2016 ANNUAL RESULTS
14 FEBRUARY 2017

Kumba Iron Ore Limited






AngloAmerican

100 YEARS 1917 - 2017

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AGENDA

1. **Introduction / Results overview**
   Themba Mkhwanazi

2. **Market overview**
   Themba Mkhwanazi

3. **Operations**
   Themba Mkhwanazi

4. **Financial performance**
   Frikkie Kotzee

5. **Strategy and outlook**
   Themba Mkhwanazi

SUMMARY

✗ **Safety a challenge**
  Need to work to eliminate fatalities

✓ **More robust operating platform in place**
  Sishen and Kolomela production above target
  Cost base materially reset

✓ **Financial health improved**
  Higher margins and free cash flow generation
  Strong balance sheet

✓ **Sishen 21.4% residual mining right awarded**

✓ **Settlement agreement reached with SARS**

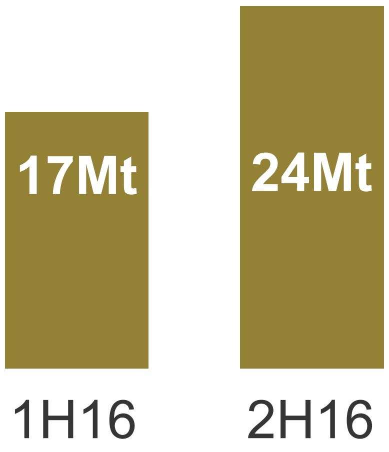
✗ **Significant further progress required**
  Further operational progress essential to contain costs

PATH TO SUSTAINABLE EXCELLENCE IN PERFORMANCE

Understanding challenges	Embedding operating principles	Delivering outcomes
Safe production	Safety framework	Zero harm
Mining Waste Strip ratio Mature operations	Operating performance Continued Operating Model implementation Technology adoption Productivity improvement and benchmarking	Consistent, predictable, high quality operations and premium product
Cost inflation	Cost control Expense control Capital allocation discipline	Competitive cost position
Labour environment	People development	Stable workforce and high performance culture

