

PRESS RELEASE

21 July 2015

INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015**KEY FEATURES**

- Operations reconfigured to achieve significantly lower cost of production
- 46% drop in average iron ore index price to US\$60/tonne
- Total sales volumes increased by 16% to record 26 Mt
- Production of 22.6 Mt, down 1%
- Controllable costs per tonne reduced by 16%
- Normalised earnings down 52% to R9.78 per share
- Thabazimbi closure announced on 16 July 2015
- No interim dividend

INTRODUCTION

Kumba Iron Ore Limited ('Kumba' or 'the group') announces its results for the six months ended 30 June 2015.

The group's safety performance remains a key priority ending the six months without any loss of life. The lost-time injury frequency rate (LTIFR) was 0.22 (2014: 0.20). While there has been a marginal increase in the number of lost-time injuries, they have been of a less severe nature. The total recordable case frequency rate (TRCFR), a measure of frequency of injuries, was 0.77 (2014: 0.78).

The focus on key safety improvement drivers remains in place with continued emphasis on preventing any loss of life or injury through the implementation of critical engineering controls and operational risk management.

The past six months continued to be turbulent and challenging for iron ore producers with further decline and volatility in prices. New low cost supply aided by the realisation of efficiencies across the sector, lower freight rates and producer currencies have resulted in a structural change in the iron ore market and a flattening in the cost curve. This has been exacerbated by muted demand. These changes in market fundamentals have necessitated a robust review of Kumba's business in order to improve its competitive position and reduce cash costs.

RECONFIGURING OF OPERATIONS

As a result of the challenging market conditions, Kumba has undertaken a number of key interventions, which are expected to result in a reduction in the group's cash breakeven price to \$45/tonne (62% Fe CFR China) from the \$63/tonne in 2014. These initiatives include reducing overhead costs, reinforcing capital discipline, reconfiguring the operations and maintaining the focus on product quality through the production of lump products.

Material revisions have been made to the mine plan at Sishen. The pit has been reconfigured for lower prices and optimised for cash flow in the near term with a downward revision of waste and production. Kolomela's waste profile has also been optimised to conserve cash and production is expected to increase incrementally.

A member of Anglo American plc group**Kumba Iron Ore Company Ltd**

Centurion Gate, Building 2B, 124 Akkerboom Road, Centurion, 0157. PO Box 9679, Centurion, 0046, South Africa. T +27 (0) 12 683 7000. F +27 (0) 12 295 0746. Incorporated in South Africa. Registration Number: 2005/015852/06

Directors: F Titi - Independent Non-Executive Chairman, NB Mbazima (Zambian) - Executive Director (CEO), FT Kotzee - Executive Director (CFO)

Non-Executive Directors: ZBM Bassa, DD Mokgatle, AJ Morgan, LM Nyhonyha, AH Sangqu, BP Sonjica, AM O'Neill (Australian)

Company Secretary: A Parboosing

Capital expenditure has been reduced and re-phased and reducing overheads (head office and mines) continues to be a key priority. The restructuring of the head office was completed with a resultant reduction of 40%, or 133, permanent positions in the workforce (61% reduction including fixed term employees). On 9 July 2015 the company commenced with the proposed restructuring of support services at the operations and stay-in-business capital projects functions, which is expected to result in further overhead cost savings.

THABAZIMBI MINE

Thabazimbi is a high cost mine with difficult mining conditions, which was exacerbated by a slope failure during June 2015. After considering all options for the future of the mine, the closure of Thabazimbi was announced on 16 July 2015 as the mine has reached the end of its economic life.

NO INTERIM DIVIDEND

The volatile and depressed market conditions have significantly reduced pricing certainty in the near term. In line with the board's policy, the dividend is reviewed at each interim and annual reporting period. Taking cognisance of the pressure of lower cash generation, the initiatives required to preserve cash as outlined above, and in order to maintain financial flexibility, the board has decided not to declare an interim 2015 dividend.

OVERVIEW OF SIX MONTHS ENDED 30 JUNE 2015

Total tonnes mined (excluding Thabazimbi) were up by 16% to 160.5 Mt (2014: 138.5 Mt). Total production declined marginally to 22.6 Mt due to lower production at Sishen of 16.1 Mt, and a continued strong performance at Kolomela of 5.9 Mt. Total sales volumes increased by 16% to 26 Mt (2014: 22.5 Mt) on the back of record export sales of 23.2 Mt (2014: 19.7 Mt), as a result of good logistics performance and shipments totalling 2.3 Mt through the Multi-Purpose Terminal (MPT) at the port of Saldanha.

