



**SUMMARISED ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

DRIVING CHANGE, DEFINING OUR FUTURE



KUMBA IRON ORE LIMITED

DRIVING CHANGE, DEFINING OUR FUTURE

KEY FEATURES

- No loss of life in 2015
- 42% drop in average iron ore price to US\$56/t severely impacted earnings
- Total production decreased by 7% to 44.9 Mt
- Reorganisation and capital management delivered reduction of R4 billion in controllable cost
- HEPS 66% lower at R11.82 per share, R6 billion impairment
- Net debt reduced by 42% to R4.6 billion



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 Group') announces its results for the year ended 31 December 2015.

POSITIONING KUMBA FOR THE FUTURE

The sharp decline and volatility in the iron ore price over the past year has been a significant factor for Kumba and the mining industry in general. The Group has responded decisively to position the business to withstand a longer period of lower iron ore prices. A shift in strategy from a volume to a value-based strategy led to a reconfiguration of the Group's mines to reduce the amount of waste and to save costs. Sishen's pit was restructured to a lower cost shell, production at Kolomela was increased by ramping up low-cost tonnes and optimising the waste profile, and mining at Thabazimbi was stopped.

In addition, strict capital discipline and significant structural changes to cost was achieved through savings on capital expenditure, overheads, study costs and headcount reduction. All these measures are part of a key objective – to preserve cash, reduce debt and position the business to ultimately grow sustainable free cash flow and shareholder returns over the long term.

Kumba's full year results reflect the challenging market conditions, with the realised FOB iron ore price declining 42% to \$53/t largely resulting in a 66% decrease in headline earnings to R11.82 per share (2014: R34.32). Basic earnings per share were R1.46 (2014: R33.44) due to a significant impairment charge of R6 billion relating to Sishen mine as a consequence of the low price environment and actions taken to restructure the business.

Total production declined 7% to 44.9 Mt due to operational challenges at Sishen mine. Kolomela continued to perform well, and record export sales of 43.5 Mt were achieved by the company.

Stringent cost management delivered a R4 billion reduction in controllable costs, while capital conservation measures and the suspension of the dividend helped to improve the Group's net debt position to R4.6 billion, down 42%. The Group

achieved an average cash breakeven price of \$49/t for the year as lower realised lump premiums and reduced production partially offset cost savings. Towards the end of 2015 Kumba was operating at a cash breakeven price of \$41/t, well below the target of \$45/t, aided by the weaker local currency and lower freight rates.

SAFETY

Safety is a key priority for the Group and it is notable that no loss of life was reported for the 2015 year.

It is with deep regret and sadness that we report the death of one of our colleagues, Grahame Skansi, a drill operator, in an incident at Kolomela mine on 27 January 2016.

The Group remains committed to zero harm and will continue to put greater emphasis on measures that prevent injuries and the loss of life.

Effective critical control monitoring triggered lifesaving responses to ensure that no one was harmed during the significant slope failure at Thabazimbi in June 2015. The total recordable case frequency rate (TRCFR), a measure of frequency of injuries, was 0.89 (2014: 0.87) and the lost-time injury frequency rate (LTIFR) remained at 0.23, although less injuries were recorded together with reduced severity.

The Group continues to focus on key safety improvement drivers, with the emphasis on re-enforcing the awareness of critical controls and greater operational discipline.

ACTIONS TAKEN DURING THE YEAR

During the year the Group took significant steps to protect its balance sheet by preserving capital and reducing costs. A key area of focus was moving from a volume to a value-based strategy by reconfiguring the mines to reduce the amount of waste mined and to save costs in all operational areas.

As a consequence, the Sishen pit was restructured to a lower cost shell, Kolomela increased production

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incrementally by ramping up low cost tonnes and the waste profile was optimised. Mining at Thabazimbi ceased in September 2015 and the mine remains on track to cease all operations by Q2 2016.

Despite growth in mining volumes and lower production at Sishen, on-mine cash cost reduced by R1.1 billion in 2015.

A second priority was assessing every item of proposed capital expenditure with a view to cancelling, reducing the cost or delaying the expenditure. For the year, capex was reduced by 20% to R6.8 billion (including deferred stripping).

Thirdly, the company focused on savings on overheads, study costs and headcount rationalisation, delivering savings of R0.9 billion.

On 28 January 2016, Kumba commenced a consultation process in terms of section 189 of the Labour Relations Act at Sishen. The restructuring of the mine will impact approximately 2,633 Kumba employees. Contractors at the mine have commenced with their restructuring process and approximately 1,300 contractors will be affected. Extensive consultations are being conducted with all stakeholders.

In line with the Group's cash preservation strategy, the board has decided to maintain its suspension of the dividend.

