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KUMBA IRON ORE LIMITED

DRIVING CHANGE DEFINING OUR FUTURE

2016 INTERIM RESULTS
26 JULY 2016

DISCLAIMER

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RESULTS SUMMARY

Key features

- Iron ore reference price down 13% to $52/t
- Production down 21% to 17.8Mt consistent with revised Sishen mine plan
- Resilient financial performance underpinned by successful cash preservation initiatives
- HEPS up 20% to R9.41 per share, normalised earnings down 4%
- Further efficiency and productivity improvements expected in 2H16 at Sishen
- Pipeline of value accretive growth opportunities at advanced stage

SIGNIFICANT CHANGES DELIVERED

Repositioning of business for lower prices continues

Asset portfolio revised

- Sishen reconfiguration and restructure to lower cost pit shell implemented
- Kolomela production on track, and in line to achieve 13Mtpa in 2017
- Thabazimbi mining and processing activity ceased

Cash breakeven at $34/t in the lower end of targeted range of $32–$40/t

- Substantial R3.1bn reduction in controllable costs achieved
- Capex reduced 61% to R1.3bn

Strengthened balance sheet to net cash position of R548m

CHALLENGING FIRST HALF

Emphasis on stabilising production and improving efficiency going forward

Safety performance a concern

- Regrettably, 2 loss of life incidents
- Priorities for 2H16: safety turnaround, behaviour, culture and leadership initiatives

Organisational restructure completed

- Total workforce reduced by 31% end 2015 to 1H16
- Sishen restructuring completed without work stoppage
- Workforce stabilisation and culture programme underway

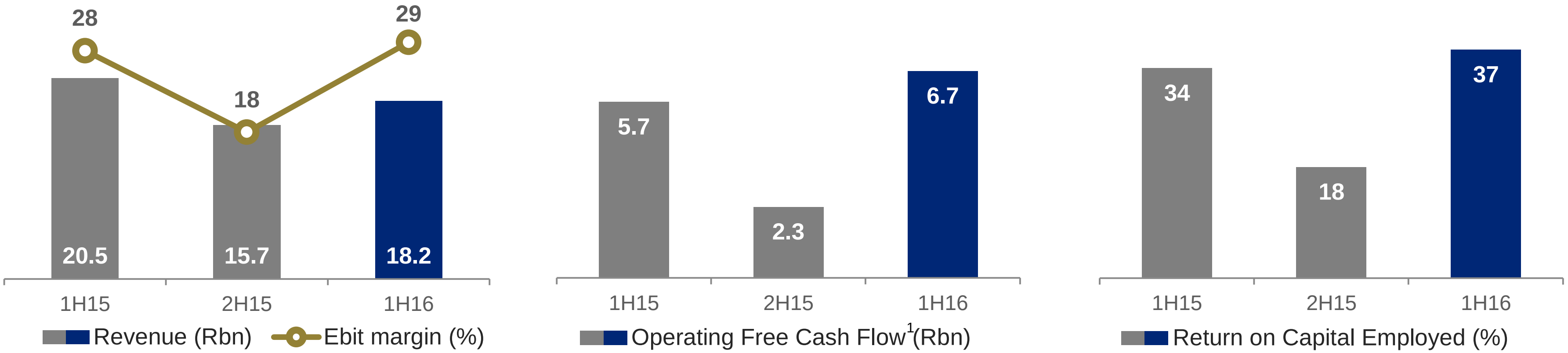
Sishen transitioned to lower cost pit shell

- New mine plan refined and optimised to further increase confidence in delivery
- Production lower in line with plan; exacerbated by rainfall and safety stoppage

Exports declined on lower production

FINANCIAL PERFORMANCE IMPROVED

Stronger financial metrics underpinned by cash preservation initiatives



- Revenue impacted by lower volumes and price
- Margins maintained due to significantly reduced operating expenditure
- Strong free cash flow generation enabled significant reduction in debt and improved returns on capital employed

[1.] *Operating free cash flow: cash from operating activities (before tax and net finance cost) less SIB capex and deferred stripping capex*

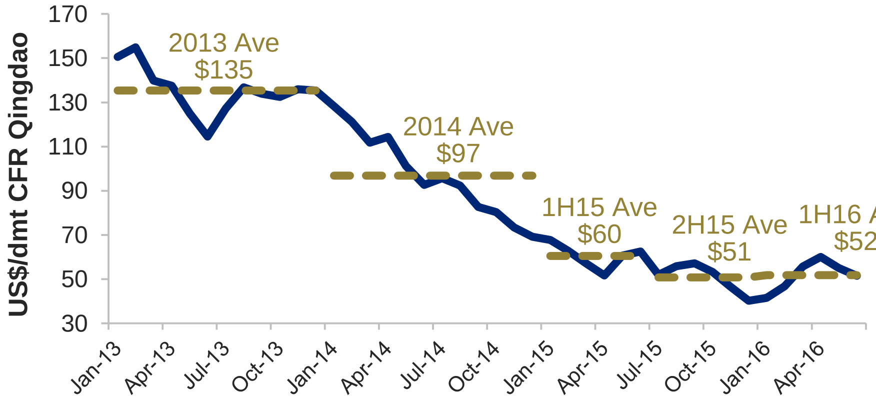
MARKET OVERVIEW

IRON ORE PRICES

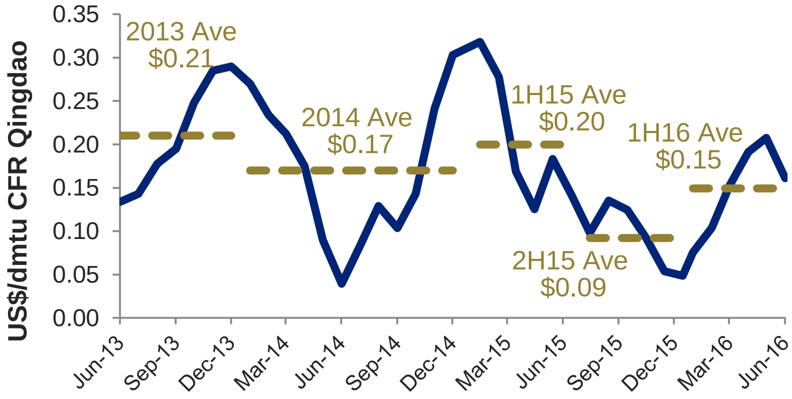
Recovering from historic lows but supply-demand fundamentals remain challenging

- Iron ore prices (62% Fe Platts CFR China) averaged US$52/dmt in 1H16, down 13%
- Improving steel mill margins drive stronger iron ore prices, recovering from historic lows in late 2015
- Prices capped by mine restarts and seasonal supply recovery, with further pressure expected as major projects ramp up
- Lump premium benefiting from strong demand for direct charge materials
- Steel and iron ore futures contribute to significant price volatility

Platts IODEX Monthly Average (dmt)



Platts Lump Premium Monthly Average (dmtu)