Headline earnings were 61% lower at R2.5 billion (2014: R6.5 billion), mainly as a result of realised iron ore export prices, which weakened by 41% to \$61/tonne (2014: \$104/tonne), partially offset by the favourable impact of a 12% weakening of the Rand against the US Dollar. Whilst operating expenses increased by 4%, the controllable costs per tonne reduced by 16%. Attributable and headline earnings for the period were R7.82 and R7.85 per share respectively. Normalised earnings, which exclude the derecognition of a deferred tax asset of R801 million (R617 million attributable to Kumba shareholders), was 52% lower than the comparative period at R9.78 per share (2014: R20.28).

MARKET OVERVIEW

Global crude steel production contracted 2.4% to 809 Mt for the first half of 2015 (2014: 829 Mt). China's production of 406 Mt was 2.4% lower than the record production of 416 Mt in 1H 2014, with high Chinese exports supporting soft domestic demand. Global seaborne iron ore supply was flat at 662 Mt on the back of 6% growth out of Australia and 11% from Brazil, offset by a decline from India and the rest of the world. Non-traditional supply sources continue to be displaced by low cost capacity expansions. Temporary supply bottlenecks were experienced by major iron ore producers in the early parts of the year, whereas record

port shipments in June 2015 and ongoing supply ramp-up, including the commissioning of Roy Hill in Australia, will support supply growth in the second half of the year.

Average index iron ore prices (CFR China 62% Fe) in the first half of 2015 were down 46% at \$60/tonne for the period (2014: \$111/tonne). Index prices have steadily declined from the beginning of the year to historical lows as a result of increased supply availability with major projects reaching execution, and subdued seasonal demand recovery as mills deleveraged inventories.

OPERATIONAL PERFORMANCE

Production summary (unaudited)

	Year to date ended		
'000 tonnes	June 2015	June 2014	% change
Total	22,552	22,793	(1)
- Lump	14,652	14,985	(2)
- Fines	7,900	7,808	1
Mine production	22,552	22,793	(1)
- Sishen Mine	16,062	16,995	(5)
DMS Plant	10,178	10,983	(7)
Jig Plant	5,884	6,012	(2)
- Kolomela Mine	5,853	5,461	7
- Thabazimbi Mine	637	337	89

Sishen mine

Total tonnes mined at Sishen increased by 17% to 125.6 Mt (2014: 107.2 Mt). Total waste mined was 107.7 Mt (2014: 86.9 Mt), an increase of 24%. Sishen production of 16.1 Mt decreased 5% (2014: 17 Mt) due to blending capacity constraints to the plants as a result of limited availability of high quality full bench ore in the second quarter of 2015.

The implementation of the Operating Model in the North mine continues to yield improved operating equipment productivity and is now being rolled out to the pre-strip waste mining and heavy mining equipment maintenance areas. In addition, after obtaining the appropriate licences, Sishen has started using two new waste dumps to the west of the current pit. This will further facilitate waste removal by reducing hauling distances and lift factors.

Kolomela mine

Kolomela mine continued to perform strongly. Total tonnes mined at Kolomela mine rose by 12% to 34.9 Mt, (2014: 31.3 Mt), of which waste mined was 26.3 Mt (2014: 24.4 Mt), an increase of 8%. Waste mined reduced as planned by 15% from 2H 2014. Going forward waste volumes are expected to reduce from 42 – 46 Mtpa to 35 - 38 Mtpa for 2015, ramping up thereafter. The mine produced 5.9 Mt of ore, an increase of 7% (2014: 5.5 Mt).

Thabazimbi mine

Thabazimbi produced 0.6 Mt of ore (2014: 0.3 Mt), while waste mining volumes decreased by 45% to 8.4 Mt (2014: 15.4 Mt). A monitored slope failure took place in the Kumba pit on 6 June 2015. No injuries were sustained as the pit was evacuated as a precaution (refer to note 13 in the notes to the interim financial statements).

Logistics

Volumes railed on the Sishen-Saldanha Iron Ore Export Channel were 11% higher at 21.8 Mt (including 0.7 Mt railed to Saldanha Steel) (2014: 19.7 Mt). Kumba shipped 23 Mt (2014: 19.3 Mt) from the Saldanha port destined for the export market, up 19%, including 2.3 Mt shipped through the multi-purpose terminal (MPT) at the Saldanha port.

Sales summary (unaudited)

	Six months ended		
'000 tonnes	June 2015	June 2014	% change
Total	25,987	22,499	16
- Export sales	23,204	19,710	18
- Domestic sales	2,783	2,789	-
Sishen mine	2,021	2,484	(19)
Thabazimbi mine	762	305	150

Sales

Total sales were 16% higher at 26 Mt (2014: 22.5 Mt), on the back of record export sales volumes of 23.2 Mt (2014: 19.7 Mt), including 0.7 Mt from third party producers. CFR sales accounted for 68% of export sales volumes (2014: 62%). Finished product inventory held at the mines and ports decreased to 4 Mt from 6.5 Mt as at 31 December 2014 (2014: 3.6 Mt). 60% of total export volumes were directed to China compared to 66% during the first half of 2014. The group's lump:fine ratio was 67:33 for the period (2014: 66:34).

