall engagement through safety communication. The implementation of critical engineering controls for priority unwanted events continues. The total recordable case frequency rate, a measure of frequency of injuries, was 0.83 (2015: 0.77) and the lost-time injury frequency rate (LTIFR) increased to 0.27 (2015: 0.22). The interventions in our safety performance are starting to yield results with encouraging improvements in our leading indicator reporting.

SIGNIFICANT CHANGES DELIVERED

Norman Mbazima, Chief Executive of Kumba, notes, "This time last year, Kumba was facing a significantly deteriorating price environment which brought about immense change to the industry. Iron ore prices have since declined by a further 13%, reflecting the deep shift in commodity markets. Dynamic iron ore market fundamentals, including low cost supply, the flattening of the cost curve and more muted demand from China, necessitated a thorough review of Kumba's business in order to further improve its competitive position and reduce cash costs. As a result, we moved decisively to implement major changes which included closing unprofitable ore sources, moving Sishen to a lower cost pit shell, restructuring the entire organisation, reducing cash costs, preserving cash and introducing operational improvements. I am pleased to report that we have made substantial progress as reflected in this set of mid-year results.

We revised our asset portfolio by ceasing operations and commencing closure processes at the high cost Thabazimbi mine, ramping up low cost production at Kolomela and significantly restructuring our core asset, Sishen, to cope with lower prices. This enabled us to reset our operational and capital expenditure, bringing down cash costs and our cash breakeven price to more competitive levels. The improvement in prices over the past six months from the low of $38.50/tonne in December 2015, the R3.1 billion savings in controllable costs, including a 61% reduction in capital expenditure to R1.3 billion, enabled us to generate strong free cash flow, which supported the substantial debt reduction from a net debt position of R4.6 billion at the end of 2015. At 30 June 2016, Kumba was in a net cash position of R548 million, which provides us with good financial flexibility to cope with the challenges that lie ahead. Kumba is now much more resilient and better positioned for lower prices."

OPERATIONS REFLECT CHALLENGING FIRST HALF

The first half of 2016 has been exceptionally challenging operationally as a result of the transition to the revised 2016 mine plan at Sishen and the consequential major reduction in the workforce. The revised mine plan necessitated an extensive redeployment of mining equipment resulting in a 30% reduction in the mining fleet. We are considering the future use of the equipment.

COMMENTARY

continued

The restructuring process at Sishen commenced on 28 January 2016 and involved a review of the complete organisational structure. As such, the process affected every role on the mine as we aimed to ensure that the workforce matched the new mine plan, in terms of the reduced equipment and substantially increased productivity rates. The process has largely been completed and resulted in a reduction in the workforce of some 1,500 full-time employees and 900 contractors, equivalent to a 31% overall reduction. This took place mainly through voluntary separation and without any work stoppages. We are pleased that overall labour relations have been stable throughout the period.

Total production was reduced by 21% to 17.8 Mt, most of which was due to the significantly revised mine plan at Sishen. This reduction was affected further by disruptions caused by the restructuring process, higher than normal rainfall and safety related stoppages.

We have seen a marked recovery in productivity and key operational performance drivers at Sishen post the restructuring, which, together with Kolomela's steady performance, gives us confidence that we will achieve full year guidance on production of ~39 Mt. Notwithstanding the fact that the second half catch-up is likely to put pressure on the logistics channel, we are confident of achieving our revised export sales guidance of ~38 – 39 Mt.

ROBUST FINANCIAL PERFORMANCE

Capital and cost discipline remains fundamental to our business model as we move forward in this uncertain and volatile landscape. The transformation in our cash cost base has provided us with a reasonable uplift in our operating margin to 29%, compared to the 18% in 2H 2015, and in line with the 28% of 1H 2015. Despite lower realised prices and volumes, on a normalised basis, our year on year financial performance has remained quite robust. Operating free cash flow was strong, up 18% to R6.7 billion and we have delivered an improved return on capital employed of 37% (1H 2015: 34%). We aim to continue to transform our cost base, working towards the most important shareholder principle – that of growing sustainable free cash flow and reinstating the dividend.

NO INTERIM DIVIDEND

The board's approach is to review the declaration of a dividend at each interim and annual reporting period. Taking cognisance of the continued market volatility and uncertain outlook, we intend to continue to strengthen our balance sheet as outlined above and focus our efforts on stabilising and further improving our operational performance. The board has therefore decided not to declare an interim 2016 dividend.

OVERVIEW OF SIX MONTHS ENDED 30 JUNE 2016

Total tonnes mined were 110 Mt, 35% lower than the 170 Mt of 1H 2015, in line with the new pit configuration at Sishen. Total production declined to 17.8 Mt due to the planned reduction in production at Sishen of 11.5 Mt, and a continued strong performance at Kolomela of 5.9 Mt, with the balance made up by the final Thabazimbi volumes. Total sales volumes decreased by 22% to 20.2 Mt (2015: 26 Mt) on the back of lower export sales of 18.1 Mt (2015: 23.2 Mt), due to the lower production.

Kumba reduced controllable costs by $8/tonne from the average for the full year 2015 to achieve an average cash breakeven price of $34/tonne (CFR China) in the first six months of 2016, well within the targeted range of $32/tonne - $40/tonne. The improvements include savings in operating costs of \$3.64/tonne, capital expenditure reduced by \$4.83/tonne, and lower freight rates assisted further with approximately \$2/tonne. FOB cash costs for the company were down 18% to \$27/tonne, while Sishen and Kolomela achieved \$30/tonne and \$21/tonne, respectively.

Headline earnings increased by 20% to R3 billion (2015: R2.5 billion), mainly as a result of the derecognition of a deferred tax asset of R617 million in H1 2015. Earnings were impacted by lower realised iron ore export prices, which weakened by 10% to an average of \$55/tonne (2015: \$61/tonne), partially offset by the favourable impact of a 29% weakening of the Rand against the US Dollar. Attributable and headline earnings for the period were R9.30 and R9.41 per share, respectively. Normalised earnings were 4% lower than the comparative period at R9.41 per share (2015: R9.78 per share).

REGULATORY UPDATE

In 2015, Sishen Iron Ore Company (Pty) Limited (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 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 were not capable of being accepted by SIOC as SIOC believes the Mineral and Petroleum Resources Development Act (MPRDA) does not provide for the imposition of such conditions, they are not practically implementable and lack sufficient detail to provide the company with legal certainty.

SIOC submitted an internal appeal in terms of section 96 of the MPRDA to the Minister of Mineral Resources, which sets out the basis of its objections to the proposals. SIOC has not yet received a response and continues to engage with the DMR in this regard.

SARS ASSESSMENT

On 29 February 2016, the group announced the receipt of a tax assessment from SARS, relating to SIOC's overseas sales and marketing businesses, covering the period 2006 to 2010, for the amount of R5.5 billion. This included interest and penalties of R3.7 billion. On 18 July 2016, the group submitted its objection to the assessment.