CONTINGENT LIABILITY

As at 30 June 2015, the Group advised that the South African Revenue Service (SARS) were in the process of reviewing certain of the Group's tax matters. After the half year SARS issued the Group with a letter of findings relating to its tax audit covering the period 2006 to 2010, indicating potential adjustments to the Group's taxable income for the period of R6.5 billion which would, if the company is finally assessed on this basis, result in additional tax of approximately R1.8 billion, excluding any potential interest and penalties. As at 31 December 2015 the Group had

responded to the letter of findings, strongly objecting to the basis for the proposed adjustments, including representations on why interest and penalties, if any, should not be raised. The Group is awaiting SARS's response. These matters have been considered in consultation with external tax and legal advisors, who support the Group's position set out in its objection. Furthermore, during 2015 SARS notified the Group of its intention to conduct a field audit covering the 2011 to 2013 years of assessment, which is in progress. The Group believes that these matters have been appropriately treated in the results for the year ended 31 December 2015.

REGULATORY UPDATE

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 existing mining right in respect of the Sishen mine, by the inclusion of the residual 21.4% undivided share of the mining right for the Sishen mine, subject to certain conditions (which are described by the DMR as "proposals"). The conditions contained in the Letter of Grant relate substantively to domestic supply, support for skills development, research and development, and procurement.

SIOC believes that the Mineral and Petroleum Resources Development Act (MPRDA) does not provide for the imposition of such conditions as contained in the consent letter.

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

In the interim, SIOC continues to engage with the DMR in relation to the proposed conditions in order to achieve a mutually acceptable solution. Refer to note 16 in the summarised consolidated financial statements.

MARKET OVERVIEW

While supply growth has slowed somewhat, there is an ever more cautious outlook on China's economic growth trajectory. China's slowdown in investment expenditure has weighed particularly on prices for metals and minerals. As a result, 2015 marked a year of much weaker demand growth. Iron ore fundamentals deteriorated on the back of declining global demand and growth in low-cost supply, particularly from Australia.

Global crude steel production contracted 3%, with increased competition in export markets. Chinese growth slowed despite record steel exports while Japan, Korea and Taiwan moderated on weak domestic demand and increased competition,

particularly from Chinese exports, in seaborne steel markets. Rising imports and capacity closures impacted European crude steel output.

Global seaborne iron ore supply rose 3% in 2015 led by an increase of 7% in Australian exports with major infrastructure and capacity projects now reaching execution. The ramp-up of Minas-Rio and rising shipments to Malaysia supported an 8% increase in Brazilian exports.

The index iron ore price (CFR China 62% Fe) at the beginning of the financial year was US\$71.75 per tonne, falling to a low of US\$38.50 per tonne in December 2015, due to the strong growth in supply and slower crude steel production growth in China.

OPERATIONAL PERFORMANCE

Production summary (unaudited)

'000 tonnes	December 2015	December 2014	% change
Total	44,878	48,197	(7)
Lump	29,003	31,269	(7)
Fines	15,875	16,928	(6)
Mine production	44,878	48,197	(7)
Sishen Mine	31,393	35,541	(12)
DMS Plant	20,261	22,911	(12)
Jig Plant	11,132	12,630	(12)
Kolomela Mine	12,054	11,568	4
Thabazimbi Mine	1,431	1,088	32

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Sishen mine

Sishen production of 31.4 Mt decreased 12% (2014: 35.5 Mt), with total tonnes mined rising to 261.4 Mt (2014: 229.9 Mt). The decline in production was mainly due to difficulties in providing the DMS plant with the correct quality feedstock because of a shortage of sufficient exposed high grade ore required for blending. In order to improve exposed ore levels and increase operational flexibility, it was necessary to mine more waste material, which increased by 19% to 222.2 Mt (2014: 187.2 Mt).

During the year the deteriorating price environment necessitated a further optimisation of the Sishen mine plan. It was decided to reconfigure the Sishen pit to a lower cost shell to safeguard the mine's viability at lower prices.

Waste movement is expected to be materially below previous guidance of ~230 Mt at ~135 Mt and production guidance for 2016 is reduced from 36 Mt to ~27 Mt, with an average stripping ratio of 3.5 over the period 2016 to 2020. In the medium term, the mine will also be exploring further opportunities to utilise spare plant capacity, including the use of low grade stockpiles. It is expected that the life of mine will remain stable at ~15 years due to the lower production rates. This will be reviewed and finalised during 2016 in accordance with SAMREC code requirements.

This mining profile will require detailed planning and effective implementation of the Operating Model will be crucial. The mine has already seen a 24% improvement in efficiency in internal waste mining activity of the North Mine, where work management aspects of the Operating Model were introduced in August 2014. The Operating Model was implemented at pre-strip mining and heavy equipment activities at Sishen in July 2015 and is working well.