Full realisation of resource endowment

SOLID RESULTS IN A YEAR OF TRANSITION



Improvement in production

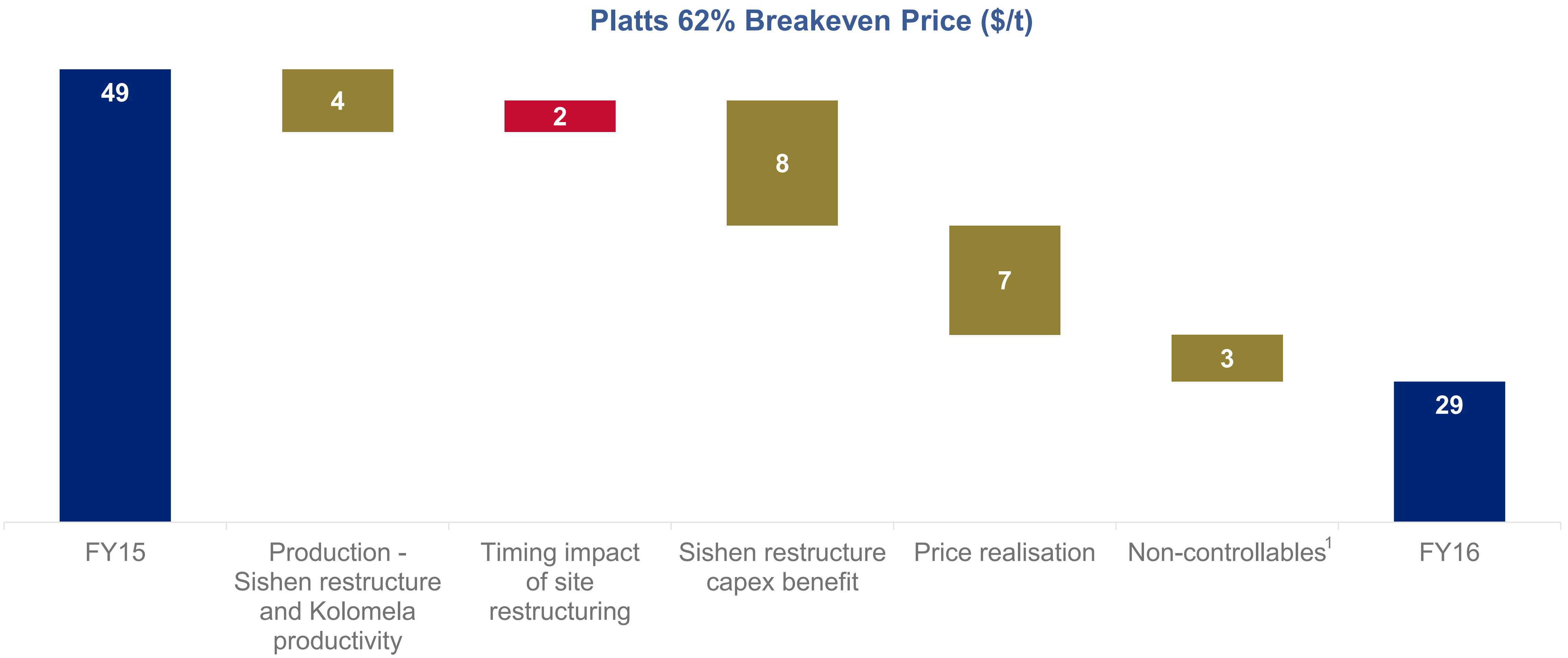
▲ **$64/t**
Average price

Exceptional price realisation

▼ **$29/t**
Cash breakeven

Significant cost reduction

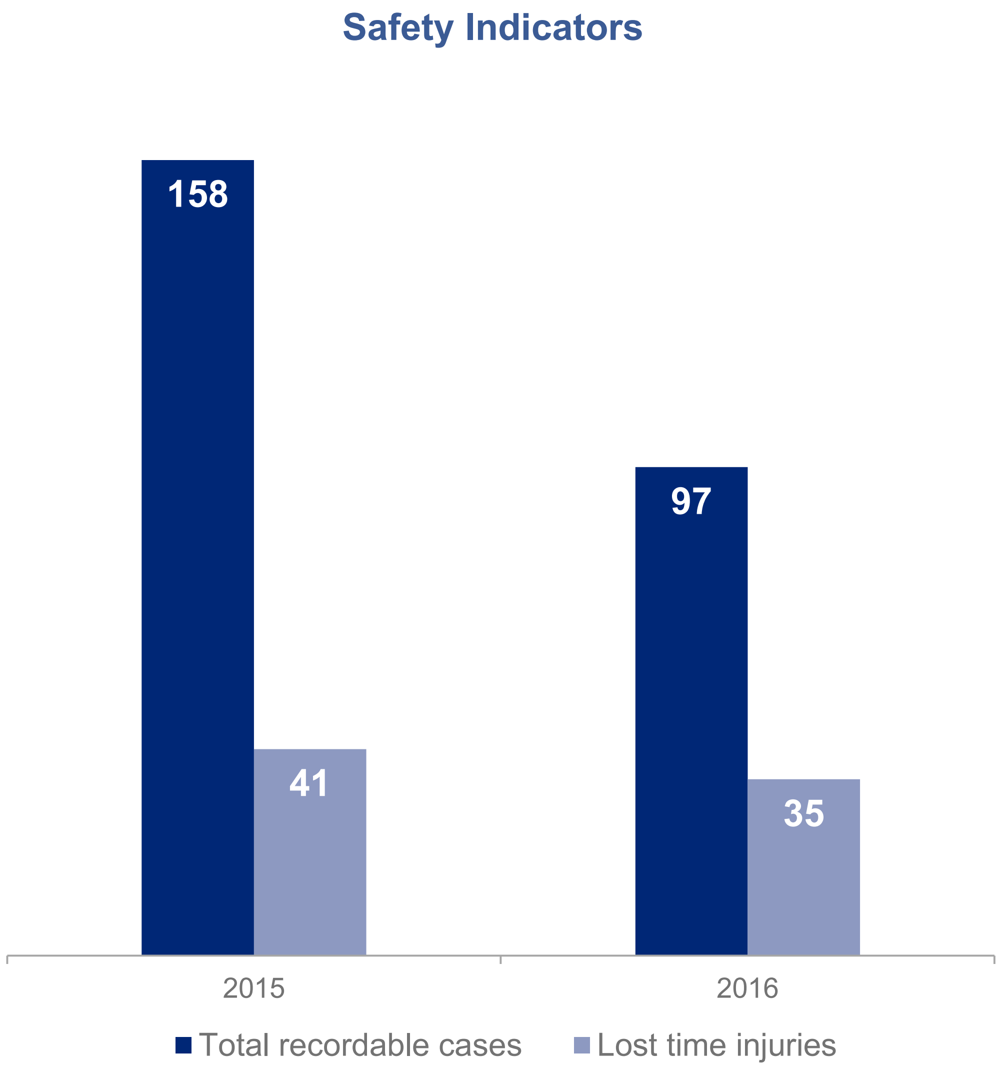
COST AND CAPEX DISCIPLINE DELIVERING MEANINGFUL GAINS



1. Currency, inflation, spot price

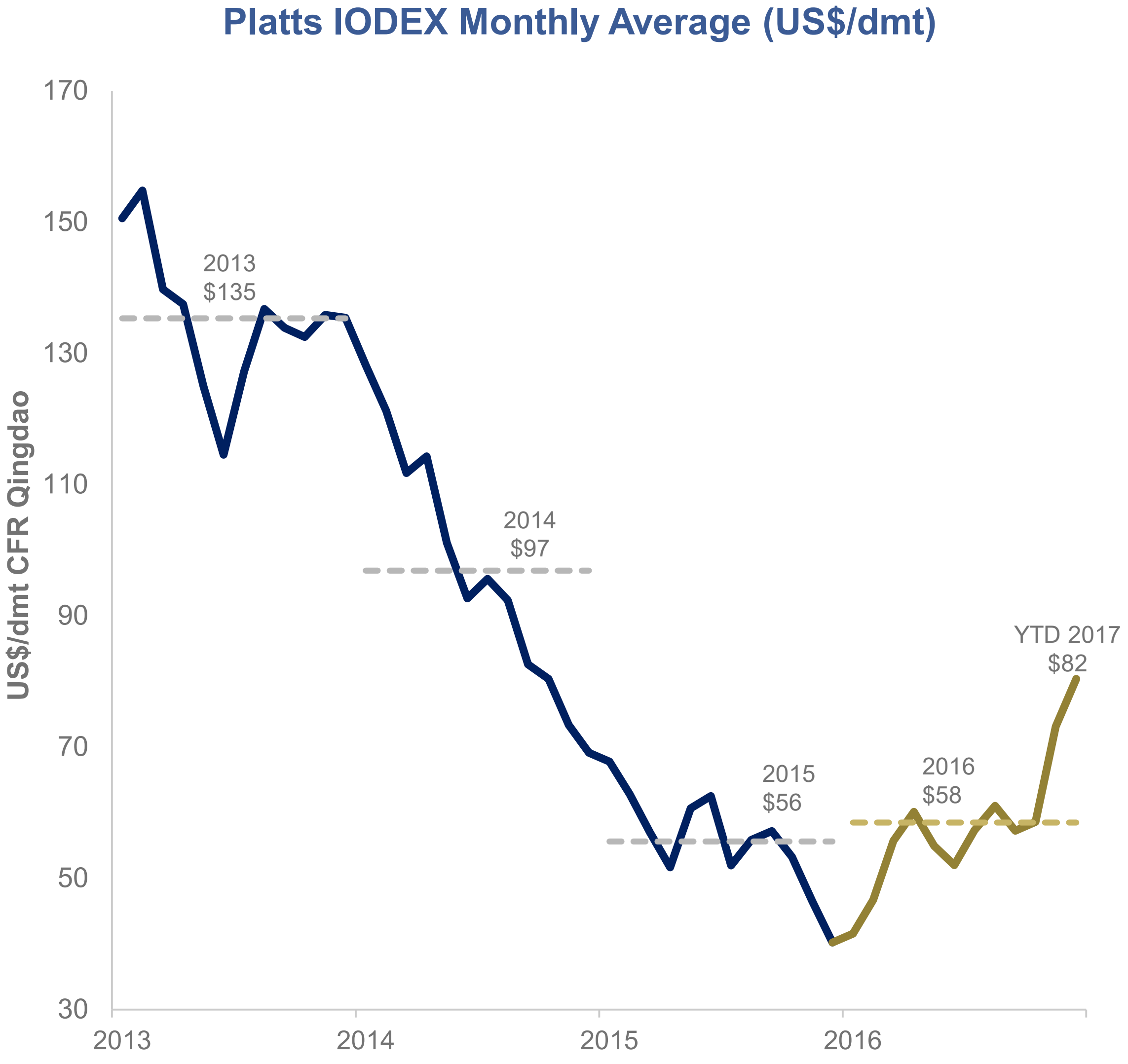
SAFETY HAS BEEN A CHALLENGE AND IS OUR HIGHEST PRIORITY

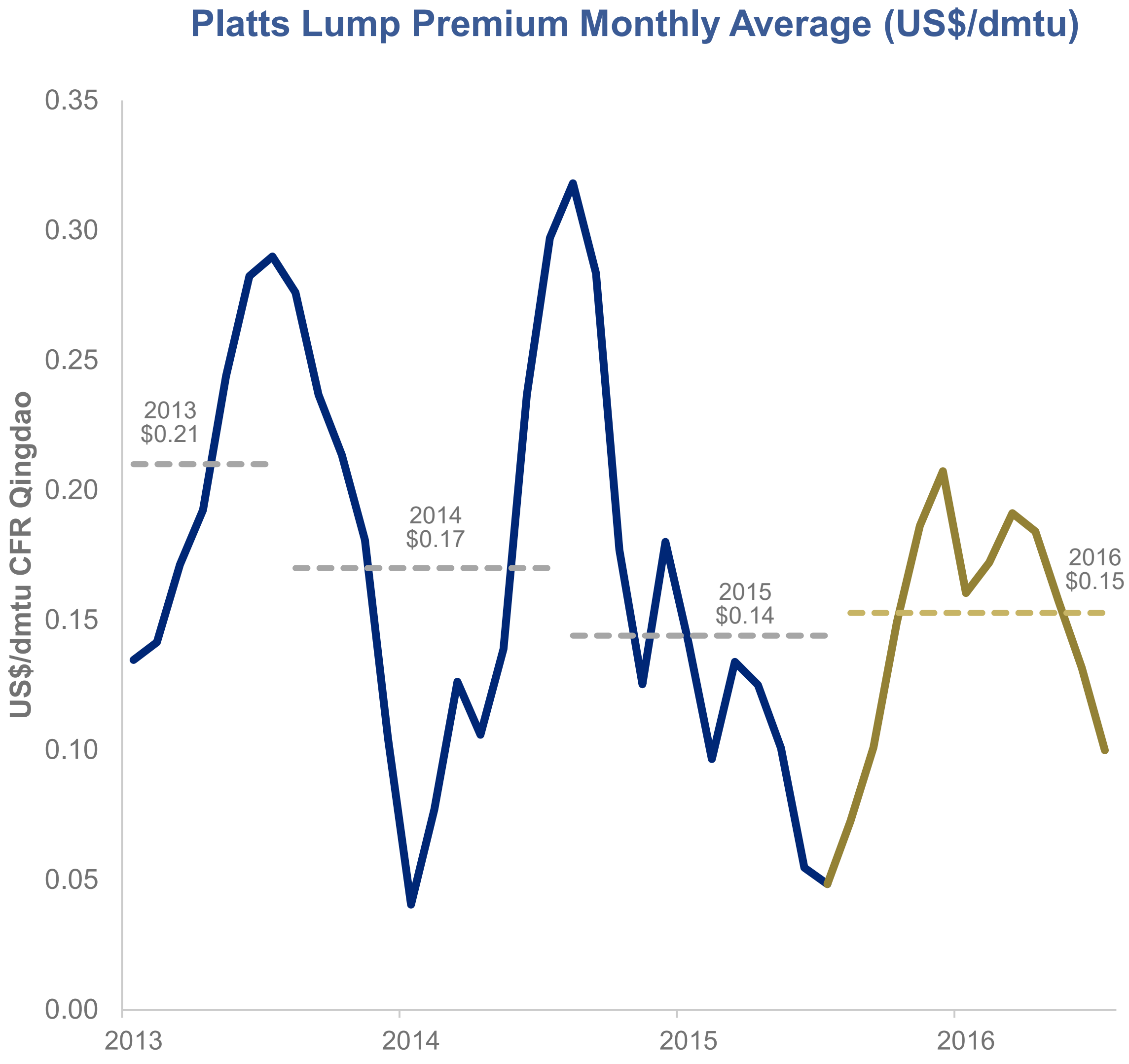
- Regrettably we lost two colleagues in work related fatalities in 1H16
- Concerted efforts invested in eliminating fatalities and preventing injuries
  - Leadership reflections
  - Critical control monitoring and effectiveness
  - Learning from incidents
- Key priorities
  - Achieving a step change in safety performance through the implementation of the elimination of fatalities framework
  - Driving culture change and maintaining employee engagement