An application was submitted to the Commissioner of SARS for a suspension of payment. SARS granted the suspension of payment until 31 July 2016 to allow for the evaluation of SIOC's grounds of objection. SARS will resubmit SIOC's application for the suspension of payment to the relevant SARS committee to consider the continuation of the suspension in light of SIOC's objection.

The field audit, covering the 2011 to 2013 years of assessment, is in progress.

The group considered these matters in consultation with specialist external tax and legal advisers and disagrees with SARS' audit findings, and believes that all the above matters have been appropriately treated in the results for the six months ended 30 June 2016.

COMMENTARY

continued

MARKET OVERVIEW

Global crude steel production contracted 2.5% to 794 Mt for the first half of 2016 (2015: 814 Mt). China's production of 401 Mt was 2% lower despite a 6% year on year increase in Chinese steel exports. The improvement in downstream demand in China, driven by a record liquidity injection and accelerated infrastructure spending, has temporarily staved off the overcapacity in the domestic steel sector, pushing steel prices higher. This positive demand environment and improved steel mill margins have driven up Chinese crude steel production, boosting demand for iron ore.

Global seaborne iron ore supply was 5% higher at 699 Mt (2015: 667 Mt) due to higher exports from Australia and Brazil, tempered by seasonal disruptions. The price rally during 1H 2016 incentivised non-traditional higher cost supply sources to re-enter the market.

Notwithstanding the iron ore price recovery up to $70.50/tonne in April 2016 from the historic lows in 2015, average index iron ore prices (CFR China 62% Fe) in the first half of 2016 were down 13%, from $60/tonne in 1H 2015 to $52/tonne. Trading in steel and iron ore futures has contributed to the significant price volatility over the period. Mine restarts, seasonal supply uptick and continued weakening supply and demand fundamentals are expected to result in further pressure on the iron ore price for the remainder of the year.

OPERATIONAL PERFORMANCE

Production summary (unaudited)

'000 tonnes	Year to date ended June 2016	Year to date ended June 2015	% change
Total	**17,788**	**22,552**	**(21)**
Lump	**11,391**	14,652	(22)
Fines	**6,397**	7,900	(19)
Mine production	**17,788**	**22,552**	**(21)**
Sishen mine	**11,541**	16,062	(29)
DMS plant	**6,727**	10,178	(34)
Jig plant	**4,814**	5,884	(18)
Kolomela mine	**5,877**	5,853	–
Thabazimbi mine	**370**	637	(42)

Sishen mine

Sishen's operations were impacted by the implementation of the revised mine plan, which effectively halved mining volumes, and the consequential major reduction in the workforce as detailed earlier. As a result, total tonnes mined at Sishen decreased by 33% to 83.7 Mt (2015: 125.6 Mt). Through the implementation of the changes, the mine's stripping ratio reduced to 3.5 for the six months, compared to 5.7 for the FY 2015, which reflects the positive results expected from the new plan.

Production at Sishen declined by 29% to 11.5 Mt (2015: 16.1 Mt) and waste mined was 64.9 Mt, a 40% reduction from 2015. Run rates for the half year were affected by the significant restructuring process, which commenced in the first quarter, and which has now been substantially completed. This was further aggravated by higher levels of rainfall, and safety incidences, including a fatality. Rainfall averaged 72 mm per month compared to a long-term average of 42 mm and an average of 22 mm in the corresponding period.

The successful restructuring has increased the mine's flexibility and run rates on key operating parameters have shown a marked improvement during June 2016. Average daily total tonnes handled and ex-pit ore improved by 28% and 38%, respectively, compared to May 2016, in support of the guided production for the full year of ~27 Mt.

Kolomela mine

At Kolomela, the revised mining plan announced at the end of 2015 was implemented, in line with the optimisation of the mine. As a result, total tonnes mined was 24% lower at 26.7 Mt, (2015: 34.9 Mt). Waste mined was 20.2 Mt (2015: 26.3 Mt), a decrease of 23%, as planned. Operations were impacted by a safety stoppage early in the period following the fatality which occurred in January 2016. The mine produced 5.9 Mt of ore (2015: 5.9 Mt) from 24% lower ex-pit ore, benefiting from stockpiled material. Plant efficiencies and throughput continue to improve in support of the mine's targets.

Operating Model

The implementation of the Operating Model continues to yield operational efficiency improvements and supported the restructuring during H1 2016 at both mines, where the clarity of work that is assigned through the Operating Model assisted greatly in the configuration of the new structures.

The roll out of the Operating Model at Sishen continues and has now been implemented in various parts of the mining and maintenance departments. The first Operating Model implementation at Kolomela mine went live during H1 2016, where work management processes were implemented at both the plant maintenance and plant operations. This work is currently in the stabilisation phase, and the mine has already seen significant benefits from the implementation, most notably the reduction in plant throughput variation.

Logistics

Kumba's volumes railed on the Sishen-Saldanha Iron Ore Export Channel were 16% lower at 18.3 Mt (including 0.7 Mt railed to Saldanha Steel) (2015: 21.8 Mt), impacted by low stock levels as a result of reduced production. The group is in ongoing discussions with Transnet to mitigate the impact of any volume shortfalls. Kumba shipped 18.1 Mt (2015: 23 Mt) from the Saldanha port destined for the export market, down 21%, including 0.3 Mt shipped through the multi-purpose terminal (MPT) at the Saldanha port.

COMMENTARY

continued

Sales summary (unaudited)

'000 tonnes	June 2016	June 2015	% change
Total	**20,210**	**25,987**	**(22)**
Export sales	**18,106**	23,204	(22)
Domestic sales	**2,104**	2,783	(24)
Sishen mine	**1,416**	2,021	(30)
Thabazimbi mine	**688**	762	(10)

Sales

Total sales were 22% lower at 20.2 Mt (2015: 26 Mt), as export sales volumes of 18.1 Mt (2015: 23.2 Mt), including 0.7 Mt from third party producers, were impacted by the lower production. CFR sales accounted for 70% of export sales volumes (2015: 68%). Finished product inventory held at the mines and ports decreased to 2.3 Mt from 4.7 Mt as at 31 December 2015 (30 June 2015: 3.9 Mt). 65% of total export volumes were directed to China compared to 60% during the first half of 2015. The group's lump:fine ratio was 63:37 for the period (2015: 67:33).

FINANCIAL RESULTS

Discontinued operation

Kumba announced the decision to initiate closure procedures at Thabazimbi on 16 July 2015, following an extensive review of the mine in response to a combination of factors that affected the mine's economic viability. Mining activities at Thabazimbi ceased in September 2015, while processing activities ceased on 31 March 2016. Thabazimbi is therefore classified as a discontinued operation in the results for the period ended 30 June 2016, and the comparative figures have been restated to present the discontinued operation separately from continuing operations.