Kolomela mine

Kolomela mine continued to perform well.

Production of 12.1 Mt (2014: 11.6 Mt) increased 4%, as efficiencies and throughput in the plant continued to improve. Total tonnes mined were 14% lower at 60.6 Mt (2014: 70.4 Mt), including 45.7 Mt of waste (2014: 55.5 Mt), a decrease of 18%.

During the year a new mine plan was implemented which included the ramping up of production to 13 Mtpa by 2017, and the cessation of mining at the third pit which was deferred to 2019. In order to maintain plant feed rates, waste mining was revised upwards from previously guided 35 Mt – 38 Mt to 46 Mt – 48 Mt.

Despite the increased rate of production the life of mine has been extended to 21 years (excluding inferred material) due to the conversion of the Kapstevél South mineral resource to ore reserves. The average LoM stripping ratio has increased from 3.3 to 3.9 with the stripping ratio in the medium term remaining at ~3.6.

Thabazimbi mine

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

Logistics

Transnet's good performance enabled the mines to rail 42.4 Mt to the port, a slight increase of 0.2 Mt (2014: 42.2 Mt). This included 0.8 Mt purchased from third party producers. Kumba shipped 43.5 Mt from the Saldanha port for the export market, 8% more than the 40.1 Mt in 2014.

Sales summary (unaudited)

'000 tonnes	December 2015	December 2014	% change
Total	47,837	45,288	6
Export sales	43,560	40,468	8
Domestic sales	4,277	4,820	(11)
Sishen mine	2,966	3,853	(23)
Thabazimbi mine	1,311	967	36

Sales

Total sales for Kumba were 6% higher at 47.8 Mt (2014: 45.3 Mt). Export sales increased by 8% underpinned by the availability of stock and increased shipments through the multi-purpose terminal (MPT) at Saldanha port of 3.4 Mt (2014: 0.7 Mt). China accounted for 63% of Kumba's export sales portfolio and of this CFR sales accounted for 69%. The Group's lump:fine ratio was 65:35 for the period (2014: 67:33), with lump products achieving an average premium of \$6/t (2014: \$14/t) as the shift in the focus of Chinese steel mills from productivity to cost led to reduced price differentials across iron ore grades.

Domestic sales to ArcelorMittal SA amounted to 4.3 Mt. The two companies have reached agreement to amend the supply contract from that of cost-based to price-based on an export parity price.

As a result of the higher sales and lower production, finished product stock reduced from the 6.5 Mt at the end of 2014 to 4.7 Mt at 31 December 2015.

FINANCIAL RESULTS

Revenue

The Group's total revenue of R36.1 billion for the period decreased 24% from R47.6 billion in 2014, mainly as a result of the significant drop in average

realised FOB iron ore prices (2015: US\$53/tonne; 2014: US\$91/tonne) offset to an extent by the weaker average ZAR/US\$ exchange rate (2015: R12.76; 2014: R10.83), as well as 6% higher total sales volumes of 47.8 Mt. Capesize freight rates from Saldanha to China averaged \$8/tonne for the year, down 45%, resulting in R482 million lower freight revenue.

Operating expenses

Operating expenses, excluding impairments, were 2% lower as a result of the stringent cash preservation measures implemented. Inflationary linked input cost pressure, higher non-cash cost items (depreciation and rehabilitation) and increased distribution costs from MPT throughput pushed operating expenses higher. This was offset by labour and overhead cost savings, lower fuel prices and freight rates, lower mineral royalties on the back of reduced profitability, and higher capitalisation of deferred stripping costs.

The reconfiguration of the Sishen pit to a lower cost shell together with the significant impact of the weaker iron ore price outlook, has resulted in an impairment charge relating to Sishen mine of R6 billion (pre-tax).

Unit cash costs at Sishen mine were R311/tonne, 14% higher than the R272/tonne of 2014, mainly driven by the 19% increase in waste mined. Lower

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production volumes added R36/tonne. Input cost pressures (R10/tonne), higher mining volumes (R34/tonne) and buffer stock utilisation (R23/tonne) were partially offset by overhead cost savings (R11/tonne) and deferred stripping (R42/tonne). Cost escalation was contained below inflation principally as a result of lower fuel prices. Going forward, the revised mining plan is expected to benefit unit cost through the reduction in mining volumes. Further benefits are expected from the reduction in oil prices, increasing productivity and the benefits of the Operating Model.