MARKET OVERVIEW

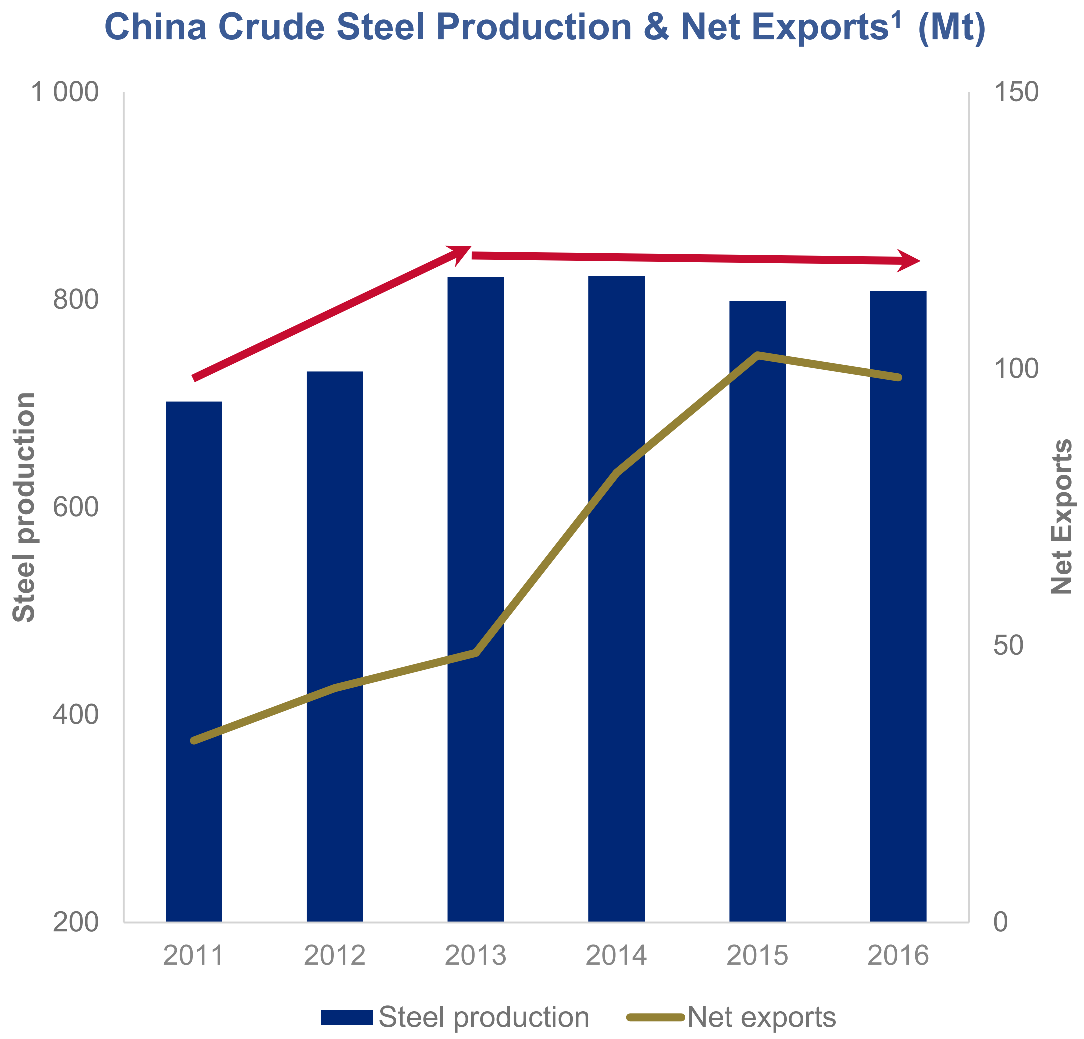
PRICES RECOVERING FROM PREVIOUS LOWS

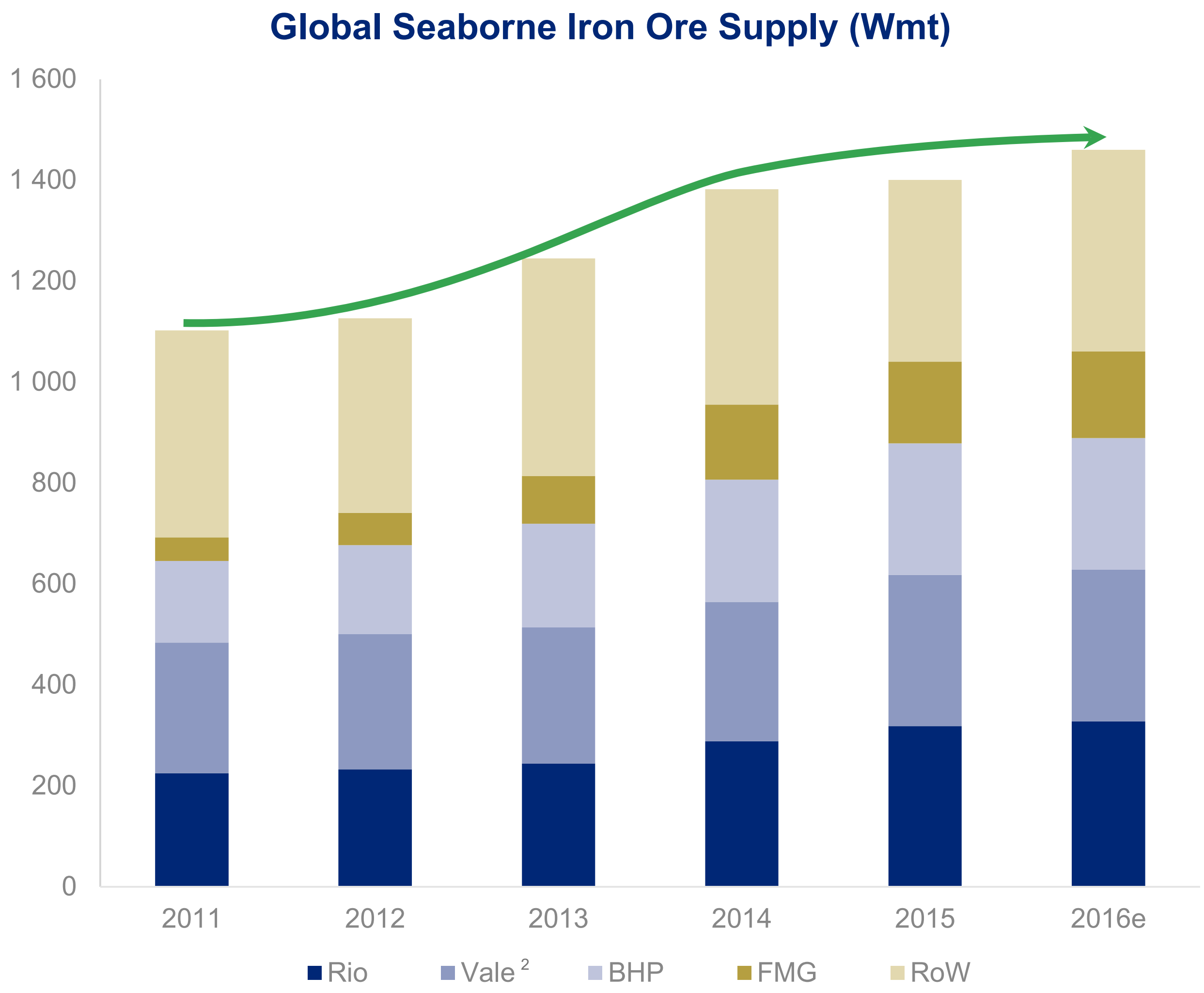




Source: Platts

LOWER SUPPLY GROWTH AND MODERATING STEEL PRODUCTION



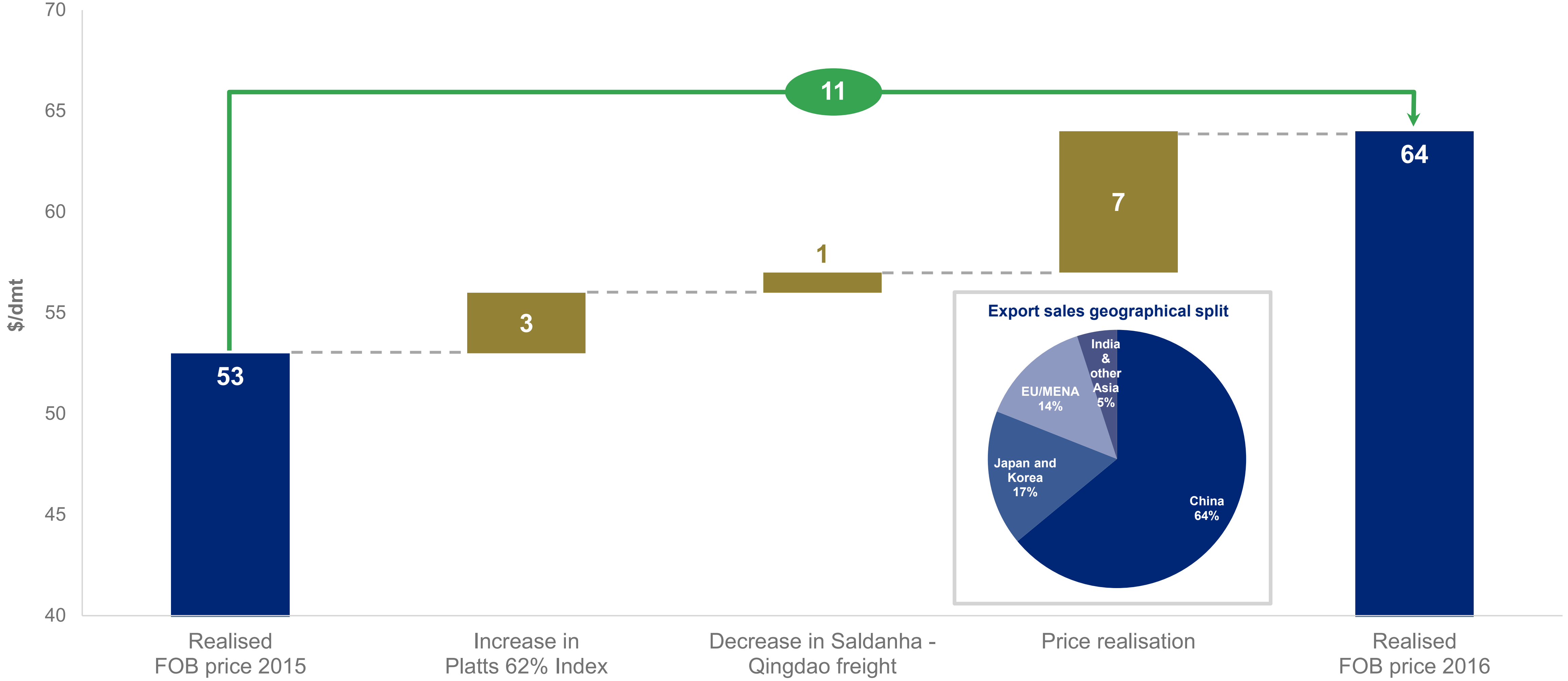


1. Crude steel equivalent

2. Vale 3QYTD annualised

Source: Company reports and Kumba marketing

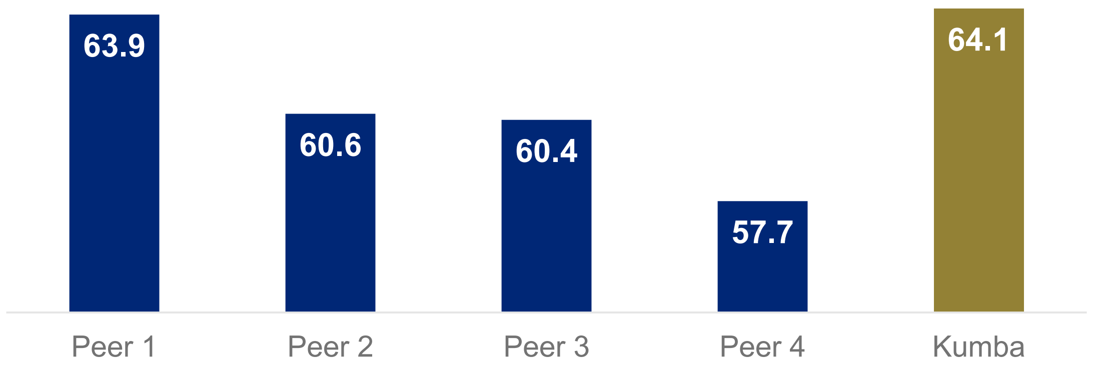
$11/dmt IMPROVEMENT IN REALISED FOB PRICES



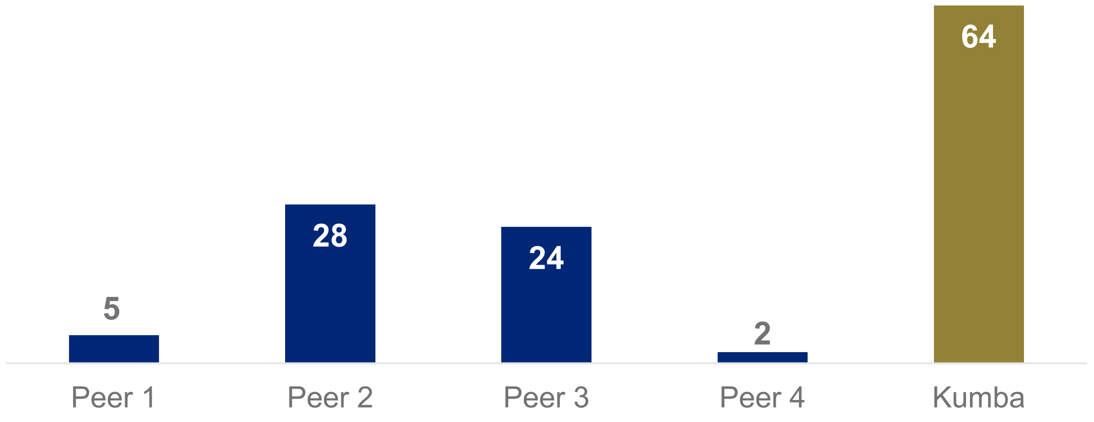
Source: Kumba Marketing

VALUE GENERATION DUE TO SUPERIOR PRODUCT PORTFOLIO

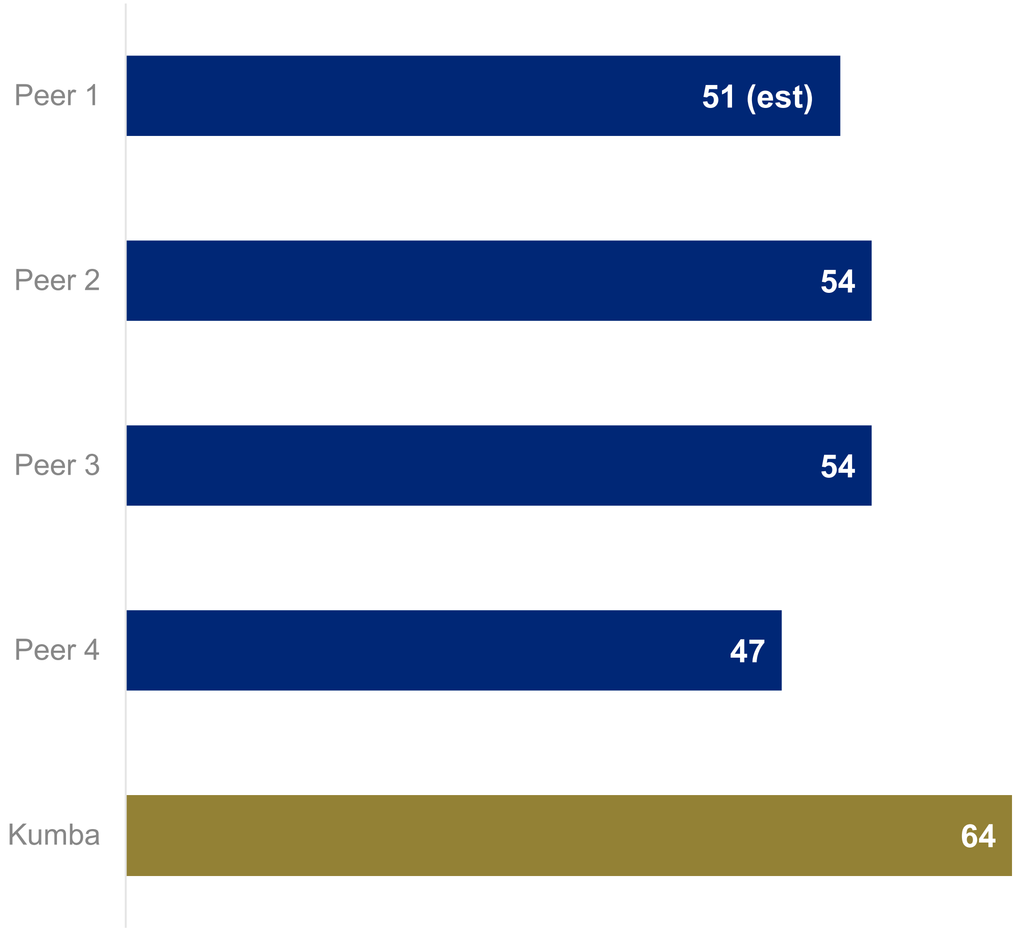
2016 Average Fe Content (%), Peer Comparison