Revenue

The group's total revenue from continuing operations of R17.6 billion for the period was 12% lower than the R20 billion for the comparable period in 2015, mainly as a result of the 10% drop in average realised iron ore export price to US$55/tonne (2015: US$61/tonne), and 22% lower total sales volumes. In addition, lower freight rates resulted in a R535 million reduction in shipping revenue. This was partially offset by the 29% decline in the average Rand/US$ exchange rate (1H 2016: R15.40/US$1 compared to 1H 2015: R11.91/US$1), together with a higher lump premium in the second quarter. Premiums increased by 69% to $0.18/dmtu in Q2 2016 from that of the first quarter, on the back of increased demand for direct charge material supported by stronger steel prices. However, compared to the 1H 2015 average of $0.20/dmtu, premiums were still down 28% to $0.15/dmtu.

Operating expenses

Operating expenses from continuing operations were 13% lower at R12.4 billion from R14.3 billion in the first half of 2015; principally as a result of lower total mining volumes, resulting in a 12% saving on mining costs, savings from overhead reductions, and lower diesel prices and contractor rates. Selling and distribution costs reduced by R217 million as a result of 16% lower volumes railed. R457 million lower freight costs were incurred on the back of the Platts freight rate on the Saldanha-Qingdao route dropping by $2/wmt. Spot freight rates averaged $5.30/tonne, 31% down from $7.70/tonne in 1H 2015. This was offset by inflationary pressure on input costs of 6.2%.

The reduction in permanent and fixed term employees through the labour restructuring process at Sishen resulted in R377 million additional retrenchment cost in the period. This is expected to contribute to annual sustainable savings from 2017 going forward. Further savings were achieved through aggressive management of overheads and by curtailing project and technical studies, partially offset by inflation and currency movements.

Unit cash costs at Sishen mine of R327 per tonne increased by 5% (FY 2015: R311 per tonne). This is primarily a result of lower production volumes (+R87/tonne), lower deferred waste stripping costs capitalised driven by a lower stripping ratio of 3.5, (+R58/tonne) and inflationary pressure on input costs (+R3/tonne), partially offset by lower mining volumes (-R132/tonne).

Kolomela mine incurred unit cash costs of R172 per tonne (FY 2015: R178 per tonne), a 3% decrease from lower mining volumes (-R21/tonne) and overhead support services cost savings. This was partially offset by lower capitalisation of deferred waste stripping costs (+R8/tonne).

Operating profit

Kumba's operating profit margin was 1% higher at 29% (2015: 28%). The group's mining operating margin was reasonable at 32% (2015: 32%), excluding the net freight loss incurred on shipping operations mainly as a result of long-term fixed price chartering contracts. Operating profit decreased by 8% to R5.2 billion (2015: R5.6 billion). The lower revenue outlined previously impacted profitability, partially offset by the savings in operating expenses.

Cash flow

Cash flow of R7.6 billion was generated from operations during the six months which enabled the group to end the period in a net cash position of R548 million (1H 2015: net debt of R6.1 billion; 31 December 2015: net debt of R4.6 billion). Capital expenditure of R1.3 billion was incurred, R0.5 billion on stay-in-business (SIB) activities, R0.5 billion on deferred stripping, and R340 million on expansions, which included R309 million on the Dingleton project. The relocation of the remaining houses for the Dingleton project has progressed well and is expected to be completed on schedule and within budget.

The group expects total capital expenditure for 2016 (including deferred stripping) to be in the range of R2.9 billion to R3.1 billion, excluding unapproved projects.

COMMENTARY

continued

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

R million	1H 2016	(unaudited) 2016	2017	2018
Sishen	340	700 – 800	600 – 700	1,300 – 1,400
Kolomela	126	200 – 300	200	300 – 400
Total	**466**	900 – 1,100	800 – 900	1,600 – 1,800

ORE RESERVES AND MINERAL RESOURCES

There have been no material changes to the ore reserves and mineral resources as disclosed in the 2015 Kumba Integrated Report. As reported in February 2016, it is expected that the 2016 Kumba ore reserves and mineral resources may decrease materially (~150 Mt) from those stated in 2015, pending the update of the group's ore reserves and mineral resources in the second half of this year, including a detailed update for the reconfiguration of the Sishen mine.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events that occurred from 30 June 2016 to the date of this report, not otherwise dealt with in this report.

CHANGES IN DIRECTORATE AND EXECUTIVE MANAGEMENT

Kumba announces Norman Mbazima's decision to step down as Chief Executive after four years with the company to focus on his role as Deputy Chairman of Anglo American South Africa, effective 31 August 2016. Themba Mkhwanazi will take up the role of Chief Executive with effect from 1 September 2016. Themba is currently the CEO of Anglo American Coal South Africa.

The Board thanks Norman for his impeccable leadership over the last four years and wishes him every success as he focuses on the wider imperatives of Anglo American in South Africa.

OUTLOOK

The review of Sishen's 2016 mine plan and related mining model has been completed, including updated material and metallurgical classification, providing more confidence in the plan that was revised late 2015. The second half of 2016 is therefore expected to be a more stable operating environment and Kumba remains confident of delivering production and waste targets for 2016 of ~27 Mt and ~135 – 150 Mt, respectively. This means a significantly increased run rate in H2 2016. Good indications that the required run rate should be achieved were seen in June 2016. The mine continues to explore opportunities to feed the plants from secondary sources of material, with the processing of some stockpile material expected to materialise during the remainder of the year. Production and waste is expected to be ~27 Mt and ~150 Mt from 2017 – 2020, respectively.

Kumba is accelerating study work on its low grade beneficiation projects at Sishen to utilise spare plant capacity, which includes leveraging off low-grade technology to upgrade the DMS plant to UHDMS, as well as the construction of a second modular plant at Sishen. This will further de-risk the mine plan and provide options to simplify and optimise the plant feed strategy. Estimated capital expenditure for the second modular plant is expected to be ~R400 – R600 million. The two projects are expected to deliver additional production of ~3 Mtpa over the life of mine.

Kolomela is on track to achieve ~12 Mt for this year, significantly above its original design capacity. Work continues to achieve ~13 Mt in 2017, which will be aided by further improvements in plant efficiency and throughput rates. Waste guidance remains at ~46-48 Mt in 2016, and ~50-55 Mt from 2017 – 2020. The construction of a modular plant at Kolomela has commenced and is progressing well. The plant is expected to be commissioned in 2017, contributing ~0.7 Mtpa. Estimated 2016 capital expenditure is ~R120 million with total project capital estimated at ~R420 million. Work is under way to extend production for the life of mine.

The continuation of Kumba's mine plan reviews during this period has not indicated any significant issues. Further work is being undertaken to reconfirm all short, medium and long-term mine plans and guidance will be provided on these horizons when this process has been completed.

Kumba continues to target a cash breakeven price of between $32/tonne and $40/tonne CFR for 2016. Volatility in non-controllable costs, however, is anticipated to continue.

Export sales volumes are expected to be under pressure as we go through the winter months and experience the annual maintenance shutdown on the iron ore export channel in H2, and from lower third party ore purchases, which resulted in reduced stockpiles. Full year guidance has therefore been reduced to ~38 – 39 Mt compared to previous guidance of 40 Mt. Domestic sales volumes of up to 6.25 Mt are contracted to ArcelorMittal SA in terms of the supply agreement, however ~3 Mt is expected for 2016.