Source: Platts

SEABORNE IRON ORE SUPPLY

Ongoing ramp-ups and new projects drive seaborne supply growth

- Australia exports increased 4%
- Despite closure of Samarco's operations, Brazil exports up 7%
- Recent price rally incentivising non-traditional supply sources back into the market
- Ongoing ramp-ups and new projects drive seaborne supply growth

Global seaborne iron ore exports*

	6 months 30 Jun 2016	6 months 30 Jun 2015	%	6 months 30 Dec 2016	%
	Mt	Mt	%	Mt	%
Australia	406	391	4%	419	(3%)
Brazil	175	164	7%	195	(10%)
S. Africa	31	33	(6%)	32	(3%)
India	6	2	200%	2	200%
RoW	81	77	5%	75	8%
Total	699	667	5%	723	(3%)

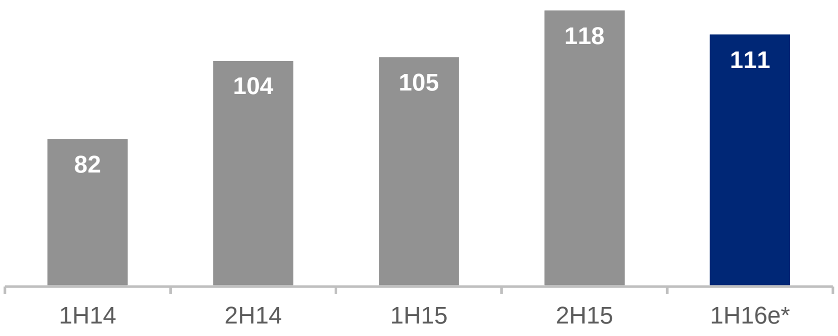
*Source: GTIS, *Raw basis*

GLOBAL CRUDE STEEL PRODUCTION

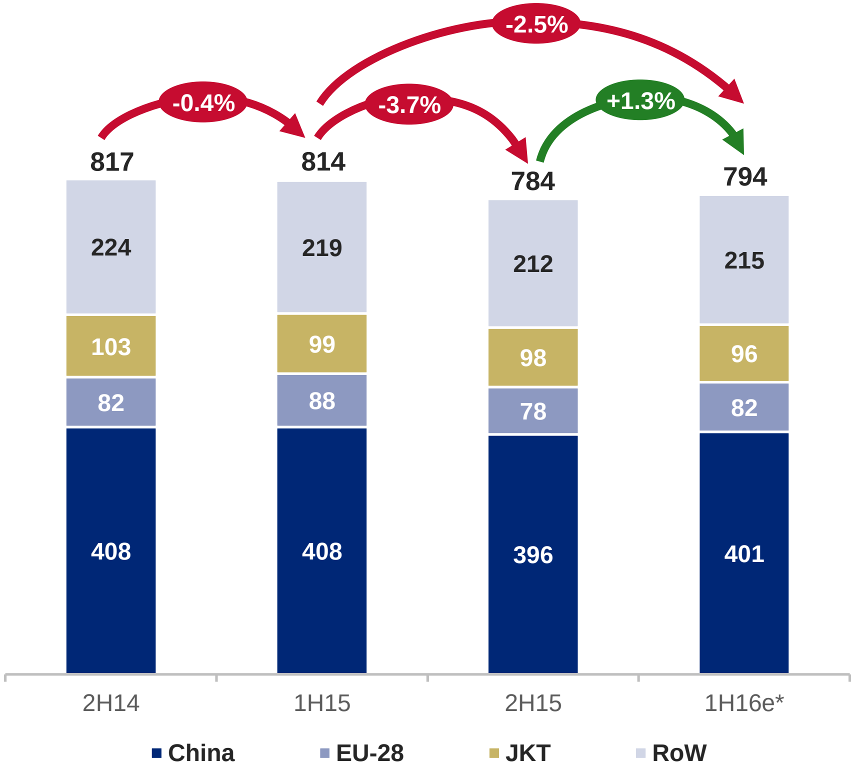
Down in all major regions but up on 2H15

- Global crude steel production contracted 2.5%, but up 1.3% on 2H15
  - Chinese crude steel production eased 1.7% despite a 5.7% rise in Chinese steel exports
  - JKT's[1] steel production moderating on subdued domestic demand and increased export competition
  - Rising steel imports and capacity closures impacted European crude steel output

Chinese Steel Exports (Mt annualised)



Global Crude Steel Production (Mt)



*Source: WSA, GTIS, * Based on 5M16 actuals*
1. JKT – Japan, South Korea and Taiwan

EXPORT SALES

- Export sales decreased by 22% due to lower production
- Average FOB price fell to US$55/dmt, down US$6/dmt
- Market reference moved down by US$7.5/dmt:
  - IODEX 62 Platts (CFR China) fell by US$8/dmt
  - Platts freight rate on the Saldanha-Qingdao route dropped by US$2.5/wmt
  - Platts lump premium down by US$2/dmt (basis 2:1 lump:fine ratio)
- China accounted for 65% of export sales
- CFR sales accounted for 70% of total exports

Export sales and prices

	1H16	1H15	2H15
Total export sales (Mt)	18.1	23.2	20.3
Contract (%)	75	67	75
Spot (%)	25	33	25
Average FOB price received (US$/tonne)	55	61	46

Export sales geographical split

%	1H16	1H15	2H15
China	65	60	66
Japan and Korea	15	18	22
Europe/MENA/Americas	14	10	9
India and Other Asia	6	12	3
Total	**100**	**100**	**100**

Volumes shipped

Mt	1H16	1H15	2H15
Total Kumba ore shipped	18.1	23.0	20.5
Of which shipped by Kumba	12.7	15.1	14.7

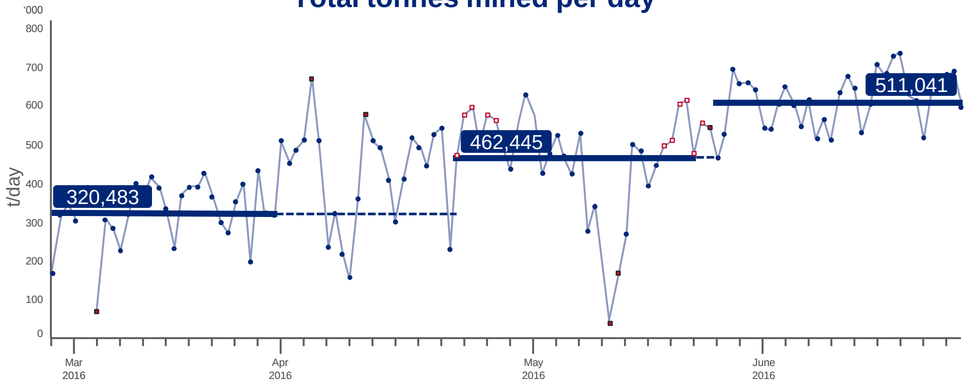
OPERATIONAL OVERVIEW

SISHEN MINE

Improved run rates expected in 2H16

- New mine plan implemented
- Production down 29% to 11.5Mt; waste down 40% to 64.9Mt in line with revised mine plan
- Substantial workforce restructuring completed largely through voluntary separation
- Significant improvement in productivity post restructuring as achieved in June
- Run rates in 2H16 expected to be more stable