2016 Lump:Fine Ratio, Peer Comparison



2016 Achieved Price (US$/dmt, FOB), Peer Comparison

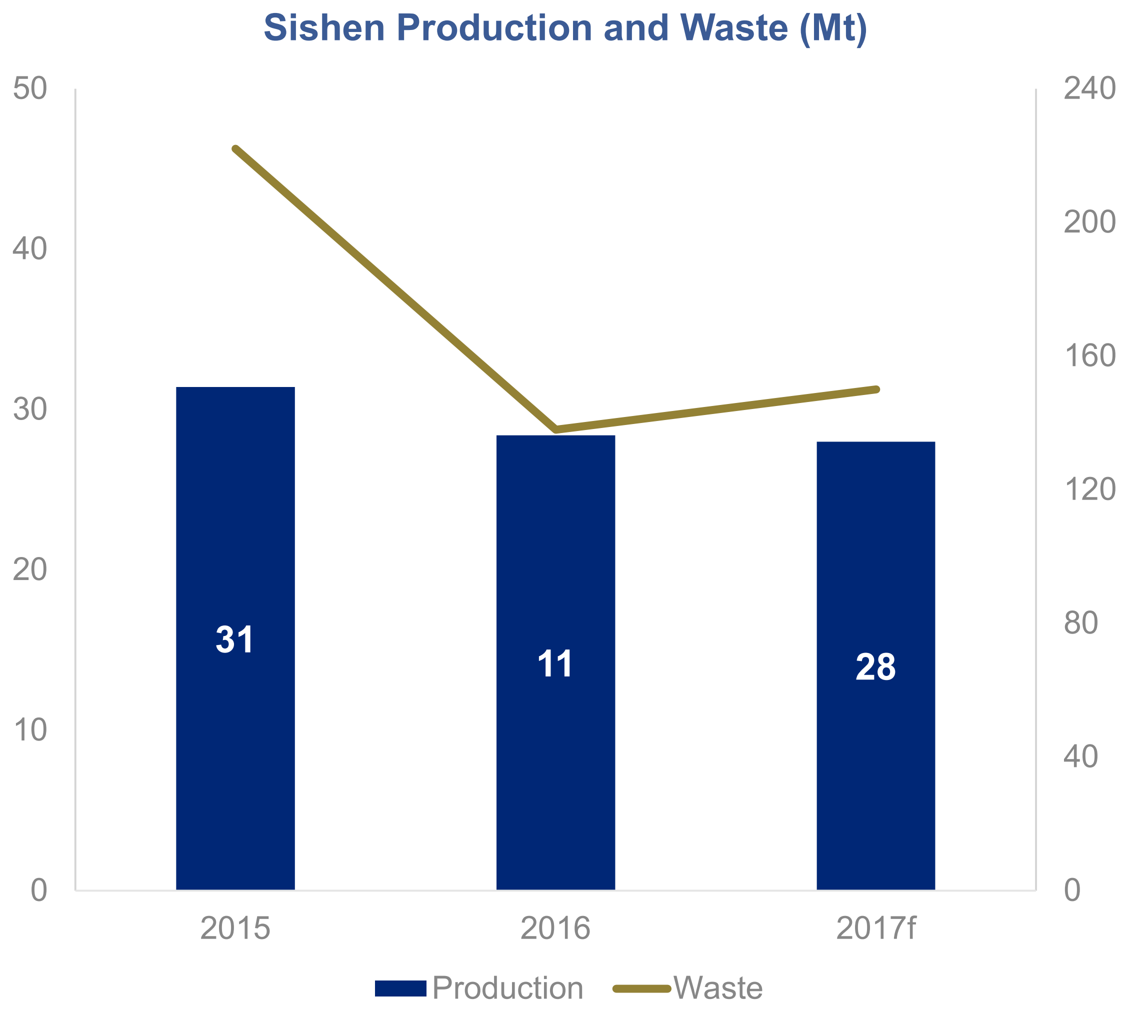


Source: Kumba MI, Company Reports, Woodmac

OPERATIONAL OVERVIEW

SISHEN DELIVERS AGAINST TARGETS DESPITE CHALLENGING 1H16

- Finalised and implemented new mine plan based on lower cost pit shell
- Workforce restructuring completed without interruption
- Mining stable at higher 2H16 run rates
- Full year production of 28.4Mt exceeded guidance
- Guiding 27-28Mt in 2017 as strip ratio increases to >4, LoM strip ratio ~4
- Progress on high return, quick payback projects
- Life of mine increased to 17 years (previously 15 yrs)

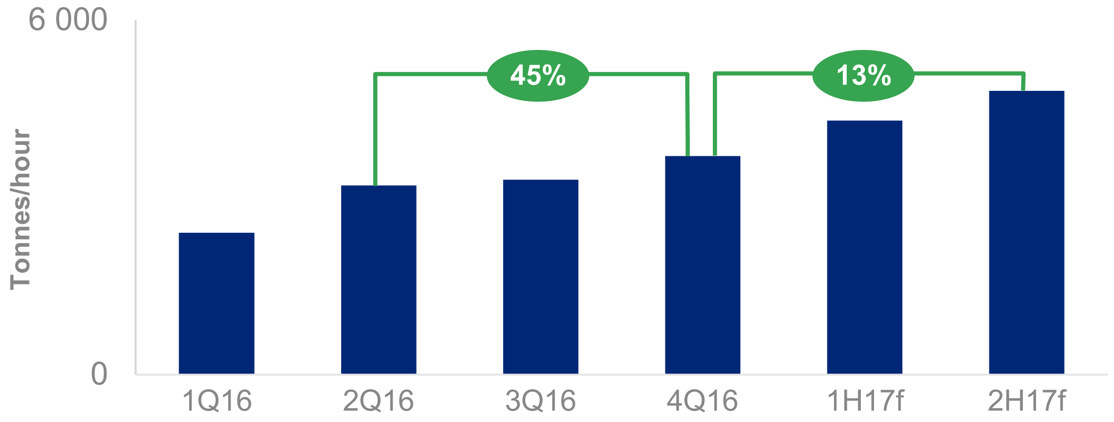


Strip ratio	5.7	3.3	>4.0

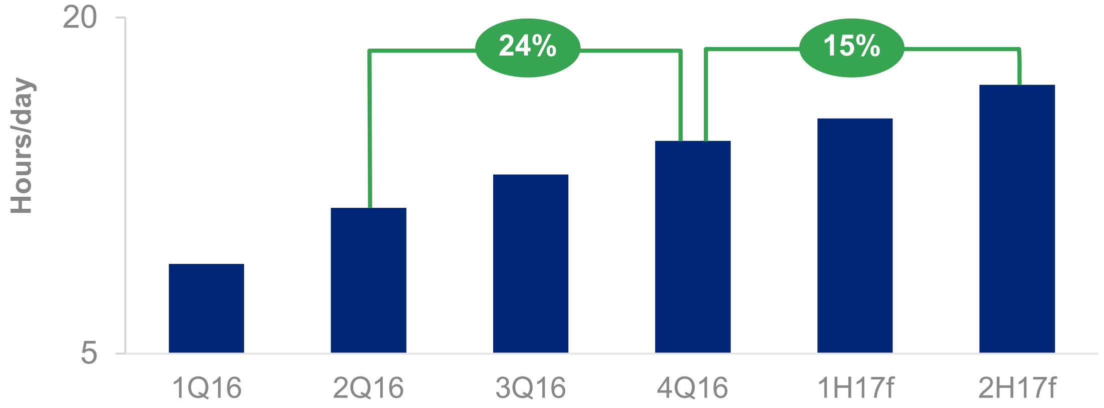
SISHEN OPERATIONAL EFFICIENCIES ARE CRITICAL TO OFFSET COST INFLATION

- Significant improvement in 2H16
- 4Q16 operated at 1H17 required rates
- Step-up in equipment efficiencies weighted towards 2H17
- Opportunity to reduce costs through improved productivity and efficiency
- Confidence in delivery

Pre-strip Shovel Tempos[1] Performance



Truck Direct Operating Hours (DOH)[2] Performance



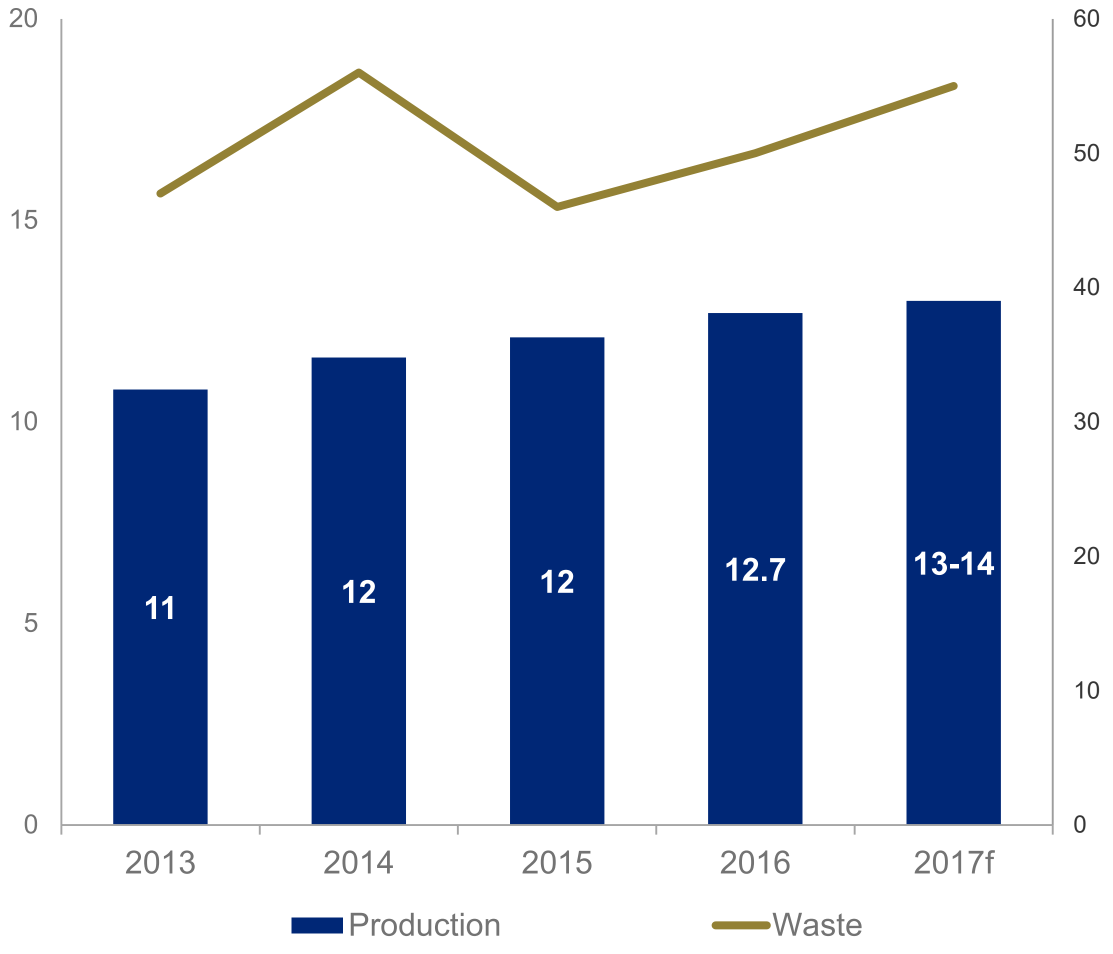
1. Shovel Tempo: production rate of shovel; tonnes per hour

2. Truck DOH: Time equipment is operational, performing production and non-production activities

KOLOMELA POSITIONED TO EXCEED 13Mt IN 2017

- Full year production of 12.7Mt due continued optimisation and implementation of the operating model at plant
- Waste of 50Mt in line with higher production as planned
- Modular plant commissioned and on track to deliver ~0.7Mt in 2017
- Targeting 20% equipment efficiency improvement for 2017 to mitigate cost inflation
- LoM decreases to 18 years (previously 21 yrs) as production ramps up

Kolomela Production and Waste (Mt)