Iron ore prices are expected to remain under pressure in the short to medium term. The group's profitability remains sensitive to the volatility in iron ore export prices and the Rand/US$ exchange rate. Kumba will continue to optimise its assets by stepping up financial and operational performance to grow free cash flow and returns. The company will focus on maintaining a strong balance sheet to provide flexibility to deal with price volatility.

Anglo American and Kumba continue to work together to evaluate options for the divestment of Anglo American's 69.7% shareholding and how the business can best create sustainable value for all its stakeholders. Shareholders will be updated on any further developments, as appropriate.

The presentation of the company's results for the six months ended 30 June 2016 will be available on the company's website www.angloamericankumba.com at 08h00 CAT and the webcast will be available from 11h30 CAT on 26 July 2016.

SALIENT FEATURES AND OPERATING STATISTICS

for the period ended

	Unaudited 6 months 30 June 2016	Unaudited 6 months 30 June 2015	Unaudited 12 months 31 December 2015
Share statistics ('000)			
Total shares in issue	**322,086**	322,086	322,086
Weighted average number of shares	**319,826**	320,715	320,817
Diluted weighted average number of shares	**320,706**	320,814	320,817
Treasury shares	**3,003**	1,216	1,110
Market information			
Closing share price (Rand)	**111**	151	41
Market capitalisation (Rand million)	**35,752**	48,622	13,270
Market capitalisation (US$ million)	**2,435**	4,005	858
Net asset value (Rand per share)	**69.42**	65.60	59.98
Capital expenditure (Rand million)			
Incurred	**1,294**	3,331	6,752
Contracted	**806**	2,733	1,115
Authorised but not contracted	**2,719**	3,136	1,553
Operating commitments			
Operating lease commitments	**105**	129	113
Shipping services	**8,847**	8,926	10,431
Economic information			
Average Rand/US Dollar exchange rate (ZAR/US$)	**15.40**	11.91	12.76
Closing Rand/US Dollar exchange rate (ZAR/US$)	**14.68**	12.14	15.47
Sishen mine FOR unit cost			
Unit cost (Rand per tonne)	**480.2**	389.3	403.5
Cash cost (Rand per tonne)	**326.9**	299.1	310.8
Unit cost (US$ per tonne)	**31.2**	32.7	31.6
Cash cost (US$ per tonne)	**21.2**	25.1	24.4
Kolomela mine FOR unit cost			
Unit cost (Rand per tonne)	**253.8**	255.0	245.7
Cash cost (Rand per tonne)	**171.5**	184.7	177.7
Unit cost (US$ per tonne)	**16.5**	21.4	19.3
Cash cost (US$ per tonne)	**11.1**	15.5	13.9

CONDENSED GROUP BALANCE SHEET

as at

Rand million	**Reviewed 30 June 2016**	Restated Reviewed 30 June 2015	Audited 31 December 2015
Assets			
Property, plant and equipment	**32,680**	36,870	32,671
Biological assets	**10**	5	11
Investments held by environmental trust	**844**	810	818
Long-term prepayments and other receivables	**547**	566	581
Inventories	**2,518**	2,431	2,560
Deferred tax assets	**1**	–	1
Non-current assets	**36,600**	40,682	36,642
Inventories	**4,305**	4,399	5,056
Trade and other receivables	**2,992**	4,193	3,212
Cash and cash equivalents	**5,048**	6,938	3,601
Current assets	**12,345**	15,530	11,869
Total assets	**48,945**	**56,212**	**48,511**
Equity			
Shareholders' equity	**22,360**	21,129	19,320
Non-controlling interest	**6,754**	6,324	5,847
Total equity	**29,114**	27,453	25,167
Liabilities			
Interest-bearing borrowings	**4,500**	13,000	8,000
Provisions	**2,931**	2,199	2,717
Deferred tax liabilities	**7,860**	8,836	7,680
Non-current liabilities	**15,291**	24,035	18,397
Short-term portion of interest-bearing borrowings	**–**	–	205
Short-term portion of provisions	**518**	403	349
Trade and other payables	**2,696**	3,270	3,407
Current tax liabilities	**1,326**	1,051	986
Current liabilities	**4,540**	4,724	4,947
Total liabilities	**19,831**	**28,759**	**23,344**
Total equity and liabilities	**48,945**	**56,212**	**48,511**

CONDENSED GROUP INCOME STATEMENT

for the period ended

Rand million	**Reviewed 6 months 30 June 2016**	Restated Reviewed 6 months 30 June 2015	Restated Audited 12 months 31 December 2015
Revenue	**17,566**	19,951	35,260
Operating expenses	**(12,411)**	(14,319)	(32,564)
Operating profit	**5,155**	5,632	2,696
Finance income	**75**	46	148
Finance costs	**(305)**	(451)	(853)
(Loss)/profit from equity accounted joint venture	**–**	(1)	6
Profit before taxation	**4,925**	5,226	1,997
Taxation	**(1,146)**	(2,069)	(1,280)
Profit for the period from continuing operations	**3,779**	3,157	717
Discontinued operations			
Profit/(loss) from discontinued operations	**41**	116	(90)
Profit for the year	**3,820**	3,273	627
Attributable to:			
Owners of Kumba	**2,974**	2,508	469
Non-controlling interest	**846**	765	158
	3,820	3,273	627
Basic earnings/(loss) per share attributable to the ordinary equity holders of Kumba (Rand per share)			
From continuing operations	**9.20**	7.54	1.68
From discontinued operations	**0.10**	0.28	(0.22)
Total basic earnings per share	**9.30**	7.82	1.46
Diluted earnings/(loss) per share attributable to the ordinary equity holders of Kumba (Rand per share)			
From continuing operations	**9.17**	7.54	1.68
From discontinued operations	**0.10**	0.28	(0.22)
Total basic earnings per share	**9.27**	7.82	1.46

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the period ended

Rand million	**Reviewed 6 months 30 June 2016**	Reviewed 6 months 30 June 2015	Audited 12 months 31 December 2015
Profit for the period	**3,820**	3,273	627
Other comprehensive (loss)/income for the period, net of tax	**(57)**	174	255
Exchange differences on translation of foreign operations	**(57)**	174	255
Total comprehensive income for the period	**3,763**	**3,447**	**882**
Attributable to:			
Owners of Kumba	**2,930**	2,642	592
Non-controlling interest	**833**	805	290
	3,763	**3,447**	**882**