FINANCIAL RESULTS

Revenue

The group's total revenue of R20.5 billion for the period was 23% lower than the R26.4 billion for the comparable period in 2014, mainly as a result of the significant 41% drop in average realised iron ore export price to US\$61/tonne (2014: US\$104/tonne). In addition, lower freight rates resulted in a R541 million reduction in shipping revenue. This was partially offset by the 12% decline in the Rand/US\$ exchange rate (1H2015: R11.91/US\$1 compared to 1H2014: R10.68/US\$1) and 16% higher total sales volumes.

Operating expenses

Operating expenses rose by 4% to R14.7 billion from R14.1 billion in the first half of 2014; principally as a result of:

- 15.7 Mt growth in total mining volumes;
- inflationary pressure on input costs of 4.4%;

- higher selling and distribution costs on the back of 31% higher volumes railed from Kolomela, annual contractual tariff escalations, and the MPT volumes which attract a higher port tariff; offset by
- Input cost savings from primary equipment operating efficiencies and lower diesel prices;
- Corporate office overhead cost reduced by R138 million to R691 million (2014: R829 million) as part of the drive to achieve a lower sustainable overhead cost base, and
- R448 million lower freight cost.

The reduction in permanent and fixed term employees at the corporate office is expected to contribute savings of R200 million per annum 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 R299 per tonne increased by 10% (FY2014: R272 per tonne). This is primarily as a result of input cost pressures (+R5/tonne), which were contained at a 2% increase, higher mining volumes (+R36/tonne) and lower production volumes (+R29/tonne), partially offset by higher deferred waste stripping costs (-R42/tonne).

Kolomela mine incurred unit cash costs of R185 per tonne (FY2014: R208 per tonne), an 11% decrease despite higher mining volumes, mainly as a result of the capitalisation of ex-pit ore. Higher deferred waste stripping costs benefited unit costs by R9/tonne.

Operating profit

Kumba's operating profit margin decreased to 28% (2014: 47%). The group's mining operating margin was 32% (2014: 51%) excluding the net freight loss incurred on shipping operations. Operating profit decreased by 53% to R5.8 billion (2014: R12.3 billion). The lower revenue and increase in operating expenses outlined previously impacted profitability.

Cash flow

Cash flow of R8.7 billion was generated. Capital expenditure of R3.3 billion was incurred, R3.0 billion on stay-in-business (SIB) activities (including deferred stripping of R1.5 billion), and R0.3 billion on the Dingleton project. Phase 2 of the Dingleton project, the relocation of the 428 remaining houses, buildings and businesses, is progressing well and expected to be completed by the end of 2016. At 30 June 2015 the group had a net debt position of R6.1 billion (2014: R687 million).

REGULATORY UPDATE

SIOC has not yet been awarded the 21.4% Sishen mining right, which it applied for early in 2014 following the Constitutional Court judgement on the matter in December 2013. The Constitutional Court ruled that SIOC held a 78.6% undivided share of the Sishen mining right and that, based on the provisions of the MPRDA, only SIOC can apply for, and be granted, the residual 21.4% share of the mining right at the Sishen mine. The grant of the mining right may be made subject to such conditions considered by the Minister to be appropriate. Kumba is actively continuing its engagement with the DMR in order to finalise the grant of the residual right.

ORE RESERVES AND MINERAL RESOURCES

There have been no material changes to the ore reserves and mineral resources as disclosed in the 2014 Kumba Integrated Report.

EVENTS AFTER THE REPORTING PERIOD

On 9 July the company commenced with the proposed restructuring of support services at the Sishen and Kolomela and stay-in-business capital projects functions. On 16 July 2015, the closure of Thabazimbi was announced.

OUTLOOK

Iron ore prices are expected to remain under pressure as Australian and Brazilian producers increase supply, and demand growth from China slows.

Sishen's production profile has been moderated to 33 Mt in 2015 and the revised life-of-mine (LoM) plan has resulted in the waste target for 2015 being revised down from 240 Mtpa to 200 Mtpa with a ramp up to 230 Mt from 2018. The production outlook has been set at 36 Mt for 2016 – 2017, rising gradually to 38 Mt thereafter, with the average LOM stripping ratio remaining at 3.9. The new plan brings about reduced flexibility from a mine engineering perspective which will be mitigated through a greater focus on the quality of the execution in the pit and the execution of the operating model.

Mining at Kolomela will now concentrate on two primary pits with the third pre-stripped pit being re-phased to 2019. As a result, expected waste volumes have reduced from 42 – 46 Mtpa to 35 - 38 Mtpa for 2015, ramping up thereafter. Production is expected to ramp up to 13 Mt within the next two years, with a reduction of 2 years in the LoM as a result of the annual production capacity increase. The LoM stripping ratio is 3.3. In support of the anticipated higher production the mine is also increasing its logistics capacity through reclaiming and loading efficiencies and improving train turnaround times. Kolomela is expected to produce in excess of 11 Mt in 2015 with waste of 35 Mt.