Total tonnes mined per day



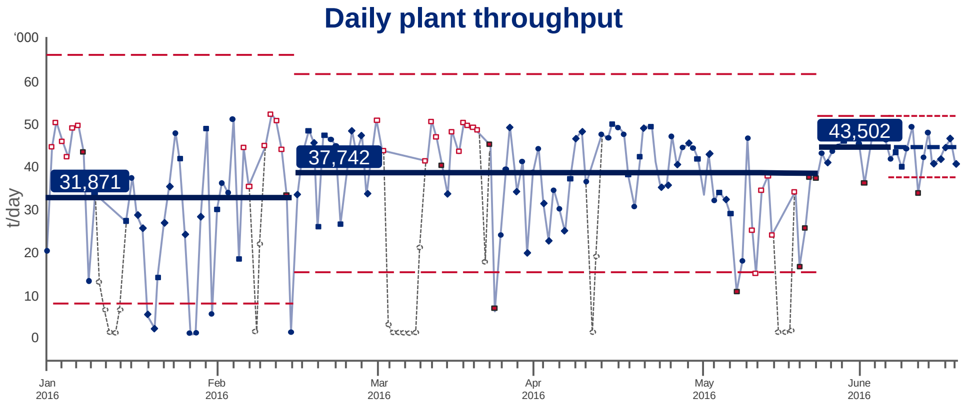
Mt	6 months 30 Jun 2016	6 months 30 Jun 2015	% change	6 months 31 Dec 2015	% change
Total tonnes mined	**83.7**	125.6	(33%)	135.8	(38%)
Waste mined	**64.9**	107.7	(40%)	114.5	(43%)
Ex-pit ore	**18.8**	17.9	5%	21.3	(12%)
Production	**11.5**	16.1	(29%)	15.3	(25%)
DMS plant	**6.7**	10.2	(34%)	10.1	(34%)
Jig plant	**4.8**	5.9	(19%)	5.2	(8%)
Stripping ratio[1]	**3.5**	6.0	(42%)	5.4	(35%)
Finished product inventory	**0.7**	1.0	(30%)	1.6	(56%)

[1.] *Waste tonnes mined / ex-pit ore*

KOLOMELA MINE

Production target achieved

- Production of 5.9Mt
- Waste mined 20.2Mt, 23% lower, in line with mine optimisation
- Work continues to achieve planned target of 13Mtpa in 2017
- Further improvement in plant efficiency and throughput rate expected



Mt	6 months 30 Jun 2016	6 months 30 Jun 2015	% change	6 months 31 Dec 2015	% change
Total tonnes mined	**26.7**	34.9	(24%)	25.7	4%
Waste mined	**20.2**	26.3	(23%)	19.4	4%
Ex-pit ore	**6.5**	8.6	(24%)	6.3	3%
Production	**5.9**	5.9	-	6.2	(5%)
Stripping ratio[1]	**3.2**	3.1	3%	3.1	3%
Finished product inventory	**0.4**	1.3	(69%)	1.2	(67%)

[1] *Waste tonnes mined / ex-pit ore*

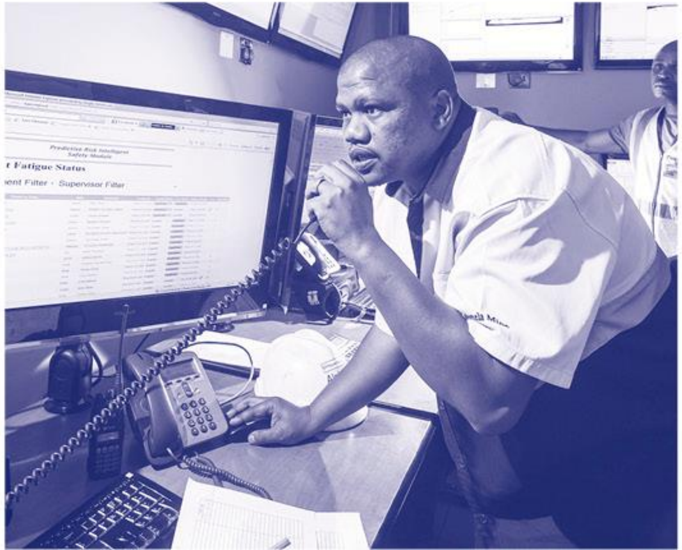
LOGISTICS

Volumes hampered by low stock and reduced production

- Volumes railed decreased 16% to 18.3Mt
- Volumes shipped down 21% to 18.1Mt
- Stocks reduced to 2.3Mt

Mt	6 months 30 Jun 2016	6 months 30 Jun 2015	% change	6 months 31 Dec 2015	% change
Railed to port	**18.3**	21.8	(16%)	20.6	(11%)
Sishen mine[1]	**11.7**	15.9	(26%)	14.3	(18%)
Kolomela mine	**6.6**	5.9	12%	6.3	5%
Total sales	**20.2**	26.0	(22%)	21.8	(7%)
Export	**18.1**	23.2	(22%)	20.3	(11%)
Domestic	**2.1**	2.8	(25%)	1.5	40%
Sishen mine	**1.4**	2.0	(30%)	1.0	40%
Thabazimbi mine	**0.7**	0.8	(13%)	0.5	40%
Volume shipped[2]	**18.1**	23.0	(21%)	20.5	(12%)
Total finished stock	**2.3**	3.9	(41%)	4.7	(51%)