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

for the period ended

Rand million	**Reviewed 6 months 30 June 2016**	Reviewed 6 months 30 June 2015	Audited 12 months 31 December 2015
Total equity at the beginning of the period	**25,167**	27,001	27,001
Changes in share capital and premium (net of treasury shares)			
Treasury shares issued to employees under employee share incentive schemes	**127**	142	180
Purchase of treasury shares	**(180)**	–	–
Changes in reserves			
Equity-settled share-based payment	**289**	243	469
Vesting of shares under employee share incentive schemes	**(127)**	(157)	(180)
Total comprehensive income for the period	**2,930**	2,642	592
Dividends paid	**–**	(2,505)	(2,505)
Changes in non-controlling interest			
Total comprehensive income for the period	**833**	805	290
Dividends paid	**–**	(796)	(796)
Movement in non-controlling interest in reserves	**75**	78	116
Total equity at the end of the period	**29,114**	**27,453**	**25,167**
Comprising			
Share capital and premium (net of treasury shares)	**(184)**	(169)	(131)
Equity-settled share-based payment reserve	**2,191**	1,817	2,021
Foreign currency translation reserve	**1,409**	1,390	1,453
Fair value reserve	**–**	59	–
Retained earnings	**18,944**	18,032	15,977
Shareholders' equity	**22,360**	21,129	19,320
Attributable to the owners of Kumba	**21,452**	20,279	18,534
Attributable to the non-controlling interest	**908**	850	786
Non-controlling interest	**6,754**	6,324	5,847
Total equity at the end of the period	**29,114**	**27,453**	**25,167**
Dividend (Rand per share)			
Interim	**–**	–	–
Final	**n/a**	n/a	–

CONDENSED GROUP CASH FLOW STATEMENT

for the period ended

Rand million	**Reviewed 6 months 30 June 2016**	Reviewed 6 months 30 June 2015	Audited 12 months 31 December 2015
Cash generated from operations	**7,632**	8,680	13,841
Net finance costs paid	**(258)**	(341)	(578)
Taxation paid	**(646)**	(67)	(594)
Cash flows from operating activities	**6,728**	8,272	12,669
Additions to property, plant and equipment	**(1,294)**	(3,331)	(6,752)
Loan (repaid)/granted to joint venture	**–**	(1)	5
Proceeds from the disposal of property, plant and equipment	**3**	78	120
Cash flows from investing activities	**(1,291)**	(3,254)	(6,627)
Purchase of treasury shares	**(180)**	–	–
Dividends paid to owners of Kumba	**–**	(2,490)	(2,490)
Dividends paid to non-controlling shareholders	**–**	(811)	(811)
Net interest-bearing borrowings (repaid)/raised	**(3,705)**	3,407	(1,388)
Cash flows from financing activities	**(3,885)**	106	(4,689)
Net increase in cash and cash equivalents	**1,552**	5,124	1,353
Cash and cash equivalents at the beginning of the period	**3,601**	1,664	1,664
Exchange differences on translation of cash and cash equivalents	**(105)**	150	584
Cash and cash equivalents at the end of the period	**5,048**	**6,938**	**3,601**

HEADLINE EARNINGS

for the period ended

Rand million	**Reviewed 6 months 30 June 2016**	Reviewed 6 months 30 June 2015	Audited 12 months 31 December 2015
Reconciliation of headline earnings			
Profit attributable to owners of Kumba	**2,974**	2,508	469
Impairment charge	**4**	–	5,978
Net loss on disposal and scrapping of property, plant and equipment	**60**	16	9
Insurance proceeds received for items of property, plant and equipment written off in prior periods	**–**	–	(29)
	3,038	**2,524**	**6,427**
Taxation effect of adjustments	**(19)**	(2)	(1,644)
Non-controlling interest in adjustments	**(10)**	(3)	(991)
Headline earnings	**3,009**	**2,519**	**3,792**
Headline earnings (Rand per share)			
Basic	**9.41**	7.85	11.82
Diluted	**9.38**	7.85	11.82
The calculation of basic and diluted earnings and headline earnings per share is based on the weighted average number of ordinary shares in issue as follows:			
Weighted average number of ordinary shares	**319,825,728**	320,714,572	320,817,364
Diluted weighted average number of ordinary shares	**320,705,715**	320,814,017	320,817,364

The dilution of 879,987 shares to the weighted average number of ordinary shares at 30 June 2016 (30 June 2015: 99,445 and 31 December 2015: nil) is as a result of the vesting of share options previously granted under the various employee share incentive schemes.

NORMALISED EARNINGS

for the period ended

Rand million	**Unaudited 6 months 30 June 2016**	Unaudited 6 months 30 June 2015	Unaudited 12 months 31 December 2015
Reconciliation of normalised earnings			
Headline earnings attributable to owners of Kumba	**3,009**	2,519	3,792
Gain on lease receivable	**–**	–	(418)
Derecognition of deferred tax asset	**–**	801	801
	3,009	**3,320**	**4,175**
Taxation effect of adjustments	**–**	–	117
Non-controlling interest in adjustments	**–**	(184)	(115)
Normalised earnings	**3,009**	**3,136**	**4,177**
Normalised earnings (Rand per share)			
Basic	**9.41**	9.78	13.02
Diluted	**9.38**	9.78	13.02
The calculation of basic and diluted normalised earnings per share is based on the weighted average number of ordinary shares in issue as follows:			
Weighted average number of ordinary shares	**319,825,728**	320,714,572	320,817,364
Diluted weighted average number of ordinary shares	**320,705,715**	320,814,017	320,817,364

This measure of earnings is specific to Kumba and is not required in terms of International Financial Reporting Standards or the JSE Listings Requirements. Normalised earnings represents earnings from the normal activities of the group.

Normalised earnings is determined by adjusting the headline earnings attributable to the owners of Kumba for abnormal expense or income items incurred during the year. The derecognition of the deferred tax asset and a once-off gain realised on a lease receivable are non-recurring items and have therefore been adjusted in determining normalised earnings in the comparative periods. There were no adjusting items in the current period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 June 2016

1. CORPORATE INFORMATION

Kumba is a limited liability company incorporated and domiciled in South Africa. The main business of Kumba, its subsidiaries, joint venture and associates is the exploration, extraction, beneficiation, marketing, sale and shipping of iron ore. The group is listed on the JSE Limited (JSE).

The condensed consolidated interim financial statements of Kumba and its subsidiaries for the six months ended 30 June 2016 were authorised for issue in accordance with a resolution of the Directors on 20 July 2016.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared, under the supervision of FT Kotzee CA(SA), Chief financial officer, in accordance with IAS 34, *Interim Financial Reporting* and in compliance with the JSE Listings Requirements for interim reports, the South African Companies Act No 71 of 2008 and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council.

The condensed consolidated interim financial statements have been prepared in accordance with the historical cost convention except for certain financial instruments, share-based payments and biological assets which are stated at fair value, and are presented in Rand, which is Kumba's functional and presentation currency. All financial information presented in Rand has been rounded off to the nearest million.

2.1. Comparative figures

The Thabazimbi mine is classified as a discontinued operation for the period ended 30 June 2016, and as a result, the comparative figures have been restated to present the discontinued operation separately from continuing operations. Refer to note 10 for more information.

2.2. Accounting policies

The accounting policies and methods of computation applied in the preparation of these condensed consolidated interim financial statements are in terms of International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

No new standards, amendments to published standards or interpretations which became effective for the year commencing on 1 January 2016 had an effect on the reported results or the group accounting policies. The group did not early adopt any new, revised or amended accounting standards or interpretations. The accounting standards, amendments to issued accounting standards and interpretations, which are relevant to the group but not yet effective at 30 June 2016, are being evaluated for the impact of these pronouncements.