Kolomela mine incurred unit cash costs of R178/tonne (2014: R208/tonne), a 14% decrease. Lower mining volumes (R30/tonne) and higher production (R7/tonne) were the main contributors. Cost escalation was contained well below inflation at 3% (R7/tonne) mainly as a result of lower diesel prices and cost of blasting material. This was partially offset by higher mining contractor rates as a result of increased travelling distances.

Operating profit

Operating profit of R8.6 billion (excluding the impairment) decreased by 56% (2014: R19.6 billion). Kumba's operating profit margin decreased to 24% (2014: 41%), 27% from mining activities (2014: 45%). The fall in iron ore prices outlined previously impacted profitability.

Cash flow

The Group's cash generated from operations was down 36% from R21.8 billion in 2014 to R13.8 billion. The cash was used to pay the 2014 final dividend

of R3.3 billion (2014: R15.2 billion) and income tax of R0.6 billion (2014: R4.2 billion). At 31 December 2015 the Group had a net debt position of R4.6 billion (2014: R7.9 billion). The Group's working capital position remains healthy, although impacted by a decrease of R2.2 billion in trade and other receivables on the back of lower realised prices.

Capital expenditure of R6.8 billion was incurred. Expansion capex of R0.9 billion focused on the Dingleton relocation project and R3 billion on stay-in-business (SIB) activities (including heavy mining equipment and infrastructure) and R2.9 billion deferred stripping. In light of the current pricing environment, the Group has reduced capital expenditure guidance (excluding deferred stripping) for 2016 to 2018 from what was previously guided, and optimised our project portfolio resulting in the deferral of some of the capital spend to later years. For the Dingleton project the Group anticipates total spend of R2.7 billion versus the R4.2 billion as previously guided. As a result, the Group expects capital expenditure (excluding deferred stripping) for 2016 to be in the range of R2.4 billion to R2.6 billion, for 2017 to be between R2.9 billion and R3.1 billion, and 2018 to be between R3.5 billion and R3.7 billion (excluding unapproved projects).

Deferred stripping capital expenditure per mine estimates are shown in the table below. The decrease expected at Sishen mine is mainly as a result of higher stripping ratios excluded from the new pit design in certain areas of the pit.

R million	2015	(unaudited)		
		2016	2017	2018
Sishen mine	2,508	400-500	1,050-1,150	1,600-1,700
Kolomela	344	300-400	250-350	100-200
Total	2,852	700-900	1,300-1,500	1,700-1,900

ORE RESERVES AND MINERAL RESOURCES

The following changes are reported to the ore reserves and mineral resources as disclosed in the 2014 Kumba Integrated Report.

As of 31 December 2015, Kumba, from a 100% ownership reporting perspective, had access to ore reserves of 885.6 Mt (at 60.0% Fe) at its three mining operations (Sishen, Kolomela and Thabazimbi), a year-on-year decrease of 3%. The Thabazimbi ore reserve has been materially reduced by 9 Mt (93%) to 0.7 Mt due to the reclassification of ore reserves to mineral resources as a result of the mine closure. The remaining mineral resource of 8.4 Mt will be reclassified to mineral inventory once mine closure has been finalised.

Kumba's estimated mineral resources, in addition to its ore reserves at these three operations and the Zandriverspoort magnetite project, totalled 1.2 billion tonnes (at 50.4% Fe), a year-on-year decrease of 8%.

The net decrease of 3% in Kumba's ore reserves in 2015 is primarily attributable to annual run-of-mine production of 47.8 Mt. The overall decrease in mineral resources of 8% was mainly due to the conversion of a portion of the Kapstevél South mineral resource at Kolomela to ore reserves. As a result the Kolomela reserve life has increased by two years to 21 years at the end of 2015 (including inferred material), despite the planned increase in annual production to 13 Mt from 2017.

It is expected that the 2016 Kumba ore reserves and mineral resources may decrease materially from those stated in 2015, pending the update of the long-term forward looking iron ore price and the reconfiguration of Sishen mine to a lower cost pit shell. Early indications are that the Sishen mine ore reserves will decrease by an estimated 23% (± 150 Mt) but that the reserve life will remain stable at ~ 15 years due to the

lower production rates. These figures are preliminary in nature and exclude 2016 depletion and other movements that may realise due to annual geological model updates and revised long-term economic parameter forecasts. A complete life-of-mine will be finalised in 2016 for both operations to determine the impact on resources and reserves in accordance with SAMREC Code requirements.

CHANGES IN DIRECTORATE

The following directors tendered their resignations from the board:

- Ms Khanyisile Kweyama with effect from 29 April 2015, following her resignation as Executive Head of Anglo American South Africa.
- Mr Gert Gouws with effect from 8 May 2015, having reached a tenure of nine years as a non-executive director of the board.
- Mr Tony O'Neill with effect from 5 February 2016.