Export sales volumes for the year are expected to exceed 43 Mt. Domestic sales volumes of up to 6.25 Mt are contracted to ArcelorMittal S.A. in terms of the supply agreement, which are now to be supplied from the Northern Cape.

The group expects total capital expenditure for 2015 to be in the range of R6.9 billion to R7.2 billion, including unapproved capital expenditure. Capital expenditure has been reduced and re-phased to conserve cash, with a significant reduction in stay in business capital of between R7.8 billion and R8.4 billion over the next three years, mainly due to reduced fleet, related infrastructure and housing requirements. Capital expenditure will increase from 2018 to 2020 to support the waste ramp up at Sishen as mentioned above. Deferred stripping has been reduced by R2.0 billion to R2.1 billion over the next three years largely due to the revised waste mining profile at Sishen.

The reconfiguration of Sishen and Kolomela through revised mine plans and organisational restructuring, together with the closure of Thabazimbi, has a major impact on the business and will result in a challenging second half of 2015. The cost savings initiatives on overheads and capital expenditure to achieve the targeted cash conservation will add further complexity

as the company navigates the remainder of this year. The management of Kumba is confident that the measures we are taking will enable Kumba to remain a viable and resilient business through these challenging times for the iron ore industry.

Profitability remains sensitive to iron ore export prices and the Rand/US\$ exchange rate.

CHANGES IN DIRECTORATE

Ms Khanyisile Kweyama tendered her resignation from the board with effect from 29 April 2015. Mr Gert Gouws tendered his resignation as a non-executive director from the board with effect from 8 May 2015.

The board thanks Ms Kweyama and Mr Gouws for their contributions and guidance during their respective tenures and wishes them all the best in their future endeavours.

The board announced the appointment of Mr Andile Sangqu as a non-executive director with effect from 29 June 2015. Mr Sangqu is the Executive Head of Anglo American South Africa and is appointed onto the company's board as a shareholder representative of Anglo American.

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

The presentation in support of the company's results for the six months ended 30 June 2015 will be available on the company's website www.angloamericankumba.com at 07h30 CAT and the webcast will be available from 11h30 CAT on 21 July 2015.

CONDENSED CONSOLIDATED BALANCE SHEET

as at

Rand million	Reviewed 6 months 30 June 2015	Reviewed 6 months 30 June 2014	Audited 12 months 31 December 2014
Assets			
Property, plant and equipment	36,870	32,038	35,170
Biological assets	5	5	6
Investments held by environmental trust	810	781	791
Long-term prepayments and other receivables	566	627	555
Deferred tax assets	-	850	871
Non-current assets	38,251	34,301	37,393
Inventories	6,830	5,128	7,366
Trade and other receivables	4,193	3,375	4,476
Cash and cash equivalents	6,938	3,039	1,664
Current assets	17,961	11,542	13,506
Total assets	56,212	45,843	50,899
Equity			
Shareholders' equity	21,129	21,144	20,764
Non-controlling interest	6,324	6,421	6,237
Total equity	27,453	27,565	27,001
Liabilities			
Interest-bearing borrowings	13,000	2,000	4,000
Provisions	2,199	1,861	1,964
Deferred tax liabilities	8,836	8,768	8,201
Non-current liabilities	24,035	12,629	14,165
Short-term portion of interest-bearing borrowings	-	1,726	5,593
Short-term portion of provisions	403	296	92
Trade and other payables	3,270	2,826	3,493
Current tax liabilities	1,051	801	555
Current liabilities	4,724	5,649	9,733
Total liabilities	28,759	18,278	23,898
Total equity and liabilities	56,212	45,843	50,899

CONDENSED CONSOLIDATED INCOME STATEMENT

for the period ended

Rand million	Reviewed 6 months 30 June 2015	Reviewed 6 months 30 June 2014	Audited 12 months 31 December 2014
Revenue	20,469	26,429	47,597
Operating expenses	(14,699)	(14,124)	(28,405)
Operating profit	5,770	12,305	19,192
Finance income	95	35	84
Finance costs	(474)	(181)	(519)
Loss from equity accounted joint venture	(1)	(2)	(5)
Profit before taxation	5,390	12,157	18,752
Taxation	(2,117)	(3,584)	(4,604)
Profit for the period	3,273	8,573	14,148
Attributable to:			
Owners of Kumba	2,508	6,511	10,724
Non-controlling interest	765	2,062	3,424
	3,273	8,573	14,148
Earnings per share for profit attributable to the owners of Kumba (Rand per share)			
Basic	7.82	20.30	33.44
Diluted	7.82	20.26	33.38