2. BASIS OF PREPARATION continued

2.3. Going concern

In determining the appropriate basis of preparation of the condensed consolidated interim financial statements, the Directors are required to consider whether the group can continue in operational existence for the foreseeable future. The financial performance of the group is dependent upon the wider economic environment in which the group operates. Factors exist which are outside the control of management which can have a significant impact on the business, specifically the volatility in the Rand/US Dollar exchange rate and the iron ore price.

These condensed consolidated interim financial statements are prepared on a going concern basis. The board is satisfied that the group is sufficiently liquid and solvent to be able to support the current operations for the next 12 months.

2.4. Accounting judgements, estimates and assumptions

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty are consistent with those applied to the consolidated financial statements for the year ended 31 December 2015.

2.5. Change in estimates

The measurement of the environmental rehabilitation and decommissioning provisions are 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 plan on which accounting estimates are based, only includes proved and probable ore reserves as disclosed in Kumba's 2015 annual ore reserves and mineral resources statement. The Kolomela life of mine plan used to calculate the rehabilitation and decommissioning provisions was revised. This resulted in an increase in the provisions.

The effect of this change, which was applied prospectively from 1 January 2016, is detailed below:

Rand million	**Reviewed 30 June 2016**
Increase in environmental rehabilitation provision	**198**
Increase in decommissioning provision	**18**
Decrease in profit after tax attributable to the owners of Kumba	**110**
Rand per share	
Decrease in earnings per share attributable to the owners of Kumba	**0.34**

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the six months ended 30 June 2016

3. PROPERTY, PLANT AND EQUIPMENT

Rand million	**Reviewed 30 June 2016**	Reviewed 30 June 2015	Audited 31 December 2015
Capital expenditure	**1,458**	**3,331**	**6,752**
Comprising:			
Expansion	**340**	343	870
Stay-in-business (SIB)*	**652**	1,503	3,030
Deferred stripping	**466**	1,485	2,852
Transfers from assets under construction to property, plant and equipment	**855**	**2,323**	**3,419**

**Included in the SIB expenditure above is a non-cash addition of R164 million relating to the unguaranteed residual value under a finance lease.*

Expansion capital expenditure comprised mainly of the expenditure on the Dingleton relocation project. SIB capital expenditure to maintain operations was principally for the acquisition of heavy mining equipment and infrastructure.

4. INVENTORY RECLASSIFICATION

Rand million	**Reviewed 30 June 2016**	Restated Reviewed 30 June 2015	Audited 31 December 2015
Finished products	**881**	1,369	1,852
Work-in-progress	**4,386**	4,048	4,156
Plant spares and stores	**1,556**	1,413	1,608
Total inventories	**6,823**	**6,830**	**7,616**
Non-current portion of work-in-progress inventories	**2,518**	2,431	2,560
Total current inventories	**4,305**	4,399	5,056
Total inventories	**6,823**	**6,830**	**7,616**

In 2015, the group reassessed the nature of its work-in-progress inventories following the revision of the group's mine plan. Previously, all work-in-progress inventory balances were classified as current. After the reassessment, it was concluded that not all work-in-progress inventory will be processed within the next year. Work-in-progress inventory balances which will not be processed within the next year were reclassified to non-current. This reassessment was applied retrospectively and as a result, the comparative interim figures were reclassified. The reclassification was already applied in the 31 December 2015 financial statements.

5. SHARE CAPITAL AND SHARE PREMIUM

Reconciliation of share capital and share premium (net of treasury shares):

Rand million	**Reviewed 30 June 2016**	Reviewed 30 June 2015	Audited 31 December 2015
Balance at the beginning of the period	**(131)**	(311)	(311)
Net movement in treasury shares under employee share incentive schemes	**(53)**	142	180
Purchase of treasury shares	**(180)**	–	–
Shares issued to employees	**127**	142	180
Share capital and share premium	**(184)**	**(169)**	**(131)**

Reconciliation of number of shares in issue:

Number of shares	**Reviewed 30 June 2016**	Reviewed 30 June 2015	Audited 31 December 2015
Balance at the beginning and the end of the period	**322,085,974**	**322,085,974**	**322,085,974**
Reconciliation of treasury shares held:			
Balance at the beginning of the period	**1,109,732**	1,533,346	1,533,346
Shares purchased	**2,140,891**	–	–
Shares issued to employees under the Long-Term Incentive Plan and Kumba Bonus Share Plan	**(247,892)**	(317,560)	(423,614)
Balance at the end of the period	**3,002,731**	**1,215,786**	**1,109,732**

All treasury shares are held as conditional awards under the Kumba Bonus Share Plan.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the six months ended 30 June 2016

6. INTEREST-BEARING BORROWINGS

Kumba's net cash/(debt) position at the balance sheet dates was as follows:

Rand million	**Reviewed 30 June 2016**	Reviewed 30 June 2015	Audited 31 December 2015
Interest-bearing borrowings	**(4,500)**	(13,000)	(8,205)
Cash and cash equivalents	**5,048**	6,938	3,601
Net cash/(debt)	**548**	**(6,062)**	**(4,604)**
Total equity	**29,114**	**27,453**	**25,167**
Interest cover (times)*	**16**	**12**	**3**

**Restated to remove the impact of the discontinued operation.*

Movements in interest-bearing borrowings are analysed as follows:

Rand million	**Reviewed 30 June 2016**	Reviewed 30 June 2015	Audited 31 December 2015
Balance at the beginning of the period	**8,205**	9,593	9,593
Interest-bearing borrowings raised	**30**	10,199	10,400
Interest-bearing borrowings repaid	**(3,735)**	(6,560)	(11,556)
Finance lease repaid	**–**	(232)	(232)
Balance at the end of the period	**4,500**	**13,000**	**8,205**

At 30 June 2016, Kumba had drawn R4.5 billion on the term facility. The group had undrawn committed facilities of R12 billion (June 2015: R3.5 billion and December 2015: R8.5 billion) and uncommitted facilities of R8.3 billion at 30 June 2016 (June 2015: R8.2 billion and December 2015: R8.3 billion).

Kumba was in compliance with its debt covenants at 30 June 2016.