Strip ratio	3.5	3.7	3.1	3.7	>3.7

IMPROVED LOGISTICS PERFORMANCE IN 2H16

- 39.8Mt railed
- Stocks reduced to more optimal level of 3.5Mt, with further reduction of 0.5Mt targeted

Mt	**2016**	2015	% change	2H16	1H16	% change
Railed to port	**39.8**	42.4	(6%)	21.5	18.3	17%
Sishen mine (incl. Saldanha Steel)	**26.8**	30.2	(11%)	15.1	11.7	29%
Kolomela mine	**13.0**	12.2	7%	6.4	6.6	(3%)
Total sales	**42.5**	47.8	(11%)	22.3	20.2	10%
Export	**39.1**	43.5	(10%)	21.0	18.1	16%
Domestic	**3.4**	4.3	(21%)	1.3	2.1	(38%)
Volume shipped	**38.7**	43.5	(11%)	20.6	18.1	14%
Finished product inventory	**3.5**	4.7	(26%)	3.5	2.3	52%

OPERATIONAL GUIDANCE FY17

Sishen

- 27–28Mt in 2017 to 2020
- Waste 150–160Mt from 2017 to 2020
- Strip ratio to exceed 4 over the medium term, LoM ~4

Kolomela

- 13–14Mtpa in 2017 to 2020
- Waste 50Mt–55Mt from 2017 to 2020
- Strip ratio at ~3.9 in the medium term, LoM ~3.8

Thabazimbi

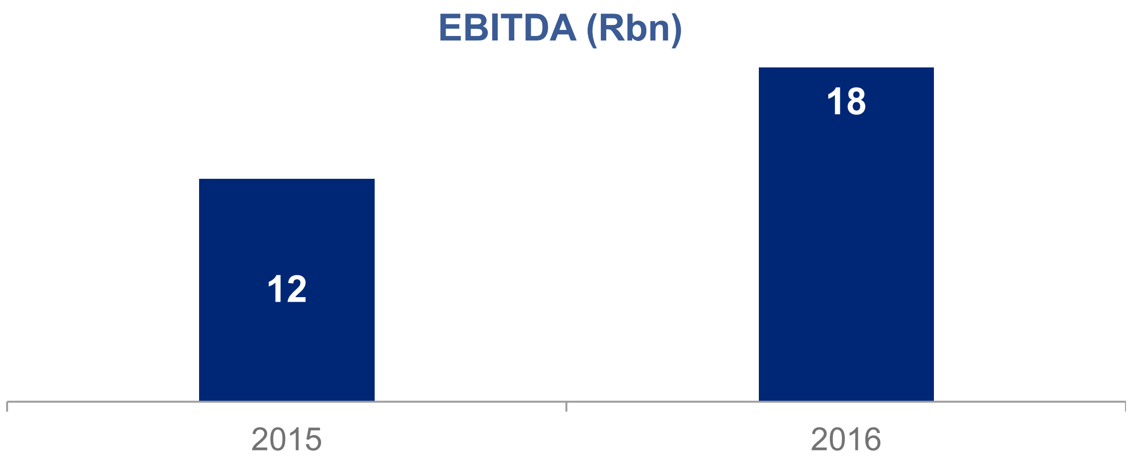
- Targeting transfer to ArcelorMittal in 1H17

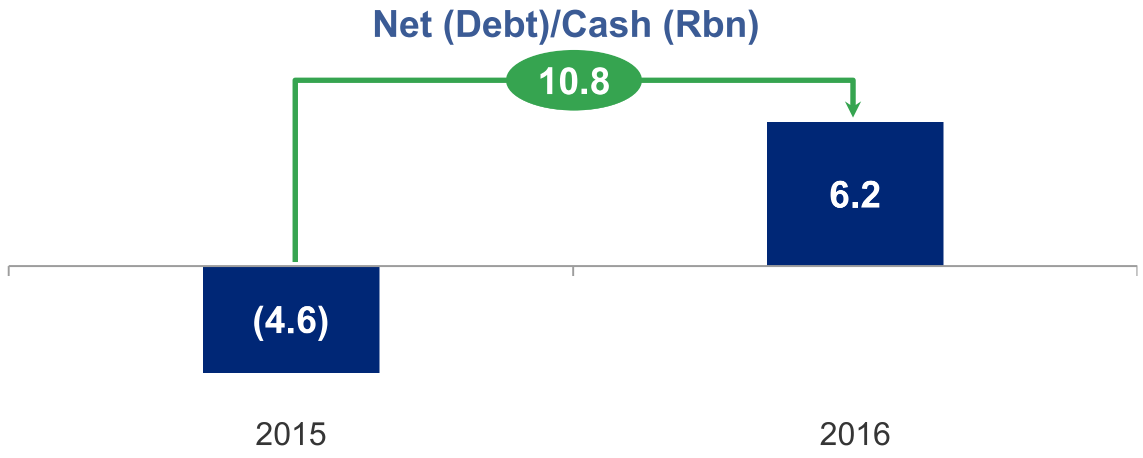
Total sales 40–42Mt in 2017

FINANCIAL OVERVIEW

FINANCIAL HIGHLIGHTS

- Substantial improvement of 21% in realised iron ore price to $64/t
- Revenue increased 13% to R41bn
- Initiatives to lower the cost base deliver results
- Net cash position of R6.2bn
- Headline earnings of R8.7bn up 130%
- Capex of R2.4bn down 65%
- Dividend remains suspended





FINANCIAL REVIEW

Rm	2016[1]	2015	% change	2H16	1H16[1]	% change
Revenue	**40,767**	36,138	13%	22,585	18,182	24%
Operating expenses	**(25,451)**	(33,494)	(24%)	(12,475)	(12,976)	(4%)
Operating expenses	**(24,782)**	(30,177)	(18%)	(11,592)	(13,190)	(12%)
Impairment charge	**(4)**	(5,978)	(100%)	-	(4)	(100%)
Mineral royalty	**(986)**	(191)	416%	(738)	(248)	198%
Deferred stripping capitalised	**321**	2,852	(89%)	(145)	466	(131%)
Operating profit (EBIT)	**15,316**	2,644	479%	10,110	5,206	94%
Operating margin (%)[2]	**38**	24		45	29	
Headline earnings	**8,724**	3,792	130%	5,715	3,009	90%
Effective tax rate (%)[3]	**26**	69		28	23	
Cash generated from operations	**17,218**	13,841	24%	9,586	7,632	26%

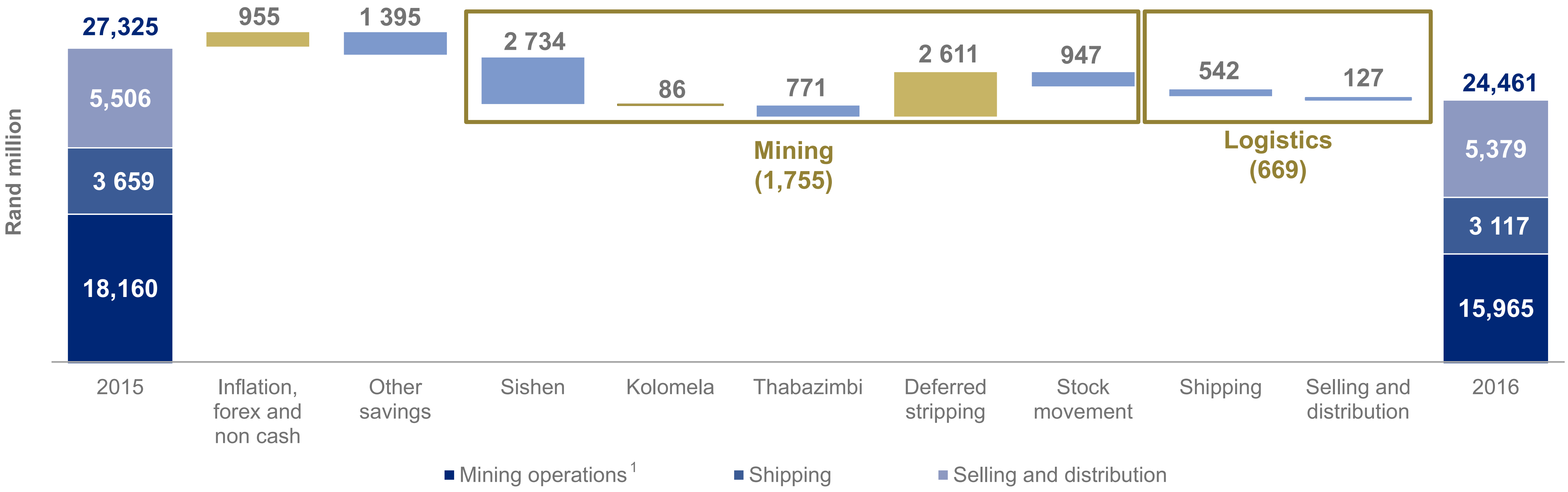
1. *Including Thabazimbi*
2. *Excluding the impairment charge*
3. *Excluding the mineral royalty*

REVENUE: HIGHER REALISED PRICES PARTIALLY OFFSET BY LOWER VOLUMES

- Revenue increased by 13%
  - 15% weaker average ZAR/$ exchange rate of R14.69
  - Realised FOB export prices increased by 21% to $64/t driven by higher spot prices and improved price realisation
  - Total sales volumes decreased by 5.3Mt to 42.5Mt in line with reduced output from reconfigured Sishen pit

OPERATING EXPENDITURE

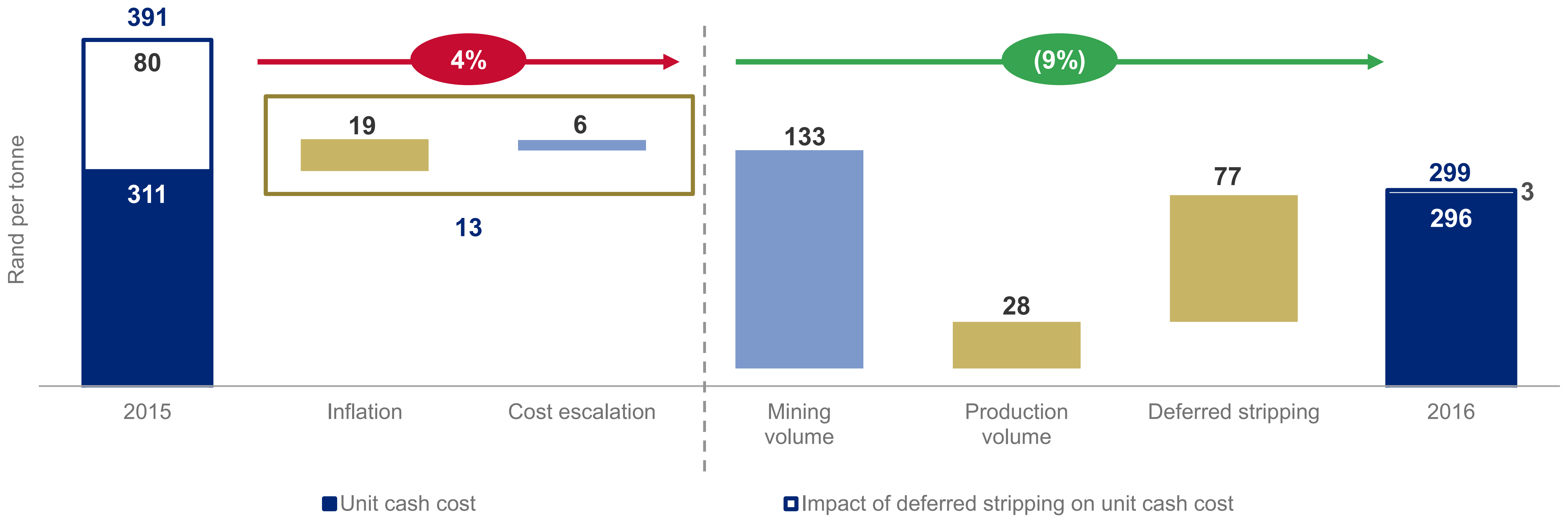
- Mining costs down 17% in real terms largely due to reconfiguration of Sishen pit and closure of Thabazimbi
- Freight rates declined to historical low levels, on average 15% lower from 2015
- Lower deferred stripping capitalisation as Sishen targeting low strip waste areas
- Stocks drawn down to more optimal level of 3.5Mt, targeting 3.0Mt