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended

Rand million	Reviewed 6 months 30 June 2015	Reviewed 6 months 30 June 2014	Audited 12 months 31 December 2014
Profit for the period	3,273	8,573	14,148
Other comprehensive income for the period, net of tax	174	46	318
Exchange differences on translation of foreign operations	174	46	352
Reclassification of gain relating to exchange differences on translation of foreign operations	-	-	(34)
Total comprehensive income for the period	3,447	8,619	14,466
Attributable to:			
Owners of Kumba	2,642	6,547	11,036
Non-controlling interest	805	2,072	3,430
	3,447	8,619	14,466

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended

Rand million	Reviewed 6 months 30 June 2015	Reviewed 6 months 30 June 2014	Audited 12 months 31 December 2014
Total equity at the beginning of the period	27,001	27,184	27,184
Changes in share capital and premium (net of treasury shares)			
Treasury shares issued to employees under employee share incentive schemes	142	74	93
Purchase of treasury shares	-	-	(107)
Changes in reserves			
Equity-settled share-based payment	243	228	525
Vesting of shares under employee share incentive schemes	(157)	(74)	(93)
Total comprehensive income for the period	2,642	6,547	11,036
Dividends paid	(2,505)	(6,462)	(11,521)
Changes in non-controlling interest			
Total comprehensive income for the period	805	2,072	3,430
Dividends paid	(796)	(2,050)	(3,657)
Movement in non-controlling interest in reserves	78	46	111
Total equity at the end of the period	27,453	27,565	27,001
Comprising			
Share capital and premium (net of treasury shares)	(169)	(223)	(311)
Equity-settled share-based payment reserve	1,817	1,398	1,685
Foreign currency translation reserve	1,390	1,047	1,256
Fair value reserve	59	8	74
Retained earnings	18,032	18,914	18,060
Shareholders' equity	21,129	21,144	20,764
Attributable to the owners of Kumba	20,279	20,281	19,925
Attributable to the non-controlling interest	850	863	839
Non-controlling interest	6,324	6,421	6,237
Total equity	27,453	27,565	27,001

Dividend (Rand per share)			
Interim	-	15.61	15.61
Final	n/a	n/a	7.73

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the period ended

Rand million	Reviewed 6 months 30 June 2015	Reviewed 6 months 30 June 2014	Audited 12 months 31 December 2014
Cash generated from operations	8,680	15,340	21,769
Net finance costs paid	(341)	(70)	(285)
Taxation paid	(67)	(2,382)	(4,165)
Cash flows from operating activities	8,272	12,888	17,319
Additions to property, plant and equipment	(3,331)	(3,281)	(8,477)
Loan granted to joint venture	(1)	(2)	(5)
Proceeds from the disposal of property, plant and equipment	78	30	78
Cash flows from investing activities	(3,254)	(3,253)	(8,404)
Purchase of treasury shares	-	-	(107)
Dividends paid to owners of Kumba	(2,490)	(6,422)	(11,450)
Dividends paid to non-controlling shareholders	(811)	(2,090)	(3,728)
Net interest-bearing borrowings raised	3,407	877	6,744
Cash flows from financing activities	106	(7,635)	(8,541)
Net increase in cash and cash equivalents	5,124	2,000	374
Cash and cash equivalents at beginning of period	1,664	1,053	1,053
Exchange differences on translation of cash and cash equivalents	150	(14)	237
Cash and cash equivalents at end of period	6,938	3,039	1,664

HEADLINE EARNINGS

for the period ended

Rand million	Reviewed 6 months 30 June 2015	Reviewed 6 months 30 June 2014	Audited 12 months 31 December 2014
Reconciliation of headline earnings			
Profit attributable to owners of Kumba	2,508	6,511	10,724
Impairment charge	-	-	439
Net loss/(profit) on disposal and scrapping of property, plant and equipment	16	(3)	91
Reclassification of exchange differences on translation of foreign operations	-	-	(34)
	2,524	6,508	11,220
Taxation effect of adjustments	(2)	1	(128)
Non-controlling interest in adjustments	(3)	(4)	(86)
Headline earnings	2,519	6,505	11,006
Headline earnings (Rand per share)			
Basic	7.85	20.28	34.32
Diluted	7.85	20.24	34.26
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	320,714,572	320,745,287	320,662,676
Diluted weighted average number of ordinary shares	320,814,017	321,377,681	321,242,611

The dilution of 99,445 at 30 June 2015 (30 June 2014: 632,394) shares to the weighted average number of ordinary shares is as a result of the vesting of share options previously granted under the various employee share incentive schemes.

NORMALISED EARNINGS

for the period ended

Rand million	Unaudited 6 months 30 June 2015	Unaudited 6 months 30 June 2014	Unaudited 12 months 31 December 2014
Reconciliation of normalised earnings			
Headline earnings attributable to owners of Kumba	2,519	6,505	11,006
Derecognition of deferred tax asset	801	-	-
	3,320	6,505	11,006
Taxation effect of adjustments	-	-	-
Non-controlling interest in adjustments	(184)	-	-
Normalised earnings	3,136	6,505	11,006
Normalised earnings (Rand per share)			
Basic	9.78	20.28	34.32
Diluted	9.78	20.24	34.26
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	320,714,572	320,745 287	320,662,676
Diluted weighted average number of ordinary shares	320,814,017	321,377 681	321,242,611

Kumba is disclosing normalised earnings for the first time. Comparative amounts are also provided.