1. Including Saldanha steel *2. Includes third party sales of 0.7mt*

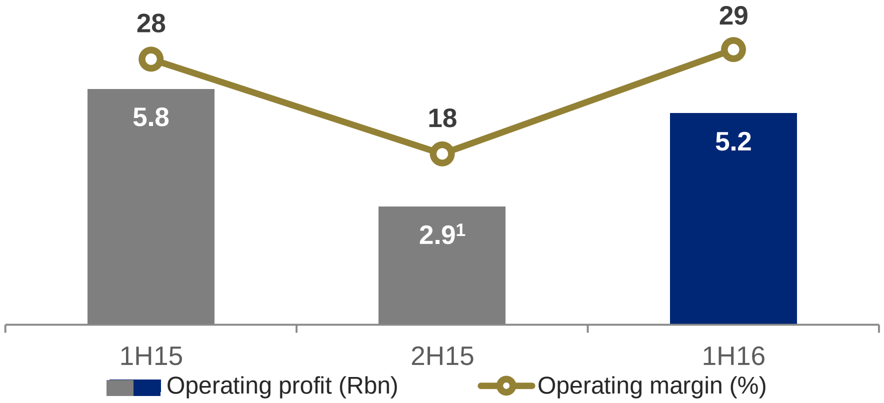


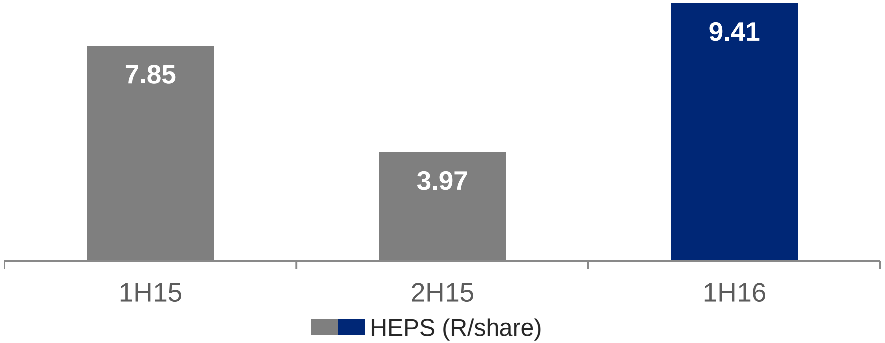
FINANCIAL OVERVIEW

FINANCIAL HIGHLIGHTS

Initiatives to lower the cost base delivers results

- Revenue decreased 11% to R18.2bn
- Costs down 12% to R13bn
- Capex of R1.3bn down 61%
- HEPS of R9.41 up 20%
- Net cash position of R548m
- No interim dividend

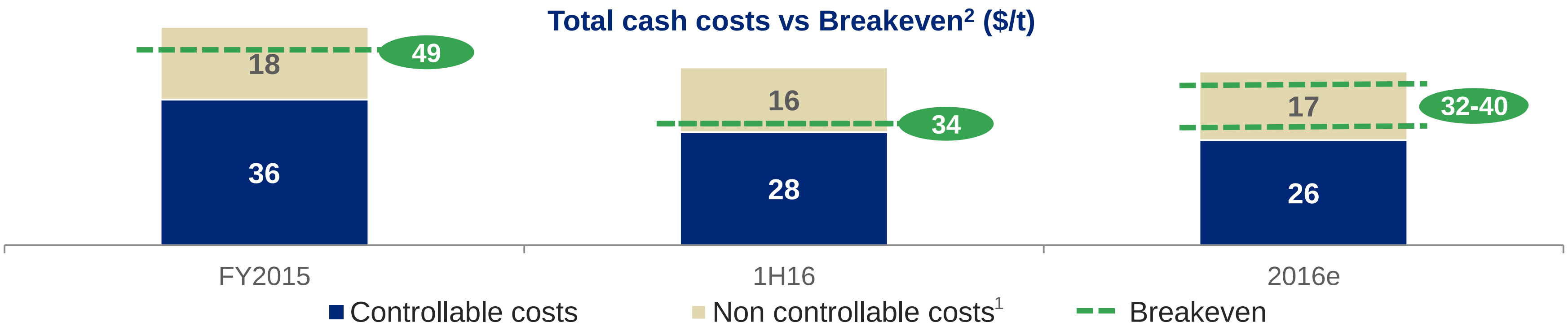




[1.] *Operating profit before Sishen impairment of R6bn*

BREAKEVEN AT LOWER END OF TARGETED RANGE

Restructuring delivers meaningful savings



- Breakeven price down $15/t from the FY2015 average
- FOB C1 cash cost of Sishen $30/t and Kolomela $21/t

Controllable costs

- Controllable costs down $8/t
  - Key savings derived from Sishen reconfiguration
  - Continued focus on SIB capex savings, on mine cash cost reduction and overhead cost optimisation

Non-controllable costs

- Volatility in non controllable costs anticipated to continue
- Freight rates at historical lows and R/$ expected to remain weak

[1] *Non controllable costs: logistics, freight costs, royalties.*
[2] *Adjusted for premium*

FINANCIAL REVIEW

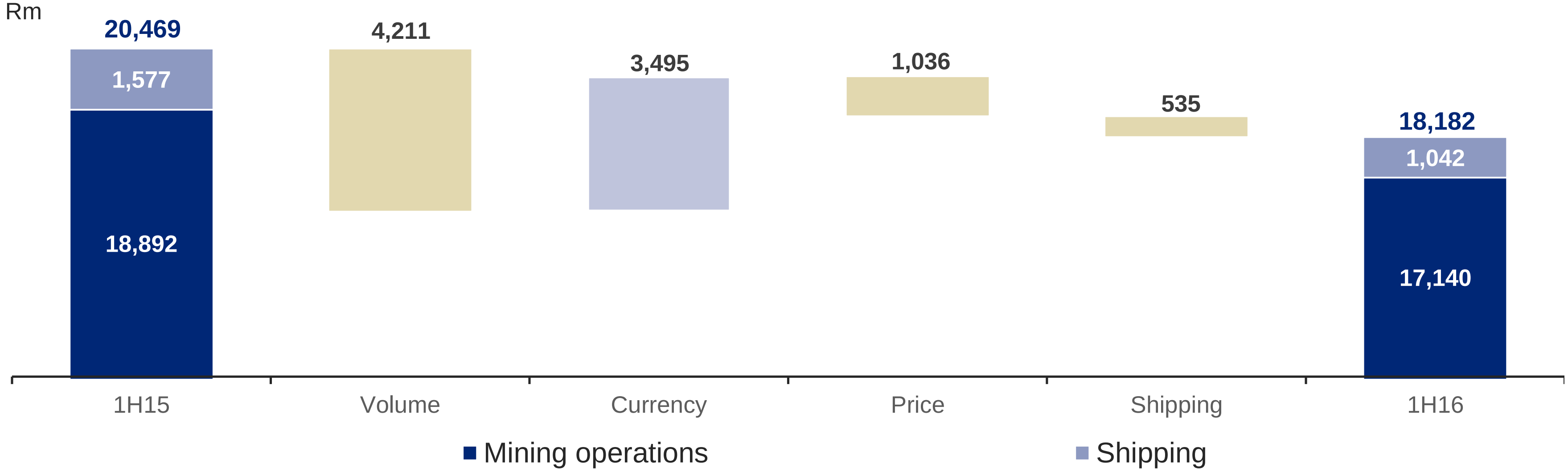
Robust operating margin and healthy cash generation

Rm	6 months 30 Jun 2016[1]	6 months 30 Jun 2015	% change	6 months 31 Dec 2015	% change
Revenue	**18,182**	20,469	(11%)	15,669	16%
Operating expenses	**(12,976)**	(14,699)	(12%)	(18,795)	(31%)
Operating expenses	**(13,190)**	(16,088)	(18%)	(14,089)	(6%)
Mineral royalty	**(248)**	(96)	158%	(95)	161%
Impairment	**(4)**	-	100%	(5,978)	(100%)
Deferred waste stripping	**466**	1,485	(69%)	1,367	(66%)
Operating profit	**5,206**	5,770	(10%)	(3,126)	267%
Operating margin (%)[2]	**29**	28		18	
Profit for the period	**3,820**	3,273	17%	(2,646)	244%
Equity holders of Kumba	**2,974**	2,508	19%	(2,039)	246%
Non-controlling interest	**846**	765	11%	(607)	239%
Headline earnings	**3,009**	2,519	20%	1,273	136%
Effective tax rate (%)[3]	**23**	24		21	
Cash generated from operations	**7,632**	8,680	(12%)	5,161	48%
Capital expenditure	**1,294**	3,331	(61%)	3,421	(62%)