7. SIGNIFICANT ITEMS INCLUDED IN OPERATING PROFIT

Operating expenses is made up as follows:

Rand million	**Reviewed 6 months 30 June 2016**	Restated Reviewed 6 months 30 June 2015	Restated Audited 12 months 31 December 2015
Production costs	**7,852**	8,483	16,213
Movement in inventories	**359**	1,094	1,072
Finished products	**733**	1,214	1,427
Work-in-progress	**(374)**	(120)	(355)
Cost of goods sold	**8,211**	9,577	17,285
Impairment charge	**–**	–	5,978
Mineral royalty	**234**	94	172
Selling and distribution costs	**2,674**	2,891	5,506
Cost of services rendered – shipping	**1,317**	1,774	3,657
Sublease rent received	**(25)**	(17)	(34)
Operating expenses	**12,411**	14,319	32,564
Operating profit has been derived after taking into account the following items:			
Employee expenses	**1,797**	1,764	3,610
Net restructuring cost	**377**	–	34
Share-based payment expenses	**366**	306	593
Depreciation of property, plant and equipment	**1,496**	1,610	3,323
Deferred waste stripping costs capitalised	**(466)**	(1,485)	(2,852)
Net loss on disposal and scrapping of property, plant and equipment	**60**	16	9
Gain on lease receivable	**(164)**	–	(418)
Net finance losses/(gains)	**8**	(121)	(822)
Net (gains)/losses on derivative financial instruments	**(166)**	2	98
Net foreign currency losses/(gains)	**198**	(105)	(893)
Net fair value gains on investments held by the environmental trust	**(24)**	(18)	(27)
Insurance proceeds received on items of property, plant and equipment written off in prior periods	**–**	–	(29)

8. TAXATION

The group's effective tax rate was 23% for the period (June 2015: 39% and December 2015: 69%). The prior periods' effective tax rate was impacted by the derecognition of a deferred tax asset amounting to R801 million.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the six months ended 30 June 2016

9. SEGMENTAL REPORTING

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

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

'Other segments' comprise corporate, administration and other expenditure not allocated to the reported segments.

	Products[3]			Services			
Rand million	Sishen mine	Kolomela mine	Thabazimbi mine[1]	Logistics	Shipping operations	Other	Total
Reviewed period ended 30 June 2016							
Income statement							
Revenue from external customers	11,308	5,216	616	–	1,042	–	18,182
EBIT[2]	5,036	3,280	51	(2,675)	(275)	(211)	5,206
Significant items included in EBIT:							
Depreciation	973	446	–	4	–	73	1,496
Staff costs	1,677	354	61	15	–	494	2,601
Balance sheet							
Total segment assets	257	72	–	343	–	209	881
Cash flow statement							
Additions to property, plant and equipment							
Expansion capex	313	27	–	–	–	–	340
Stay-in-business capex	375	113	–	–	–	–	488
Deferred stripping	340	126	–	–	–	–	466

9. SEGMENTAL REPORTING continued

Rand million	Products[3] Sishen mine	Kolomela mine	Thabazimbi mine[1]	Services Logistics	Shipping operations	Other	Total
Reviewed period ended 30 June 2015							
Income statement							
Revenue from external customers	14,017	4,357	518	–	1,577	–	**20,469**
EBIT	6,720	2,539	138	(2,891)	(197)	(539)	**5,770**
Significant items included in EBIT:							
Depreciation	1,182	357	–	3	–	68	**1,610**
Staff costs	1,467	312	233	17	–	274	**2,303**
Balance sheet							
Total segment assets	360	219	100	561	–	129	**1,369**
Cash flow statement							
Additions to property, plant and equipment							
Expansion capex	324	1	–	–	–	18	**343**
Stay-in-business capex	1,152	256	–	3	–	92	**1,503**
Deferred stripping	1,259	226	–	–	–	–	**1,485**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the six months ended 30 June 2016

9. SEGMENTAL REPORTING continued

	Products[3]			Services			
Rand million	Sishen mine	Kolomela mine	Thabazimbi mine[1]	Logistics	Shipping operations	Other	Total
Audited year ended 31 December 2015							
Income statement							
Revenue from external customers	23,869	7,980	878	–	3,411	–	**36,138**
EBIT[2]	4,273	4,423	(52)	(5,506)	(247)	(247)	**2,644**
Significant items included in EBIT:							
Depreciation	2,428	732	–	6	–	157	**3,323**
Staff costs	3,048	642	429	30	–	517	**4,666**
Impairment	5,978	–	–	–	–	–	**5,978**
Balance sheet							
Total segment assets	651	198	224	510	–	269	**1,852**
Cash flow statement							
Additions to property, plant and equipment							
Expansion capex	857	–	–	–	–	13	**870**
Stay-in-business capex	2,350	498	–	4	–	178	**3,030**
Deferred stripping	2,508	344	–	–	–	–	**2,852**

[1] *Thabazimbi mine is reported as a discontinued operation. Please refer to note 10.*
[2] *After impairment.*
[3] *Derived from extraction, production and selling of iron ore.*

Geographical analysis of revenue and non-current assets:

Rand million	**Reviewed 6 months 30 June 2016**	Restated Reviewed 6 months 30 June 2015	Restated Audited 12 months 31 December 2015
Total revenue from external customers	**17,566**	**19,951**	**35,260**
South Africa	**1,112**	1,551	2,237
Export	**16,454**	18,400	32,983
China	**11,086**	10,620	19,974
Rest of Asia	**3,185**	4,000	9,879
Europe	**2,183**	1,655	3,130
Middle East and Africa	**–**	2,125	–

All non-current assets, excluding investments in associates and joint venture are located in South Africa, with the exception of R22 million located in Singapore (June 2015: R33 million and December 2015: R32 million), which relates to prepayments.

10. DISCONTINUED OPERATIONS

All remaining plant operations at the Thabazimbi mine ceased on 31 March 2016 following an extensive review of the Thabazimbi mine in response to a combination of factors which adversely affected the mine's economic viability which resulted in the decision taken in 2015 to close the mine. The Thabazimbi operation is classified as a discontinued operation for the period ended 30 June 2016, and as a result, the comparative figures have been restated to present the discontinued operation separately from continuing operations. Analysis of the results of the Thabazimbi mine is as follows:

Results of discontinued operation

Rand million	**Reviewed 6 months 30 June 2016**	Reviewed 6 months 30 June 2015	Audited 12 months 31 December 2015
Revenue	**616**	518	878
Operating expenses	**(565)**	(380)	(930)
Operating profit/(loss)	**51**	138	(52)
Net finance income	**5**	26	94
Profit before tax	**56**	164	42
Income tax expense	**(15)**	(48)	(132)
Profit/(loss) after income tax of discontinued operation	**41**	116	(90)
Attributable to owners of Kumba	**32**	89	(69)
Attributable to the non-controlling interest	**9**	27	(21)
Profit/(loss) from discontinued operation	**41**	116	(90)
Cash flow from discontinued operations			
Net cash flows from operating activities	**374**	47	639
Net cash generated by Thabazimbi	**374**	47	639

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the six months ended 30 June 2016

11. RELATED PARTY TRANSACTIONS

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

Rand million	**Reviewed 6 months 30 June 2016**	Reviewed 6 months 30 June 2015	Audited 12 months 31 December 2015
Short-term deposits held with Anglo American SA Finance Limited[1] (AASAF)	**2,277**	6,158	839
– Deposit one	**–**	–	205
– Weighted average interest rate (%)	**6.83**	–	6.48
– Deposit two	**2,277**	6,158	634
– Weighted average interest rate (%)	**6.70**	5.79	5.96
Interest earned on short-term deposits with AASAF during the year	**60**	36	120
Short-term deposit held with Anglo American Capital plc[1]	**1,970**	123	2,059
Interest earned on facility during the period	**3**	1	*
Interest-bearing borrowing from AASAF	**–**	–	205
Interest paid on borrowings during the period	**7**	65	67
Weighted average interest rate (%)	**8.16**	6.91	6.70
Trade payable owing to Anglo American Marketing Limited[1] (AAML)	**186**	262	433
Shipping services provided by AAML	**1,299**	1,739	3,642
Dividends paid to Exxaro Resources Limited	**–**	673	673

[1] *Subsidiaries of the ultimate holding company.*
* *Interest earned on the deposit is insignificant and is earned at prevailing market rates.*

12. FAIR VALUE ESTIMATION

The carrying value of financial instruments not carried at fair value approximates fair value because of the short period to maturity or as a result of market-related variable interest rates.