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.

This 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 is an abnormal loss and has therefore been adjusted in determining normalised earnings.

SALIENT FEATURES AND OPERATING STATISTICS

for the period ended

	Unaudited 6 months 30 June 2015	Unaudited 6 months 30 June 2014	Unaudited 12 months 31 December 2014
Share statistics ('000)			
Total shares in issue	322,086	322,086	322,086
Weighted average number of shares	320,715	320,745	320,663
Diluted weighted average number of shares	320,814	321,378	321,243
Treasury shares	1,216	1,275	1 533
Market information			
Closing share price (Rand)	151	339	240
Market capitalisation (Rand million)	48,622	109,187	77,268
Market capitalisation (US\$ million)	4,005	10,264	6,677
Net asset value (Rand per share)	65.60	65.65	64.47
Capital expenditure (Rand million)			
Incurred	3,331	3,281	8,477
Contracted	2,733	2,901	3,430
Authorised but not contracted	3,136	3,434	3,040
Finance lease commitments	-	268	232
Operating commitments			
Operating lease commitments	129	25	148
Shipping services	8,926	11,316	11,353
Economic information			
Average Rand/US Dollar exchange rate ZAR/US\$)	11.91	10.68	10.83
Closing Rand/US Dollar exchange rate (ZAR/US\$)	12.14	10.64	11.57
Sishen mine FOR unit cost			
Unit cost (Rand per tonne)	389.3	319.7	331.6
Cash cost (Rand per tonne)	299.1	266.5	271.8
Unit cost (US\$ per tonne)	32.7	29.9	30.6
Cash cost (US\$ per tonne)	25.1	25.0	25.1
Kolomela mine FOR unit cost			
Unit cost (Rand per tonne)	255.0	272.2	269.1
Cash cost (Rand per tonne)	184.7	211.0	207.6
Unit cost (US\$ per tonne)	21.4	25.5	24.8
Cash cost (US\$ per tonne)	15.5	19.8	19.2

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

Kumba is a limited liability company incorporated and domiciled in South Africa. The main business of Kumba, its subsidiaries, joint ventures 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 financial statements of Kumba and its subsidiaries for the six months ended 30 June 2015 were authorised for issue in accordance with a resolution of the directors on 17 July 2015.

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 the requirements of the JSE Limited Listings Requirements for interim reports, and the requirements of the South African Companies Act No 71 of 2008. The Listings Requirements require interim reports to be prepared in accordance with and containing the information required by IAS 34: *Interim Financial Reporting*, as well as 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 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 is presented in Rand, which is Kumba's functional and presentation currency.

3. Accounting policies

The accounting policies and methods of computation applied in the preparation of these condensed consolidated 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 2015 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 2015, are being evaluated for the impact of these pronouncements.

4. Change in estimates

The life of mine plan on which accounting estimates are based, only includes proved and probable ore reserves as disclosed in Kumba's 2014 annual ore reserves and mineral resources statement.

Management has revised the Sishen and Kolomela life of mine used to calculate the rehabilitation and decommissioning provisions. This resulted in an increase of the provisions.

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

Rand million	Reviewed 30 June 2015
Increase in environmental rehabilitation provision	84
Increase in decommissioning provision	30
Decrease in profit after tax attributable to the owners of Kumba	47
Rand per share	
Decrease in earnings per share attributable to the owners of Kumba	0.15

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.

5. Property, plant and equipment

Rand million	Reviewed 30 June 2015	Reviewed 30 June 2014	Audited 31 December 2014
Capital expenditure	3,331	3,281	8,477
Comprising:			
Expansion	343	438	1,433
Stay in business (SIB)	1,503	2,200	5,206
Deferred stripping	1,485	643	1,838
Transfers from assets under construction to property, plant and equipment	2,323	893	5,163

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

6. Share capital and share premium

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

Rand million	Reviewed 30 June 2015	Reviewed 30 June 2014	Audited 1 December 2014
Balance at beginning of period	(311)	(297)	(297)
Net movement in treasury shares under employee share incentive schemes	142	74	(14)
Purchase of treasury shares	-	-	(107)
Shares issued to employees	142	74	93
Share capital and share premium	(169)	(223)	(311)

Reconciliation of number of shares in issue:

Number of shares	Reviewed 30 June 2015	Reviewed 30 June 2014	Audited 31 December 2014
Balance at beginning of period	322 085 974	322 085 974	322 085 974
Ordinary shares issued	-	-	-
Balance at end of period	322 085 974	322 085 974	322 085 974
Reconciliation of treasury shares held:			
Balance at beginning of period	1,533,346	1,444,526	1,444,526
Shares purchased	-	-	299,600
Shares issued to employees under the Long-Term Incentive Plan, Kumba Bonus Share Plan and Share Appreciation Rights Scheme	(317,560)	(169,202)	(210,780)
Balance at end of period	1,215,786	1,275,324	1,533,346

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

7. Interest-bearing borrowings

Kumba's net debt position at the balance sheet dates was as follows:

Rand million	Reviewed 30 June 2015	Reviewed 30 June 2014	Audited 31 December 2014
Interest-bearing borrowings	13,000	3,726	9,593
Cash and cash equivalents	(6,938)	(3,039)	(1,664)
Net debt	6,062	687	7,929
Total equity	27,453	27,565	27,001
Interest cover (times)	14	90	44

Movements in interest-bearing borrowings are analysed as follows:

Rand million	Reviewed 30 June 2015	Reviewed 30 June 2014	Audited 31 December 2014
Balance at the beginning of the period	9,593	2,849	2,849
Interest-bearing borrowings raised	10,199	9,969	14,891
Interest-bearing borrowings repaid	(6,560)	(9,068)	(8,098)
Finance lease repaid	(232)	(24)	(49)
Balance at the end of the period	13,000	3,726	9,593

At 30 June 2015, R13 billion of the R16.5 billion long-term debt facility had been drawn down and nothing of the total short-term uncommitted facilities of R8.2 billion had been drawn down. Kumba was not in breach of any of its financial covenants during the period. The group had undrawn long-term borrowings and uncommitted short-term facilities at 30 June 2015 of R11.7 billion (June 2014: R16.5 billion).

8. Significant items included in operating profit

Operating expenses is made up as follows:

Rand million	Reviewed 6 months 30 June 2015	Reviewed 6 months 30 June 2014	Audited 12 months 31 December 2014
Production costs	8,994	8,396	18,979
Movement in inventories	961	479	(904)
Finished products	1,238	336	(237)
Work-in-progress	(277)	143	(667)
Cost of goods sold	9,955	8,875	18,075
Impairment charge	-	-	439
Mineral royalty	96	835	1,176
Selling and distribution costs	2,891	2,208	4,548
Cost of services rendered – shipping	1,774	2,222	4,203
Sublease rent received	(17)	(16)	(36)
Operating expenses	14,699	14,124	28,405

Operating profit has been derived after taking into account the following items:

Employee expenses	1,997	1,754	3,869
Restructuring cost	-	-	68
Share-based payment expenses	306	276	643
Depreciation of property, plant and equipment	1,610	1,134	2,636
Deferred waste stripping costs capitalised	(1,485)	(643)	(1,838)
Net loss/(profit) on disposal and scrapping of property, plant and equipment	16	(3)	91
(Gain)/loss on lease receivable	(36)	-	86
Finance gains	(121)	(228)	(443)

9. Taxation

The group's effective tax rate was 39% for the period (2014: 29%). The increase is mainly attributable to the derecognition of a deferred tax asset amounting to R801 million due to the fact that future taxable profits are not anticipated to be generated by the relevant operation in view of the reduced iron ore prices.

10. Segmental reporting

The 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.

Rand million	Products ¹			Services		Other	Total
	Sishen mine	Kolomela mine	Thabazimbi mine	Logistics	Shipping operations		
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
Reviewed period ended 30 June 2014							
Income statement							
Revenue from external customers	18,744	4,790	777	-	2,118	-	26,429
EBIT	12,237	3,080	(77)	(2,208)	(104)	(623)	12,305
Significant items included in EBIT:							
Depreciation	813	303	3	3	-	12	1,134
Staff costs	1,175	274	200	13	-	368	2,030
Balance sheet							
Total segment assets	183	214	130	422	-	226	1,175
Cash flow statement							
Additions to property, plant and equipment							
Expansion capex	261	62	-	-	-	115	438
Stay-in-business capex	1,798	372	-	1	-	29	2,200
Deferred stripping	335	92	216	-	-	-	643

Rand million	Products ¹			Services		Other	Total
	Sishen mine	Kolomela mine	Thabazimbi mine	Logistics	Shipping operations		
Audited year ended 31 December 2014							
Income statement							
Revenue from external customers	33,094	9,437	1,172	-	3,894	-	47,597
EBIT	20,423	5,906	(706)	(4,548)	(309)	(1,574)	19,192
Significant items included in EBIT:							
Depreciation	1,858	643	36	6	-	93	2,636
Impairment charge	-	-	439	-	-	-	439
Staff costs	2,605	572	420	26	-	957	4,580
Balance sheet							
Total segment assets	740	243	124	1,061	-	242	2,410
Cash flow statement							
Additions to property, plant and equipment							
Expansion capex	826	370	-	-	-	237	1,433
Stay-in-business capex	4,281	915	-	10	-	-	5,206
Deferred stripping	1,025	351	462	-	-	-	1,838

1) Derived from extraction, production and selling of iron ore.