[1.] *Including Thabazimbi*
[2.] *Excluding the impairment charge*
[3.] *Excluding the mineral royalty and de-recognition of deferred tax asset (2015)*

REVENUE

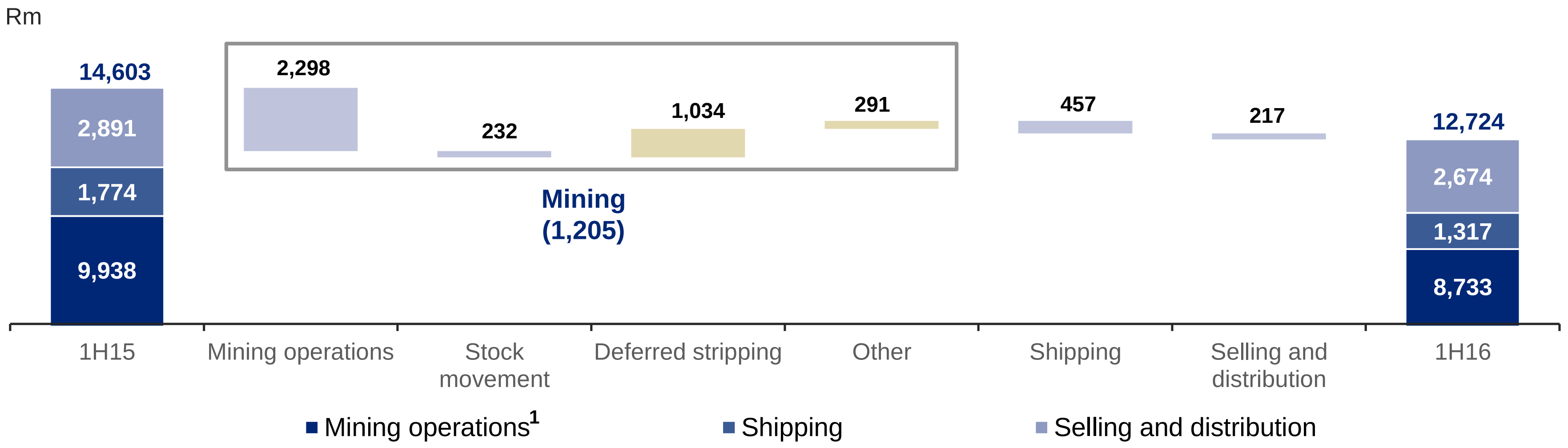
Planned reduction in volumes offset by weaker currency



- Revenue decreased by 11%
- Total sales volumes reduced as planned by 5.8 Mt to 20.2 Mt as a result of revised Sishen mine plan
- 29% weaker average ZAR/$ exchange rate of R15.40 (1H15: R11.91)
- Realised average FOB export prices decreased by 10% to $55/t (1H15: $61/t)

OPERATING EXPENDITURE

Cost contained through stringent management

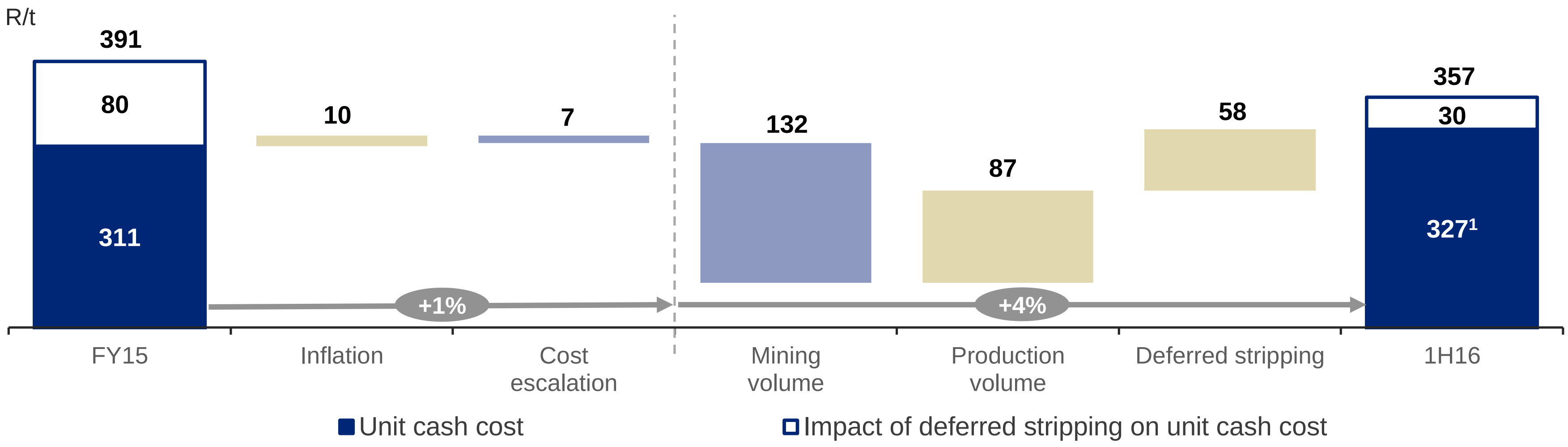


- Mining costs down 12% mainly from lower mining volumes, fuel prices and contractor rates partially offset by a decrease in waste stripping costs deferred to the balance sheet
- Lower shipping costs as freight rates declined to historical lows reaching $4/t during Jan 2016 and volumes shipped from Saldanha port down 4.9Mt
- Selling and distribution costs down due to lower volumes railed to Saldanha