The table below presents the group's assets and liabilities that are measured at fair value:

Rand million	Level 1[1]	Level 2[2]	Level 3[3]
Reviewed six months – 30 June 2016			
Investments held by the environmental trust	**844**	**–**	**–**
Derivative financial assets	**–**	**96**	**–**
Derivative financial liabilities	**–**	**(3)**	**–**
	844	**93**	**–**
Reviewed six months – 30 June 2015			
Investments held by the environmental trust	810	–	–
	810	–	–
Audited 12 months – 31 December 2015			
Investments held by the environmental trust	818	–	–
Derivative financial assets	–	38	–
Derivative financial liabilities	–	(1)	–
	818	37	–

[1] *Level 1 fair value measurements are derived from unadjusted quoted prices in active markets for identical assets or liabilities.*

[2] *Level 2 fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly (i.e. derived from prices).*

[3] *Level 3 fair value measurements are derived from valuation techniques that include inputs that are not based on observable market data.*

The iron ore derivatives are measured at fair value using market-related inputs. The measurement is therefore classified within level 2 of the fair value hierarchy. The inputs used in the model are the forward iron ore price on the inception date as well as the iron ore price on the date the fair value calculation is performed.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS continued

for the six months ended 30 June 2016

13. CONTINGENT LIABILITIES

13.1 Taxation

On 29 February 2016, the group announced the receipt of a tax assessment from SARS, relating to SIOC's overseas sales and marketing businesses, covering the period 2006 to 2010, for the amount of R5.5 billion. This included interest and penalties of R3.7 billion. On 18 July 2016, the group submitted its objection to the assessment.

An application was submitted to the Commissioner of SARS for a suspension of payment. SARS granted the suspension of payment until 31 July 2016 to allow for the evaluation of SIOC's grounds of objection. SARS will resubmit SIOC's application for the suspension of payment to the relevant SARS committee to consider the continuation of the suspension in light of SIOC's objection.

The field audit, covering the 2011 to 2013 years of assessment, is in progress.

The group considered these matters in consultation with specialist external tax and legal advisers and disagrees with SARS' audit findings and believes that all the above matters have been appropriately treated in the results for the six months ended 30 June 2016.

13.2 Municipal rates and taxes

Rates and taxes levied by the Municipality at Sishen effective from 1 June 2014 reflected a significant increase amounting to R575 million (June 2015: R278 million and December 2015: R437 million). Management objected to the higher valuation and exhausted all appeals to the Municipality. The matter will now be referred to the Valuations Appeal Board for a final decision. Management is of the view that the municipal valuation is fundamentally flawed and acknowledges its obligation for rates and taxes based on a reasonable valuation.

14. GUARANTEES

The total guarantees issued in favour of the DMR in respect of the group's environmental closure liabilities at 30 June 2016 are R2.8 billion (June 2015: R2.3 billion and 31 December 2015: R2.3 billion). Included in this amount are financial guarantees for the environmental rehabilitation and decommissioning obligations of the group to the DMR in respect of Thabazimbi mine of R438 million (June 2015: R429 million and 31 December 2015: R438 million), which ArcelorMittal SA has guaranteed by means of bank guarantees issued in favour of SIOC. As a consequence of the revision of closure costs, a shortfall of R633 million arose (of which R329 million relates to ArcelorMittal SA). SIOC is in discussions with ArcelorMittal SA regarding the shortfall.

15. REGULATORY UPDATE

21.4% undivided share of the Sishen mine mineral rights

In 2015, SIOC received notice from the DMR that the Director General of the DMR had consented to the amendment of SIOC's 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 were not capable of being accepted by SIOC as SIOC believes the Mineral and Petroleum Resources Development Act (MPRDA) does not provide for the imposition of such conditions, they are not practically implementable and lack sufficient detail to provide the company with legal certainty.

SIOC submitted an internal appeal in terms of section 96 of the MPRDA to the Minister of Mineral Resources, which set out the basis of its objections to the proposals. SIOC has not yet received a response and will continue to engage with the DMR in this regard.

16. CORPORATE GOVERNANCE

The group subscribes to the Code of Good Corporate Practices and Conduct and complies with the recommendations of the King III Report. Full disclosure of the group's compliance is contained in the 2015 Integrated Report.

17. EVENTS AFTER THE REPORTING PERIOD

There have been no material events subsequent to 30 June 2016, not otherwise dealt with in this report.

18. INDEPENDENT AUDITORS' REVIEW REPORT

The auditors, Deloitte & Touche, have issued their unmodified review report on the condensed consolidated interim financial statements for the six months ended 30 June 2016. The review was conducted in accordance with ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

A copy of the auditors' report on the condensed consolidated interim financial statements is included on the next page and a copy is available for inspection at the company's registered office.

Any reference to future financial performance included in this announcement has not been reviewed or reported on by the company's auditors.

On behalf of the board

F Titi
Chairman

NB Mbazima
Chief Executive

20 July 2016
Pretoria

INDEPENDENT AUDITORS' REVIEW REPORT ON INTERIM FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF KUMBA IRON ORE LIMITED

We have reviewed the condensed consolidated financial statements of Kumba Iron Ore Limited, contained in the accompanying interim report, which comprise the condensed consolidated balance sheet as at 30 June 2016 and the condensed consolidated income statement, statement of other comprehensive income, changes in equity and cash flows for the six months then ended, and selected explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE INTERIM FINANCIAL STATEMENTS

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with International Financial Reporting Standard (IAS) 34, *Interim Financial Reporting*, the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and other within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained. The procedures performed in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of Kumba Iron Ore Limited for the six months ended 30 June 2016 are not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

Deloitte & Touche
Registered Auditor
Per: Sebastian Benedict Field Carter
Partner

20 July 2016

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SPONSOR TO KUMBA
RAND MERCHANT BANK (a division of FirstRand Bank Limited)

DIRECTORS
Non-executive: F Titi (chairman), ZBM Bassa, DD Mokgatle, AJ Morgan, LM Nyhonyha, BP Sonjica, AH Sangqu, N Viljoen
Executive: NB Mbazima (chief executive), FT Kotzee (chief financial officer)

COMPANY SECRETARY
A Parboosing

COMPANY REGISTRATION NUMBER
No 2005/015852/06
Incorporated in the Republic of South Africa

INCOME TAX NUMBER
9586/481/15/3

JSE code: KIO
ISIN: ZAE000085346

('Kumba' or 'the company' or 'the group')

BASTION GRAPHICS

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