1. *Excluding mineral royalty and impairment charge*

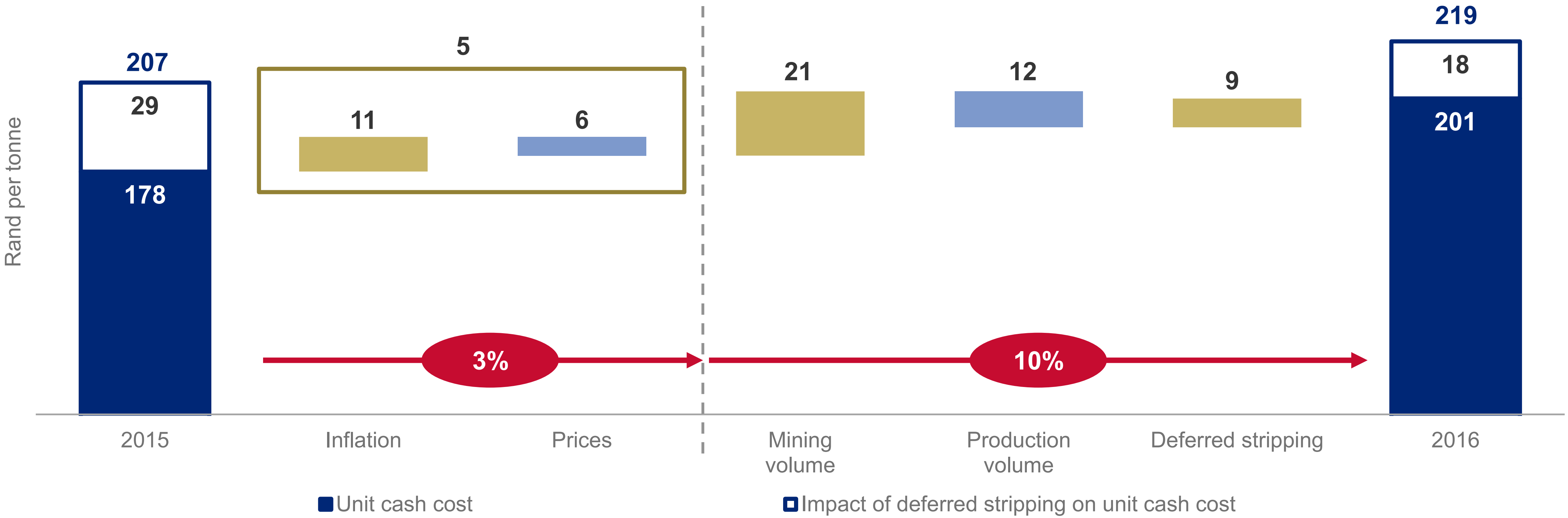
SISHEN UNIT CASH COST
GOOD COST PERFORMANCE IN A YEAR OF SIGNIFICANT CHANGE

- Cost escalation contained below inflation due to lower diesel price and supply chain discipline
- Mining cost benefitted from 85Mt lower mining volumes and overhead cost savings from optimised pit shell
- Impacted negatively by 3Mt lower production volumes
- Lower deferred stripping capitalisation due to reduced strip ratio



KOLOMELA UNIT CASH COST: MINING AND PRODUCTION VOLUME GROWTH DRIVES UNIT COST PERFORMANCE

- Cost escalation contained at 3%, well below inflation, aided by lower mining input prices and overhead cost savings
- 5Mt ramp-up in mining volumes in support of further production volume growth
- Higher production volumes from increased DSO plant tempos[1] supported unit cost



1. Production rate at which the DSO plant runs: tonnes per hour

CAPITAL GUIDANCE: RE-BASED PIT DESIGN AND CAPITAL DISCIPLINE DRIVES OPTIMISED CAPEX PROFILE

2016

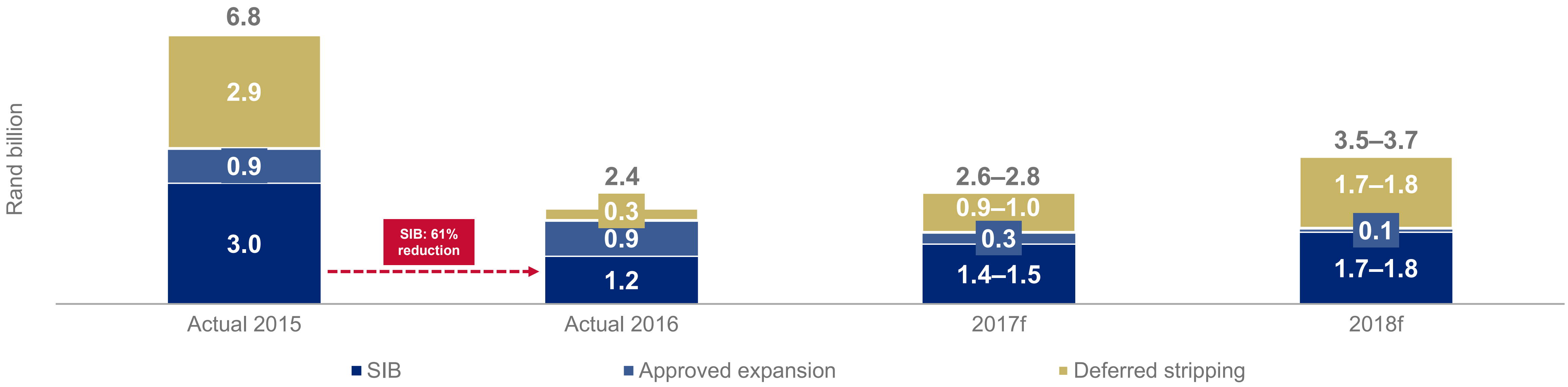
- Significant SIB reduction of ~R2bn (61%), driven by:
  - Completion of Sishen primary fleet renewal
  - Re-scoped infrastructure projects
- Sishen deferred stripping impacted by revised mine plan and mining low strip areas in pit

Medium term

- Sishen: maintenance of infrastructure in support of revised pit shell and operational efficiencies
- Kolomela: SIB aligned to higher production

Long term

- SIB of ~R2bn p.a. (nominal) expected through the cycle

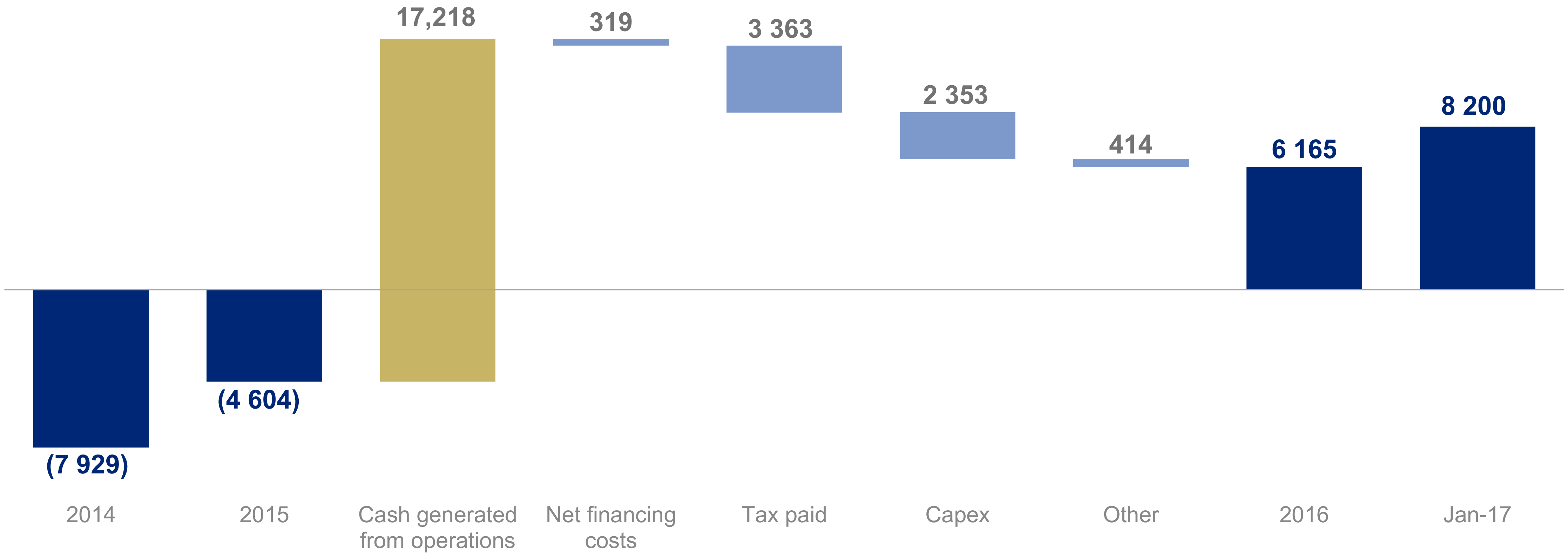


Totals exclude unapproved capex of: 2017 – R0.2bn; 2018 – R0.4bn

STRONG BALANCE SHEET
NET CASH POSITION OF R6.2BN

- Significant repositioning of operations has allowed strong cash generation in rebased lower iron ore price environment
- Cash flow supported by optimised capex profile

- Excess cash utilised to pay down debt
  - R4.5bn term facility early-settled post year end
  - R12bn undrawn committed debt facilities
- Dividend reinstatement expected