[1] *Excluding the mineral royalty and impairment*

SISHEN UNIT CASH COST

Cost escalation contained at 1%

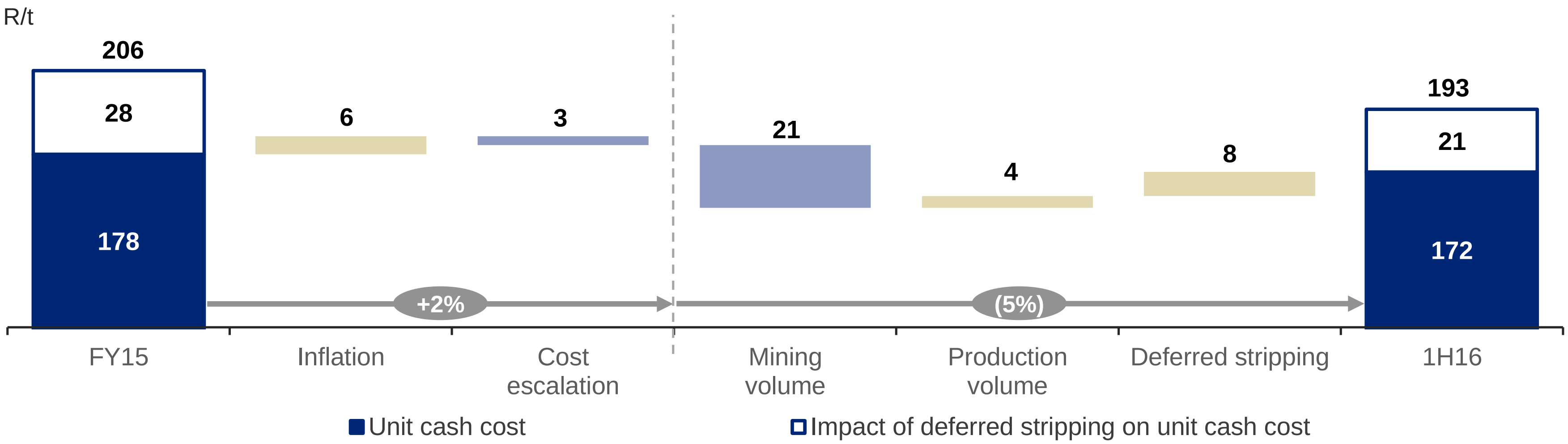


- Impacted positively by 42Mt lower mining volumes
- 5Mt lower production volumes as mine transitioned to lower pit shell
- Lower capitalisation of deferred stripping costs driven by reduced stripping ratio
- Cost escalation contained at 1%, notwithstanding CPI of 6.2%

[1] *Excluding retrenchment costs*

KOLOMELA UNIT CASH COST

Lower mining volumes and overhead cost savings drive exceptional unit cost performance



- Impacted positively by 8Mt lower mining volumes in line with mine optimisation
- Input cost savings from reduced mining contractor rates and other third party service provider costs
- Maintenance cost anticipated to increase in 2H16 as mining fleet reaches 6 years in operation

CAPITAL GUIDANCE

Re-based pit design and capital discipline drives optimised capex profile

2016

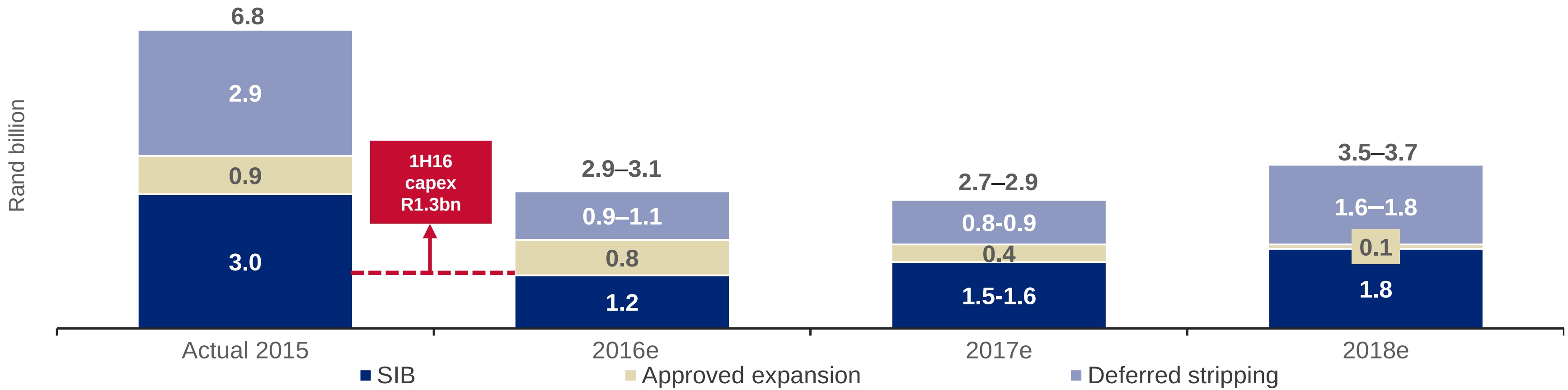
- Significant reduction of ~R2bn (61%), supporting cash preservation and new pit design:
  - Primary fleet renewal at Sishen complete
  - Benefit from significantly re-scoped infrastructure projects

Medium term

- Sishen: SIB for reconfigured pit shell and enhanced operational efficiencies
- Kolomela: Enters 7th year of operations, with increased strip ratio and SIB aligned to higher production

Long term

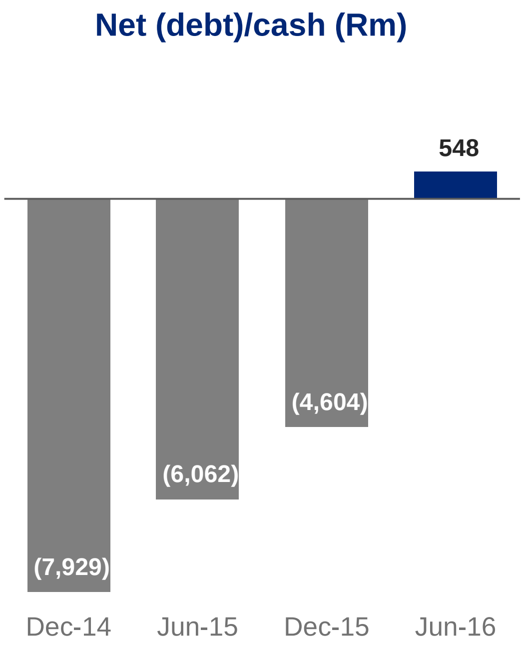
- SIB of ~R2bn p.a. (nominal) expected through the cycle, being optimised in terms of new LoM plans



Totals exclude unapproved capex of: 2016: R0.1bn; 2017: R0.5bn; 2018: R0.5bn
Cash capex depicted in chart

STRENGTHENED BALANCE SHEET

Net cash position of R548m



Rm	6 months 30 Jun 2016	6 months 30 Jun 2015	12 months 31 Dec 2015
Net cash/(debt)	**548**	(6,062)	(4,604)
Total equity	**29,114**	27,453	25,167
Net debt:EBITDA	**N/A**	14	0.39
Interest cover (times)	**16**	14	4
Net debt/equity (%)	**N/A**	22	18
Net debt/market capitalisation (%)	**N/A**	12	35
Committed debt facilities	**16,500**	16,500	16,500
Net financial guarantees to DMR	**2,371**	1,852	1,852

OUTLOOK

REGULATORY UPDATE

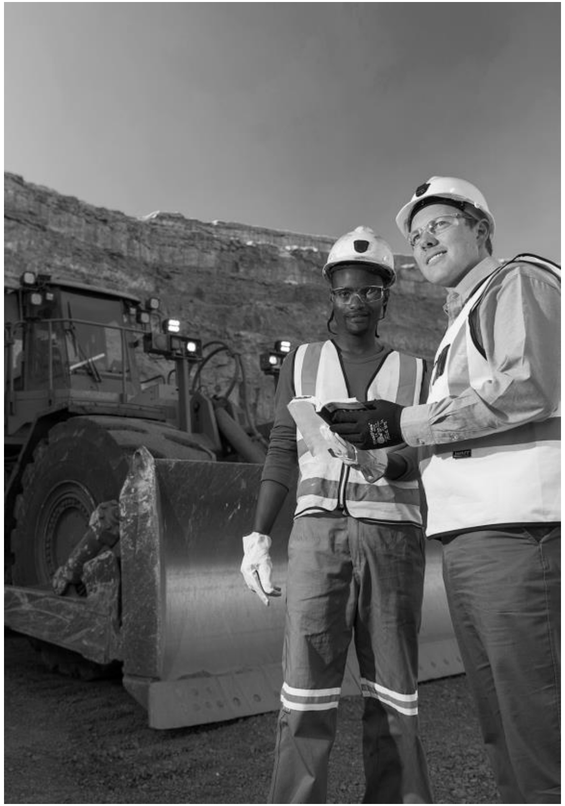
Ongoing engagement with authorities

Contingent tax liability

- Objection to the assessment lodged on 18 July 2016
- SARS granted suspension pending further engagement
- Field audit covering 2011 to 2013 years of assessment in progress