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

The company announced the following appointments to the board:

- 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 was appointed onto the company's board as a shareholder representative of Anglo American, following the resignation of Ms. Kweyama.
- Mrs Natascha Viljoen as a non-executive director of the board with effect from 8 February 2016, and in fulfilment of the vacancy left by the resignation of Mr. Tony O'Neill. Mrs Viljoen is currently the Group Head of Processing for Anglo American plc.

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OUTLOOK

Rapidly changing market and economic fundamentals have resulted in the iron ore price falling faster and deeper than expected. The period ahead is likely to result in formidable changes for the industry with the market now pricing in a more muted trend for the iron ore price. As such the Group does not expect a significant recovery in the iron ore price over the medium term. These circumstances have reinforced the need to make tough decisions for the business and to take necessary action to safeguard the viability of the operations.

Whilst significant progress has been made to protect the balance sheet, the Group is undertaking further actions to conserve cash in order to ensure that Kumba is robust enough to withstand a longer period of low prices. Further savings are anticipated to deliver ~\$10/t reduction in controllable costs for 2016, largely from on-mine cash cost reductions through the implementation of the new mine plan for Sishen and ongoing cost initiatives including headcount rationalisation and salary freezes for senior and mid management. Further study cost optimisation is expected with continued focus on SIB capital reductions from curtailment of fleet procurement and other mine projects. The ongoing benefits from the continued implementation of the Operating Model is setting the mines up well for the execution of the revised plans.

As a result, Kumba's cash breakeven price is anticipated to reduce to below \$40/t in 2016, however the Group expects further volatility in freight and exchange rates. At current spot indicators, though, the Group's balance sheet should continue to deleverage.

Production at Sishen is expected to be ~27 Mt in 2016-2020. Waste volumes are targeted at ~135-150 Mt in 2016-2020. In the medium term, the mine will continue to explore opportunities to fill any spare plant capacity through the use of low grade stockpiles.

Kolomela will produce 12 Mt in 2016 increasing to 13 Mtpa by 2017. Waste mining is forecast to be 46-48 Mt in 2016-2020.

Export sales are expected to be ~40 Mt in 2016 and domestic sales contracted to ArcelorMittal SA are 6.25 Mt.

Profitability remains sensitive to iron ore export prices and the Rand/US\$ exchange rate. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the company's auditors.

The presentation in support of Kumba's results for the year ended 31 December 2015 will be available on Kumba's website www.angloamericankumba.com at 07h30 CAT and the webcast will be available from 11h30 CAT on 9 February 2016.

SALIENT FEATURES AND OPERATING STATISTICS

for the year ended

	Unaudited 31 December 2015	Unaudited 31 December 2014
Share statistics ('000)		
Total shares in issue	322,086	322,086
Weighted average number of shares	320,817	320,663
Treasury shares	1,110	1,533
Market information		
Closing share price (Rand)	41	240
Market capitalisation (Rand million)	13,270	77,268
Market capitalisation (US\$ million)	858	6,677
Net asset value attributable to owners of Kumba (Rand per share)	59.98	64.47
Capital expenditure (Rand million)		
Incurred	6,752	8,477
Contracted	1,115	3,430
Authorised but not contracted	1,553	3,040
Finance lease commitments	-	232
Operating commitments		
Operating lease commitments	113	148
Shipping services	10,431	11,353
Economic information		
Average Rand/US Dollar exchange rate (ZAR/US\$)	12.76	10.83
Closing Rand/US Dollar exchange rate (ZAR/US\$)	15.47	11.57
Sishen mine FOR unit cost		
Unit cost (Rand per tonne)	403.47	331.55
Cash cost (Rand per tonne)	310.80	271.84
Unit cost (US\$ per tonne)	31.62	30.60
Cash cost (US\$ per tonne)	24.36	25.09
Kolomela mine FOR unit cost		
Unit cost (Rand per tonne)	245.74	269.13
Cash cost (Rand per tonne)	177.70	207.60
Unit cost (US\$ per tonne)	19.26	24.84
Cash cost (US\$ per tonne)	13.93	19.16