OUTLOOK AND STRATEGY

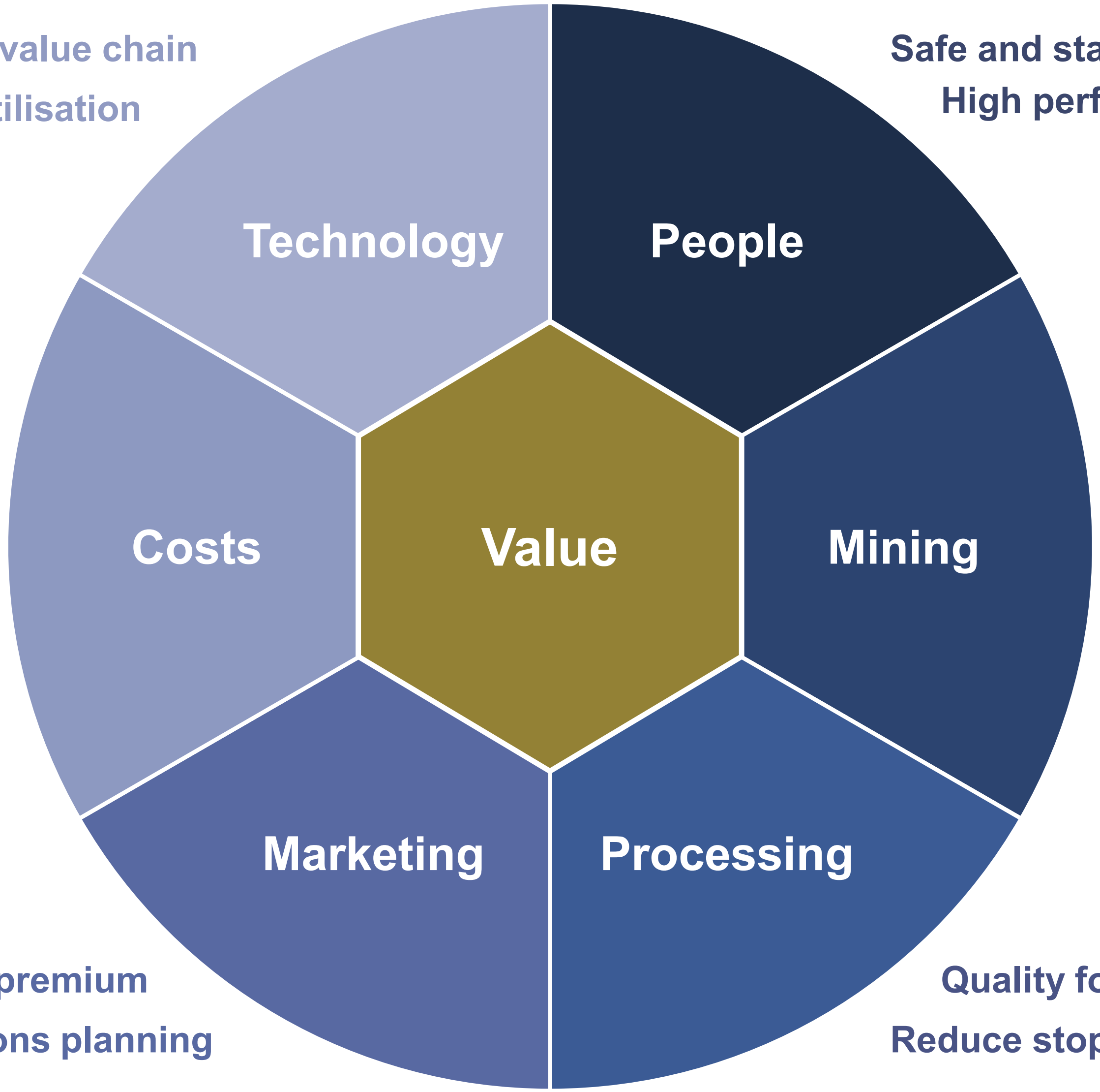
OUR FUTURE IS DEPENDENT ON OPERATIONAL EXCELLENCE AND EMBRACING TECHNOLOGY FOR GROWTH

Crisis	Restructuring	Step-up performance	Leveraging endowment
2015	**2016**	**2017**	**Medium term**
Business under pressure Significant restructuring underway to reduce breakeven price	Restructuring completed Mining run rates improved Reduction in breakeven price	**Continued implementation of Operating Model and technology rollout** **Mitigate inflation and higher waste cost pressures to embed resilient low cost delivery culture** **Reinstating dividend**	**Technology adoption for cost, productivity and safety gains** **Sishen upgrade to UHDMS and low grade beneficiation** **Exploration opportunities** **Value accretive growth options**

MAXIMISING THE RETURN POTENTIAL OF OUR CURRENT ASSETS

Integrate technology through value chain
Optimise resource utilisation

Safe and stable workforce
High performance culture



Offset inflationary pressure
Cost conscious culture

Consistent and predictable delivery
Mining equipment efficiency
Productivity

Realise value-in-use premium
Integrated sales and operations planning

Quality focus
Reduce stoppages

ADOPTING TECHNOLOGY TO IMPROVE SAFETY, EFFICIENCY AND RESOURCE UTILISATION

Mining and Plant

Industrial IT infrastructure upgrade

Modular Dispatch upgrade

Autonomous drilling

Advanced process control

Autonomous braking for haul trucks

Drones for aerial surveys

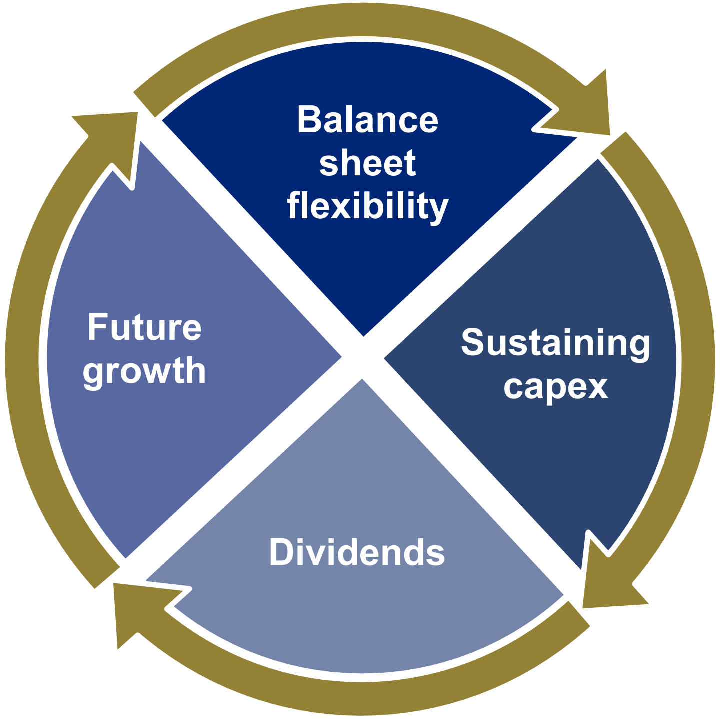
Sishen Resource Utilisation

	Technology	Separation density (g/cc)	In-situ grade cut-off (%Fe)	Estimated Value unlock
1970	DMS	≤ 3.6	>60	2016 Ore Reserves 552Mt[1]
2009	JIG	~4.2	>48	
2015	UHDMS	>4.2	>40	2016 Exclusive Mineral Resource 213Mt[2]
Future	Beneficiation		>30	Under investigation[3]

See slide 44 for footnotes 1, 2 and 3

DISCIPLINED CAPITAL ALLOCATION FRAMEWORK

Capital allocation priorities



Operating performance

Reduce operating costs

Improve productivity

Capital efficiency

Financial performance

Strong free cash flow and returns

Deliver new projects

Prudent capital structure

Reinstate dividend

PROGRESSING OUR VALUE ACCRETIVE PROJECT PIPELINE

Kolomela Modular	Sishen 2nd Modular plant	Sishen DMS upgrade to UHDMS	Low Grade Technology and Exploration
Implementation	**Feasibility** 1 year	**Pre-Feasibility** 2–3 years	**Conceptual** ~10 years
Commissioned and in ramp-up phase Producing 0.7Mtpa	Proven technology, low risk ~0.7Mtpa over LoM Indicative capex ~R400m Commissioning in 2018	Leveraging low grade technology 213Mt mineral resource declared First production by 2020 ~2Mtpa over LoM Low capital intensity	Sishen beneficiation options Northern Cape exploration programme

SUMMARY

- ✘ **Safety a challenge**
  - Need to work to eliminate fatalities
- ✓ **More robust operating platform in place**
  - Sishen and Kolomela production above target
  - Cost base materially reset
- ✓ **Financial health improved**
  - Higher margins and free cash flow generation
  - Strong balance sheet
- ✓ **Sishen 21.4% residual mining right awarded**
- ✓ **Settlement agreement reached with SARS**
- ✘ **Significant further progress required**
  - Further operational progress essential to contain costs

QUESTIONS

ANNEXURE 1: REVENUE: SECTOR ANALYSES

	2016	2015	% change	2H16	1H16	% change
Export (Rm)	**35,158**	29,571	19%	19,746	15,412	28%
Tonnes sold (Mt)	**39.1**	43.5	(10%)	21	18.1	16%
US Dollar per tonne	**61**	53	15%	67	55	22%
Rand per tonne	**899**	679	32%	940	851	10%
Domestic (Rm)	**2,862**	3,155	(9%)	1,134	1,728	(34%)
Shipping operations (Rm)	**2,747**	3,412	(19%)	1,705	1,042	64%
Total revenue	**40,767**	36,138	13%	22,585	18,182	24%
Rand/US Dollar exchange rate	**14.69**	12.76	15%	13.98	15.40	(9%)

ANNEXURE 2: AGGREGATE OPERATING EXPENDITURE

Rm	2016	2015	% change	2H16	1H16	% change
Cost of goods sold	**15,965**	18,160	(12%)	7,232	8,733	(17%)
Cost of goods produced	**15,160**	16,541	(8%)	8,037	7,123	13%
Production costs	**15,470**	16,927	(9%)	8,117	7,353	10%
Sishen mine	**11,372**	12,776	(11%)	5,845	5,527	6%
Kolomela mine	**3,888**	3,367	(15%)	2,257	1,631	38%
Thabazimbi mine	**195**	696	(72%)	8	187	(96%)
Other	**15**	88	(83%)	7	8	(13%)
Inventory movement WIP	**(310)**	(386)	20%	(80)	(230)	65%
A grade	**118**	(368)	132%	116	2	5,700%
B grade	**(428)**	(18)	(2,278%)	(196)	(232)	16%
Inventory movement finished product	**300**	1,322	(77%)	(659)	959	(169%)
Corporate support and studies	**1,074**	1,227	(12%)	566	508	11%
Forex, non-cash and other	**(569)**	(930)	39%	(712)	143	(598%)
Mineral royalty	**986**	191	416%	738	248	198%
Impairment charge	**4**	5,978	(100%)	-	4	(100%)
Selling and distribution	**5,379**	5,506	(2%)	2,705	2,674	1%
Shipping operations	**3,117**	3,659	(15%)	1,800	1,317	37%
Operating expenses	**25,451**	**33,494**	(24%)	**12,475**	**12,976**	(4%)

ANNEXURE 3: CAPITAL EXPENDITURE ANALYSES

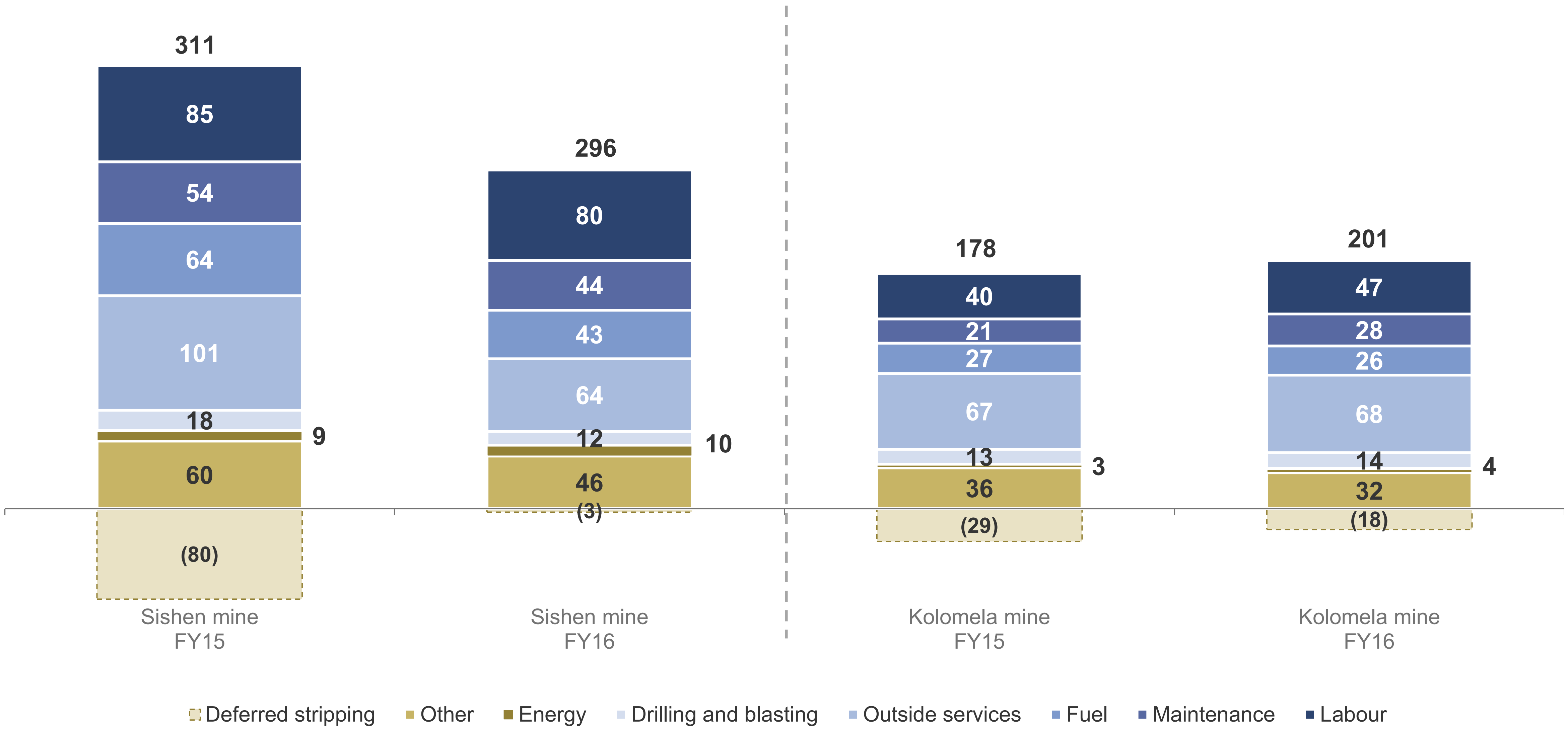
Rm	2015	2016	12 months 31 Dec 2017	12 months 31 Dec 2018
			Medium term forecast	
Approved expansion	870	856	~300	~100
Deferred stripping	2,852	321	900–1,000	1,700–1,800
Sishen	2,508	88	600–700	1,400–1,500
Kolomela	344	233	~300	~300
SIB Sishen	2,418	875	900–1,000	1,000–1,100
SIB Kolomela	612	301	~500	~700
Total approved capital expenditure	**6,752**	**2,353**	**2,600–2,800**	**3,500–3,700**
Unapproved expansion[1]	-	-	~200	~400
Total approved and unapproved capital expenditure	**6,752**	**2,353**	**2,800–3,000**	**3,900–4,100**