Geographical analysis of revenue and non-current assets:

Rand million	Reviewed 6 months 30 June 2015	Reviewed 6 months 30 June 2014	Audited 12 months 31 December 2014
Total revenue from external customers	20,469	26,429	47,596
South Africa	2,069	2,424	3,763
Export	18,400	24,005	43,833
China	10,620	15,485	24,906
Rest of Asia	4,000	6,046	14,958
Europe	1,655	2,359	3,687
Middle East and Africa	2,125	115	282

All non-current assets, excluding investments in associates and joint ventures are located in South Africa, with the exception of R33 million located in Singapore (June 2014: R2 million), which relates to prepayments.

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 2015	Reviewed 6 months 30 June 2014	Audited 12 months 31 December 2014
Short-term deposit held with Anglo American SA Finance Limited ¹ (AASAF)	6,158	-	-
Interest earned on short-term deposits with AASAF during the period	36	27	28
Weighted average interest rate	5.79%	5.37%	5.73%
Short-term deposit held with Anglo American Capital plc ¹	123	2,447	1,092
Interest earned on facility during the period	1	*	*
Interest-bearing borrowing from AASAF	-	1,469	5,361
Interest paid on borrowings during the period	65	5	134
Weighted average interest rate	6.91%	6.34%	6.70%
Trade payable owing to Anglo American Marketing Limited ¹ (AAML)	262	242	405
Shipping services provided by AAML	1,739	2,277	4,152
Dividends paid to Exxaro Resources Limited	673	1,736	3,095

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. Equity investments held by the environmental trust amounting to R460 million (2014: R455 million) are carried at fair value. The fair value measurements are classified as level 1.

13. Contingent asset

A significant monitored slope failure occurred at the Thabazimbi mine in the Kumba pit during June 2015. No injuries were sustained as the pit was evacuated well before the failure occurred. Kumba has instituted an insurance claim relating to this event.

14. Guarantees

The total guarantees issued in favour of the DMR in respect of the group's environmental closure liabilities at 30 June 2015 are R2.3 billion (June 2014: R2.1 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 R429 million (June 2014: R419 million). ArcelorMittal S.A. has guaranteed this full amount by means of bank guarantees issued in favour of SIOC.

15. Regulatory update

21.4% undivided share of the Sishen mine mineral rights

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

16. Contingent liabilities

- 16.1 As at 31 December 2014, the Group reported that it had certain tax matters under review with the South African Revenue Service (SARS). As at 30 June 2015 the Group was engaged in discussions with SARS around these matters with a view to seeking resolution. These matters have been considered in consultation with external tax and legal advisors, who support the Group's position. We believe that these matters have been appropriately treated in the results for the period ended 30 June 2015.
- 16.2 Rates and taxes levied by the Municipality at Sishen effective from 1 June 2014 reflected a significant increase amounting to R278 million. Management objected to the higher valuation of the relevant land and the Municipality appointed a valuer who is reviewing the objections lodged. 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.

17. 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 2014 Integrated Report.

18. Events after the reporting period

Subsequent to the interim period, the Board announced the closure of Thabazimbi mine. The financial effect is not expected to be material as limited closure costs are attributable to Kumba.

Furthermore, Kumba announced that it is proposing a new organisational structure for its Support Functions at Sishen and Kolomela mines as well as its Stay in Business (SIB) projects. No further material events have occurred between the end of the reporting period and the date of the release of these reviewed condensed consolidated financial statements.

19. 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 2015. 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 signed auditor's report on the condensed consolidated interim financial statements together with the financial information identified in the auditor's report are available for inspection at the company's registered office.

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Notes to editors:

Kumba Iron Ore Limited, a member of the Anglo American plc group, is a leading value-adding supplier of high quality iron ore to the global steel industry. Kumba produces iron ore in South Africa at Sishen mine and its Kolomela mine in the Northern Cape Province, and at Thabazimbi mine in the Limpopo Province. Kumba exports iron ore to customers in a range of geographical locations around the globe including China, Japan, Korea and a number of countries in Europe and the Middle East.

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Anglo American is a global and diversified mining business that provides the raw materials essential for economic development and modern life. Our people are at the heart of our business. It is our people who use the latest technologies to find new resources, plan and build our mines and who mine, process and move and market our products – from bulk commodities and base metals to precious metals and diamonds (through De Beers) – to our customers around the world. Our diversified portfolio of products spans the economic development cycle and, as a responsible miner, we are the custodians of precious resources. We work together with our key partners and stakeholders to unlock the long-term value that



those resources represent for our shareholders, but also for the communities and countries in which we operate – creating sustainable value and making a real difference. Our mining operations, growth projects and exploration and marketing activities extend across southern Africa, South America, Australia, North America, Asia and Europe.

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