21.4% Sishen Mining Right

- Awaiting response from DMR



OUTLOOK REMAINS CHALLENGING

Prices expected to decline in 2H16

Production

- Sishen
  - ~27Mt in 2016-2020
  - Waste ~135-150Mt in 2016, ~150Mt 2017–2020
- Kolomela
  - ~12Mt in 2016; increase to 13Mt by 2017
  - Waste ~46–48Mt in 2016, ~50-55Mt 2017–2020

Sales

- Targeting export sales of 38–39Mt for 2016

Market Fundamentals

- Supply-demand fundamentals remain challenging

Profitability

- Profit remains sensitive to price and Rand/US$ exchange rate

INCREMENTAL PRODUCTION PIPELINE

Value accretive growth opportunities

Low Grade Technology and Exploration	Sishen DMS upgrade to UHDMS	Sishen 2nd Modular plant	Kolomela Modular
• Sishen beneficiation options • Northern Cape exploration programme	• Leveraging low grade technology • ~2Mtpa over LoM • Low capital intensity	• Proven technology, low risk • ~0.7Mtpa over LoM • Indicative capex ~R400–600m	• Proven technology, low risk • ~0.7Mtpa • Capex of ~R420m[1]

Concept	Pre-Feasibility		Implementation
+10 years	~3-4 years	~1-2 years	~0-1 years

[1] 2016 Capex of ~R120m

MAINTAINING ROBUSTNESS THROUGH THE CYCLE

Key priorities over the medium term

Optimise assets	Financial flexibility	Future opportunities
• Stabilise production • Step up financial and operational performance • Maintain competitive and resilient cost position	• Maintain strong balance sheet • Sustainable dividends • Invest in growth for value	• Deliver incremental production projects **Long term** • Sishen beneficiation • Exploration
Grow free cash flow and returns	**Reinstate dividend**	**Extend LoM**

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THANK YOU

ANNEXURES

ANNEXURE 1

Revenue: Sector analyses

	6 months 30 Jun 2016	6 months 30 Jun 2015	% change	6 months 31 Dec 2015	% change
Export (Rm)	**15,412**	16,823	(8%)	12,748	21%
Tonnes sold (Mt)	**18.1**	23.2	(22%)	20.3	(11%)
US Dollar per tonne	**55**	61	(10%)	46	20%
Rand per tonne	**851**	725	17%	625	36%
Domestic (Rm)	**1,728**	2,069	(16%)	1,086	59%
Tonnes sold (Mt)	**2.1**	2.8	(25%)	1.5	40%
Rand per tonne	**823**	739	11%	724	14%
Shipping operations (Rm)	**1,042**	1,577	(34%)	1,835	(43%)
Total revenue	**18,182**	20,469	(11%)	15,669	16%
Rand/US Dollar exchange rate	**15.40**	11.91	29%	12.34	25%

ANNEXURE 2

Aggregate operating expenditure

Rm	6 months 30 Jun 2016	6 months 30 Jun 2015	% change	6 months 31 Dec 2015	% change
Cost of goods sold	**8,733**	9,938	(12%)	8,224	6%
Cost of goods produced	**7,123**	8,254	(14%)	8,287	(14%)
Production costs	**7,353**	8,531	(14%)	8,396	(12%)
Sishen mine	**5,527**	6,115	(10%)	6,661	(17%)
Kolomela mine	**1,631**	1,823	(11%)	1,544	6%
Thabazimbi mine	**187**	551	(66%)	145	29%
Other	**8**	42	(81%)	46	(83%)
Inventory movement WIP	**(230)**	(277)	17%	(109)	(111%)
A grade	**2**	(336)	101%	(32)	106%
B grade	**(232)**	59	(493%)	(77)	(201%)
Inventory movement finished product	**959**	1,238	(23%)	84	1,042%
Corporate support and studies	**508**	648	(22%)	506	66%
Forex, non-cash and other	**143**	(202)	171%	(653)	122%
Mineral royalty	**248**	96	158%	95	161%
Impairment charge	**4**	-	100%	5,978	(100%)
Selling and distribution	**2,674**	2,891	(8%)	2,615	2%
Shipping operations	**1,317**	1,774	(26%)	1,883	(30%)
Operating expenses	**12,976**	**14,699**	(12%)	**18,795**	(31%)