SUMMARISED CONSOLIDATED BALANCE SHEET

as at

Rand million	Notes	Audited 31 December 2015	Audited restated 31 December 2014	Audited restated 31 December 2013
Assets				
Property, plant and equipment	5	32,671	35,170	29,922
Biological assets		11	6	6
Investments held by environmental trust		818	791	737
Long-term prepayments and other receivables		581	555	605
Inventories	6	2,560	2,078	1,292
Deferred tax assets		1	871	920
Non-current assets		36,642	39,471	33,482
Inventories	6	5,056	5,288	3,879
Trade and other receivables		3,212	4,476	6,124
Cash and cash equivalents		3,601	1,664	1,053
Current assets		11,869	11,428	11,056
Total assets		48,511	50,899	44,538
Equity				
Shareholders' equity	7	19,320	20,764	20,831
Non-controlling interest		5,847	6,237	6,353
Total equity		25,167	27,001	27,184
Liabilities				
Interest-bearing borrowings	8	8,000	4,000	2,234
Provisions		2,717	1,964	1,809
Deferred tax liabilities		7,680	8,201	7,888
Non-current liabilities		18,397	14,165	11,931
Interest-bearing borrowings	8	205	5,593	615
Provisions		349	92	355
Trade and other payables		3,407	3,493	3,888
Current tax liabilities		986	555	565
Current liabilities		4,947	9,733	5,423
Total liabilities		23,344	23,898	17,354
Total equity and liabilities		48,511	50,899	44,538

SUMMARISED CONSOLIDATED INCOME STATEMENT

for the year ended

Rand million	Note	Audited 31 December 2015	Audited 31 December 2014
Revenue		36,138	47,597
Operating expenses		(33,494)	(28,405)
Operating profit	9	2,644	19,192
Finance income		265	84
Finance costs		(876)	(519)
Gain/(loss) from equity accounted joint venture		6	(5)
Profit before taxation		2,039	18,752
Taxation		(1,412)	(4,604)
Profit for the year		627	14,148
Attributable to:			
Owners of Kumba		469	10,724
Non-controlling interest		158	3,424
		627	14,148
Earnings per share for profit attributable to the owners of Kumba (Rand per share)			
Basic		1.46	33.44
Diluted		1.46	33.38

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended

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

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended

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

SUMMARISED CONSOLIDATED CASH FLOW STATEMENT

for the year ended

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

HEADLINE EARNINGS

for the year ended

Rand million	Audited 31 December 2015	Audited 31 December 2014
Reconciliation of headline earnings		
Profit attributable to owners of Kumba	469	10,724
Impairment charge	5,978	439
Net loss on disposal and scrapping of property, plant and equipment	9	91
Reclassification of exchange differences on translation of foreign operations	–	(34)
Insurance proceeds received for items of property, plant and equipment written off in a prior period	(29)	–
	6,427	11,220
Taxation effect of adjustments	(1,644)	(128)
Non-controlling interest in adjustments	(991)	(86)
Headline earnings	3,792	11,006
Headline earnings (Rand per share)		
Basic	11.82	34.32
Diluted	11.82	34.26
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	320,817,364	320,662,676
Diluted weighted average number of ordinary shares	320,817,364	321,242,611

There is no dilution adjustment at 31 December 2015 (2014: 579 935). 1,075,676 Share options previously granted under the various employee share incentive schemes had no dilutive impact.

NORMALISED EARNINGS

for the year ended

Rand million	Unaudited 12 months 31 December 2015	Unaudited 12 months 31 December 2014
Reconciliation of normalised earnings		
Headline earnings attributable to owners of Kumba	3,792	11,006
Gain on lease receivable	(418)	–
Derecognition of deferred tax asset	801	–
	4,175	11,006
Taxation effect of adjustments	117	–
Non-controlling interest in adjustments	(115)	–
Normalised earnings	4,177	11,006
Normalised earnings (Rand per share)		
Basic	13.02	34.32
Diluted	13.02	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	320,817,364	320,662,676
Diluted weighted average number of ordinary shares	320,817,364	321,242,611

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 recurring activities of the group.

This is determined by adjusting the headline earnings attributable to the owners of Kumba for non-recurring 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 has therefore been adjusted in determining normalised earnings.

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2015

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 audited summarised consolidated financial statements of Kumba and its subsidiaries for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 5 February 2016.

2. BASIS OF PREPARATION

The audited summarised consolidated 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 preliminary reports, and the requirements of the South African Companies Act No 71 of 2008 applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting.

The audited summarised 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 applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived 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, except as disclosed below.

3.1 New standards, amendments to published standards and interpretations

None of the standards, amendments to published standards and interpretations which became effective for the year commencing on 1 January 2015 had an impact on the Group.

3.2 New standards, amendments to existing standards and interpretations that are not yet effective and have not been early adopted

In 2015 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 31 December 2015, are being evaluated for the impact of these pronouncements.

3.3 Comparatives

Comparative figures are restated in the event of a change in accounting policy or reclassification of line items in the balance sheet. The inventory balance was reclassified in the current year, please refer to note 6 for more information.