1. Unapproved capex includes high-level estimates for the project pipeline

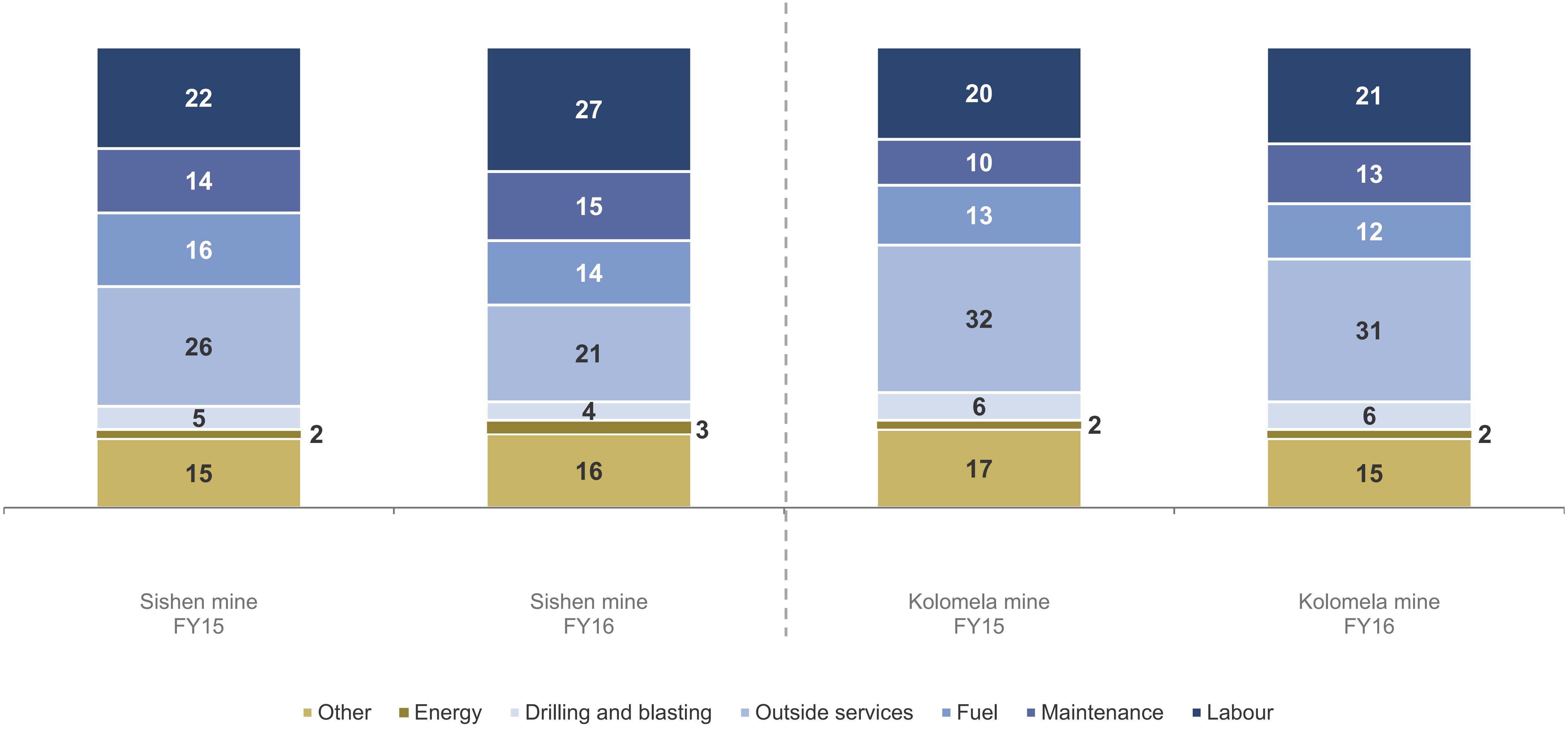
All guidance based on current forecast exchange rates

Cash capex depicted in table

ANNEXURE 4: SISHEN AND KOLOMELA UNIT CASH COST STRUCTURE (R/t)



ANNEXURE 5: SISHEN AND KOLOMELA MINES' UNIT CASH COST STRUCTURE (%)



ANNEXURE 6: OPERATIONAL METRICS

Sishen Mt	**2016**	**2015**	**% change**	**2H16**	**1H16**	**% change**
Total tonnes mined	**178.3**	**261.4**	(32%)	94.6	83.7	13%
Waste mined	**137.1**	**222.2**	(38%)	72.2	64.9	11%
Ex-pit ore	**41.2**	**39.2**	5%	22.4	18.8	19%
Production	**28.4**	**31.4**	(10%)	16.9	11.5	47%
Stripping ratio[1]	**3.3**	**5.7**		3.2	3.5	
Finished product inventory (closing)	**1.4**	**1.6**		1.4	0.7	
Kolomela						
Total tonnes mined	**64.0**	60.6	6%	37.3	26.7	40%
Waste mined	**50.2**	45.7	10%	30.0	20.2	49%
Ex-pit ore	**13.8**	14.9	(7%)	7.3	6.5	12%
Production	**12.7**	12.1	5%	6.8	5.9	15%
Stripping ratio[1]	**3.7**	3.1		4.2	3.2	
Finished product inventory (closing)	**0.6**	1.2		0.6	0.4	

1. Waste tonnes mined / ex-pit ore

ANNEXURE 7: EXPORT SALES AND PRICES

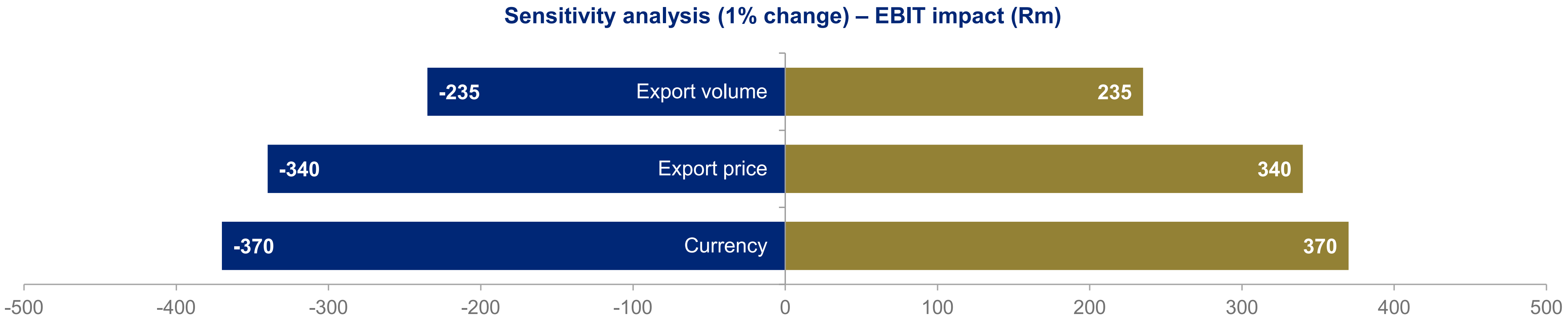
Export sales and prices	2016	2015	2014
Total export sales (Mt)	**39.1**	43.5	40.5
Contract (%)	**72**	72	72
Spot (%)	**28**	28	28
Average FOB price received (US$/t)	**64**	53	91

Export sales geographical split %			
Europe/MENA/ America	14	10	10
Japan and Korea	17	20	21
India and Other Asia	5	7	12
China	64	63	57
Total	100	**100**	**100**

Volumes shipped Mt			
Total ore shipped	**38.7**	43.5	40.1
Shipped by Kumba	**27.3**	29.8	23.0

ANNEXURE 8: SENSITIVITY ANALYSIS – FY16

1% change to key operational drivers



Change per unit of key operational drivers, each tested independently

Sensitivity Analysis	Unit change	EBIT impact
Currency (ZAR/USD)	R0.10/USD	R250m
Export Price (USD/tonne)	$1.00/t	R560m
Volume (Kt)	100Kt	R60m
Sensitivity Analysis	**Unit change**	**Breakeven price impact**
Currency (ZAR/USD)	R1.00/$	$2.20/tonne

FOOTNOTES TO SLIDE 31: ADOPTING TECHNOLOGY TO IMPROVE SAFETY, EFFICIENCY AND RESOURCE UTILISATION

1. Sishen Mine Ore Reserve (run-of-mine) estimates as at 31 December 2016 (please refer to R&R Section of 2016 Kumba Integrated Report): 353.8Mt (@55.8% Fe) Proved and 198.4Mt (@ 54.5% Fe) Probable
2. Sishen Mine exclusive low-grade Mineral Resource estimates as at 31 December 2016 (apportioned as part of total Sishen mine exclusive Mineral Resources as stated in R&R Section of 2016 Kumba Integrated Report: 48.9Mt Measured (@ 43.4% Fe), 123.1Mt (@ 44.1% Fe) Indicated and 41.3Mt (@ 44.1% Fe) Inferred. Due to the uncertainty that may be attached to some Inferred Mineral Resources, it cannot be assumed that all or part of an Inferred Mineral Resource will necessarily be upgraded to an Indicated or Measured Resource after continued exploration.
3. The Sishen Mine future potential is dependent on the company's success in identifying and or developing beneficiation methodologies to beneficiate low-grade Haematitic iron ore material. The low-grade ore (30%≤ %Fe <40%) has already been spatially defined in a classified three-dimensional geological model. No tonnages figures can be quoted at this stage due to the fact that reasonable prospects for eventual economic extraction must still be proved via project studies, especially considering beneficiation methodologies and market requirements, which is at pre-concept level at this point in time.