ANNEXURE 3

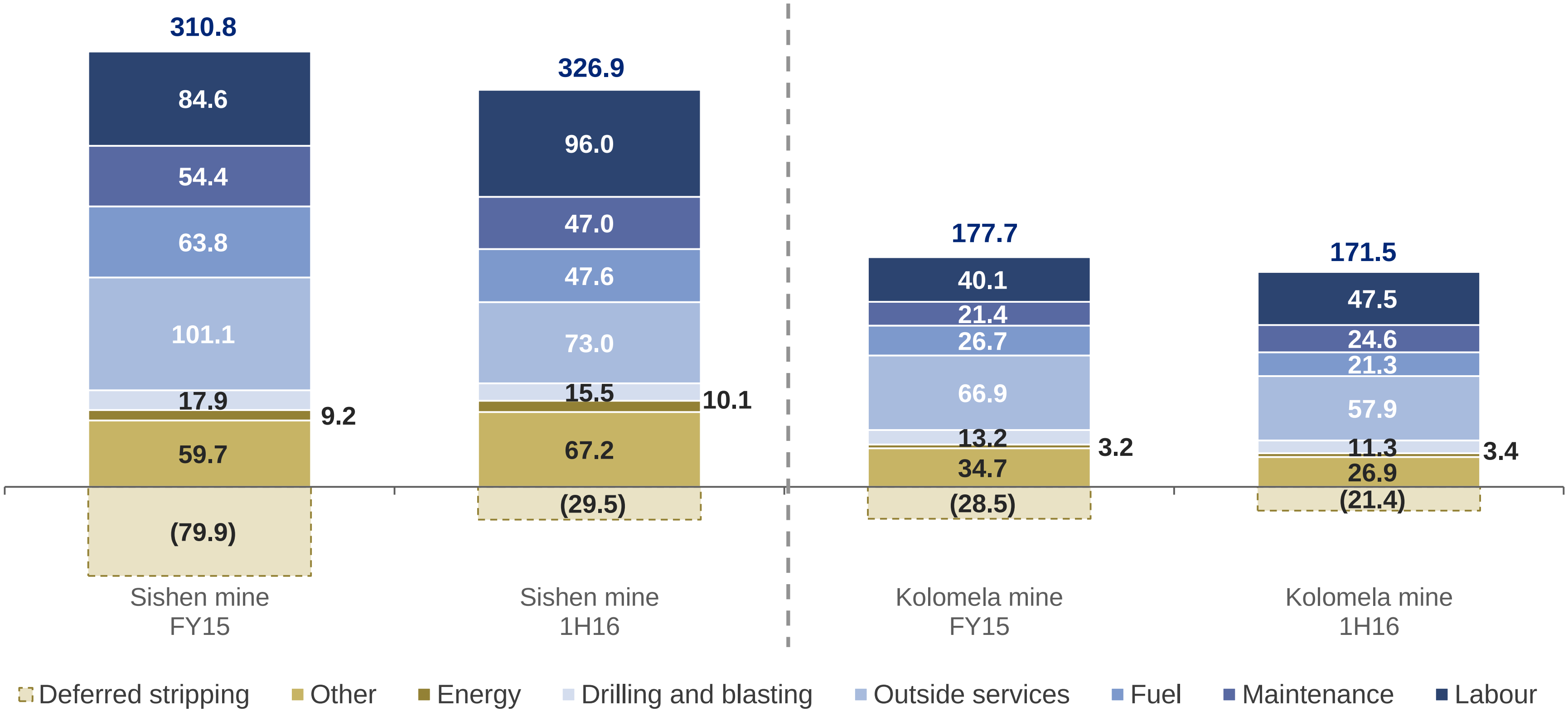
Capital expenditure analyses

Rm	1H16	12 months 31 Dec 2015	12 months 31 Dec 2016	12 months 31 Dec 2017	12 Months 31 Dec 2018
			Medium term forecast		
Approved expansion	340	870	800	400	100
Deferred stripping	466	2,852	900–1,100	800–900	1,600–1,800
Sishen	340	2,508	700–800	600–700	1,300–1,400
Kolomela	126	344	200–300	200	300–400
SIB Sishen	375	2,418	900	900–1,000	1,100
SIB Kolomela	113	612	300	600	700
Total approved capital expenditure	**1,294**	**6,752**	**2,900–3,100**	**2,700–2,900**	**3,500–3,700**
Unapproved expansion[1]	-	-	100	500	500
Total approved and unapproved capital expenditure	**1,294**	**6,752**	**3,000–3,200**	**3,200–3,400**	**4,000–4,200**

1. Unapproved capex includes high-level estimates for the incremental production pipeline
All guidance based on current forecast exchange rates
Cash capex depicted in table

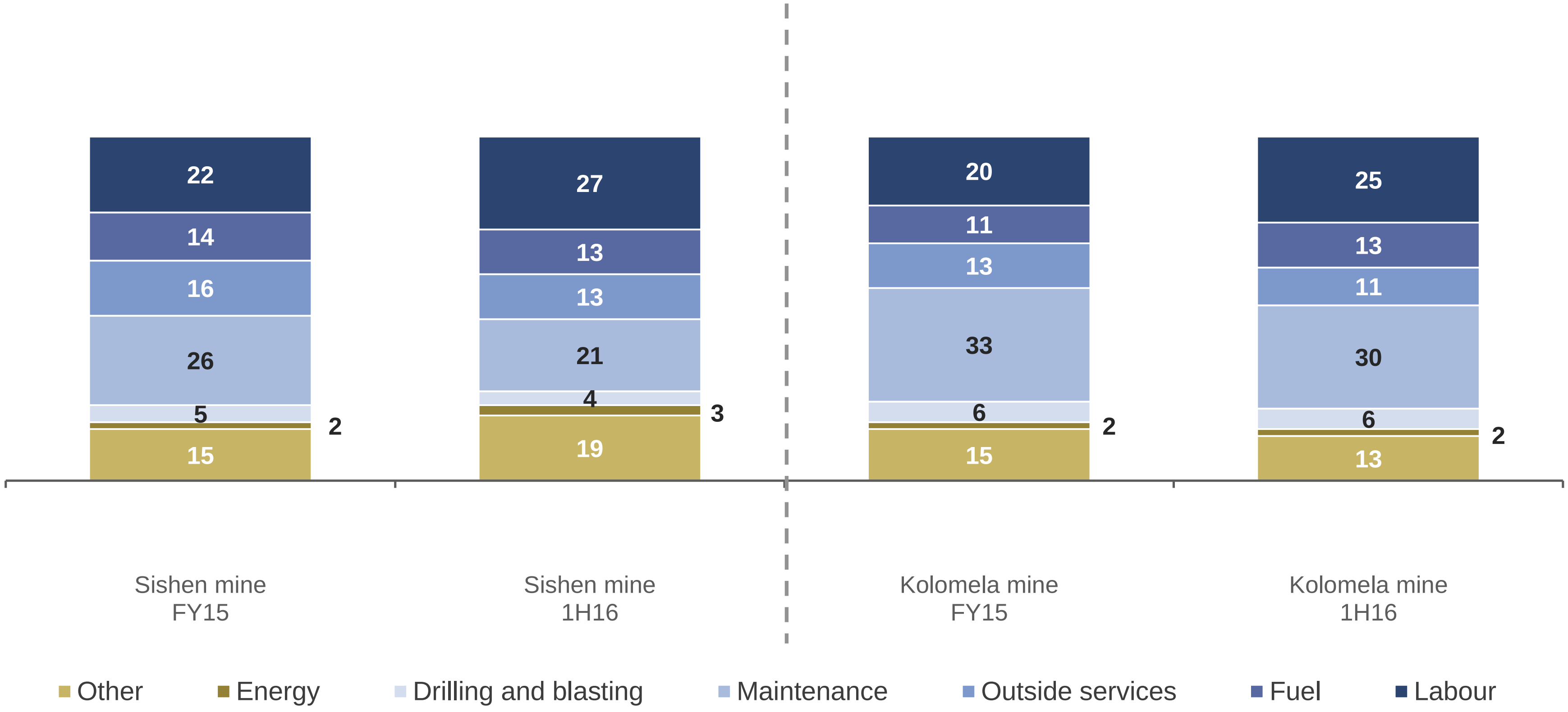
ANNEXURE 4

Sishen and Kolomela mines' unit cash cost structure (R/t)



ANNEXURE 5

Sishen and Kolomela mines' unit cash cost structure before deferred stripping (%)



ANNEXURE 6

Sensitivity analysis for 6 months

Change per unit of key operational drivers

Sensitivity Analysis	Unit change	EBIT impact
Currency (ZAR/USD)	R0.10/$	R115m
Export Price (USD/tonne)	$1.00/t	R275m
Volume (Kt)	100Kt	R55m
Sensitivity Analysis	**Unit change**	**Breakeven price impact**
Currency (ZAR/USD)	R1.00/$	$2.50/tonne

1% change to key operational drivers