4. 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 LoM plan on which accounting estimates are based only includes proved and probable ore reserves as disclosed in Kumba's annual ore reserves and mineral resources statement. Sishen's rehabilitation provision increased by R305 million and Kolomela's by R23 million in 2015. This increase relates to changes in the LoM at Sishen and Kolomela, normal inflationary adjustments as well as the incorporation of waste dump and infrastructure growth. Thabazimbi's rehabilitation provision increased by R288 million in 2015. R114 million relates to a reduction in the LoM from 2023 to 2016 as a result of the closure decision.

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

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

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

5. PROPERTY, PLANT AND EQUIPMENT

	Audited 31 December 2015	Audited 31 December 2014
Rand million		
Capital expenditure	6,752	8,477
Comprising:		
Expansion	870	1,433
Stay-in-business (SIB)	3,030	5,206
Deferred stripping	2,852	1,838
Transfers from assets under construction to property, plant and equipment	3,419	5,163

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2015

Expansion capital expenditure comprises mainly of the Dingleton Project, which would enable Sishen mine to extract ore resources between the mine and the town, made good progress in 2015. SIB capital expenditure to maintain operations was principally for the replacement and rebuild of the mining fleet, expansion of diesel storage capacity, mine dewatering, and regulatory and standard compliance related projects.

6. INVENTORY RECLASSIFICATION

	Audited 31 December 2015	Restated Audited 31 December 2014	Restated Audited 31 December 2013
Rand million			
Finished products	1,852	2,410	1,194
Work-in-progress	4,156	3,770	3,104
Plant spares and stores	1,608	1,186	873
Total inventories	7,616	7,366	5,171
Non-current portion of work-in-progress inventories	2,560	2,078	1,292
Total current inventories	5,056	5,288	3,879
Total inventories	7,616	7,366	5,171

As a result of the revision of the Group's mine plans, the Group reassessed the nature of its work-in-progress inventories. 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 are reclassified to non-current. This reassessment was applied retrospectively and as a result, comparative figures were reclassified.

7. SHARE CAPITAL AND SHARE PREMIUM

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

	Audited 31 December 2015	Audited 31 December 2014
Rand million		
Balance at beginning of year	(311)	(297)
Net movement in treasury shares under employee share incentive schemes	180	(14)
Purchase of treasury shares	-	(107)
Shares issued to employees	180	93
	(131)	(311)

Reconciliation of number of shares in issue:

	Audited 31 December 2015	Audited 31 December 2014
Number of shares		
Balance at beginning and end of year	322,085,974	322,085,974
Reconciliation of treasury shares held:		
Balance at beginning of year	1,533,346	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	(423,614)	(210,780)
Balance at end of year	1,109,732	1,533,346

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

8. INTEREST-BEARING BORROWINGS

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

	Audited 31 December 2015	Audited 31 December 2014
Rand million		
Interest-bearing borrowings	8,205	9,593
Cash and cash equivalents	(3,601)	(1,664)
Net debt	4,604	7,929
Total equity	25,167	27,001
Interest cover (times)	4	44

Movements in interest-bearing borrowings are analysed as follows:

	Audited 31 December 2015	Audited 31 December 2014
Rand million		
Balance at the beginning of the year	9,593	2,849
Interest-bearing borrowings raised	10,400	14,891
Interest-bearing borrowings repaid	(11,556)	(8,098)
Finance lease repaid	(232)	(49)
Balance at the end of the year	8,205	9,593

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

 continued

for the year ended 31 December 2015

The group's committed debt facilities of R16.5 billion (R4.5 billion term facility and R12 billion revolving facility) mature in 2020. At 31 December 2015, R8.0 billion of the committed facility had been drawn down. The group also had undrawn uncommitted facilities of R8.3 billion at 31 December 2015. SIOC was not in breach of any of its financial covenants during the year.

9. SIGNIFICANT ITEMS INCLUDED IN OPERATING PROFIT

Operating expenses comprise:

Rand million	Audited 12 months 31 December 2015	Audited 12 months 31 December 2014
Production costs	17,260	18,979
Movement in inventories	936	(904)
Finished products	1,322	(237)
Work-in-progress	(386)	(667)
Cost of goods sold	18,196	18,075
Impairment charge ¹	5,978	439
Mineral royalty	191	1,176
Selling and distribution costs	5,506	4,548
Cost of services rendered – shipping	3,657	4,203
Sublease rent received	(34)	(36)
Operating expenses	33,494	28,405
Operating profit was derived after taking into account the following items:		
Employee expenses	4,039	3,869
Net restructuring costs	34	68
Restructuring costs	384	68
Reimbursement of restructuring costs from third party	(350)	–
Share-based payment expenses	593	643
Depreciation of property, plant and equipment	3,323	2,636
Deferred waste stripping costs capitalised	(2,852)	(1,838)
Net loss on disposal and scrapping of property, plant and equipment	9	91
(Gain)/loss on lease receivable	(476)	86
Insurance proceeds received on items of property, plant and equipment written off in prior periods	(29)	–
Finance gains	(822)	(443)

¹ The impairment charge relates to Sishen mine. The impairment charge in 2014 relates to Thabazimbi mine's deferred stripping asset.

10. IMPAIRMENT OF ASSETS

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

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

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

11. SEGMENTAL REPORTING

Rand million	Sishen mine	Kolomela mine	Thabazimbi mine	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
Depreciation	2,428	732	–	6	–	157	3,323
Staff costs	3,048	642	429	30	–	517	4,666
Impairment charge	5,978	–	–	–	–	–	5,978
EBIT ¹	4,273	4,423	(52)	(5,506)	(247)	(247)	2,644
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

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

 continued

for the year ended 31 December 2015

Rand million	Sishen mine	Kolomela mine	Thabazimbi mine	Logistics	Shipping operations	Other	Total
Audited year ended 31 December 2014							
Income statement							
Revenue from external customers	33,094	9,437	1,172	–	3,894	–	47,597
Depreciation	1,858	643	36	6	–	93	2,636
Staff costs	2,605	572	420	26	–	957	4,580
Impairment charge	–	–	439	–	–	–	439
EBIT ¹	20,423	5,906	(706) ¹	(4,548)	(309)	(1,574)	19,192
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 After impairment charge

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.

Geographical analysis of revenue:

Rand million	Audited 12 months 31 December 2015	Audited 12 months 31 December 2014
Total revenue from external customers	36,138	47,597
South Africa	3,155	3,764
Export	32,983	43,833
China	19,974	24,906
Rest of Asia	9,879	14,958
Europe	3,130	3,687
Middle East and Africa	–	282

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. Investments held by the environmental trust amounting to R818 million (2014: R791 million) are carried at fair value. The fair value measurements are classified as level 1.

13. 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	Audited 12 months 31 December 2015	Audited 12 months 31 December 2014
Short-term deposit held with Anglo American SA Finance Limited ¹ (AASAF)	839	–
– Deposit ¹	205	–
– Weighted average interest rate	6.48%	–
– Deposit ²	634	–
– Weighted average interest rate	5.96%	5.37%
Interest earned on short-term deposits with AASAF during the year	120	28
Short-term deposit held with Anglo American Capital plc ¹	2,059	1,092
Interest earned on facility during the year	*	*
Interest-bearing borrowing from AASAF	205	5,361
Interest paid on borrowings during the year	67	134
Weighted average interest rate	7.05%	6.70%
Trade payable owing to Anglo American Marketing Limited ¹ (AAML)	433	405
Shipping services provided by AAML	3,642	4,152
Dividends paid to Exxaro Resources Limited	673	3,095

¹ Subsidiaries of the ultimate holding company.

* Interest earned on the deposit is insignificant and is earned at prevailing market rates.

14. CONTINGENT LIABILITY

- a) As at 30 June 2015, the Group advised that the SARS were in the process of reviewing certain of the group's tax matters. After the half year SARS issued the Group with a letter of findings relating to its tax audit covering the period 2006 to 2010, indicating potential adjustments to the Group's taxable income for the period of R6.5 billion which would, if Kumba is finally assessed on this basis, result in additional tax of approximately R1.8 billion, excluding any potential interest and penalties. As at 31 December 2015 the Group had responded to the letter of findings, strongly objecting to the basis for the proposed adjustments, including representations on why interest and penalties, if any, should not be raised. The Group is awaiting SARS's response. These matters have been considered in consultation with external tax and legal advisors, who support the Group's position set

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2015

out in its objection. Furthermore, during 2015 SARS notified the Group of its intention to conduct a field audit covering the 2011 to 2013 years of assessment, which is in progress. The Group believes that these matters have been appropriately treated in the results for the year ended 31 December 2015.

- b) Rates and taxes levied by the Municipality at Sishen effective from 1 June 2014 reflected a significant increase amounting to R437 million. Management objected to the higher valuation of the relevant land and the Municipality appointed a valuator 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.

15. GUARANTEES

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

16. REGULATORY UPDATE

21.4% undivided share of the Sishen mine mineral rights

In December 2013 the Constitutional Court ruled that SIOC held a 78.6% undivided share of the Sishen mining right and that, based on the provisions of the MPRDA, only SIOC can apply for, and be granted, the residual 21.4% share of the mining right at the Sishen mine. The grant of the mining right may be made subject to such conditions considered by the Minister to be appropriate. SIOC applied for the residual right early in 2014.

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

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

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

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

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

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 will be contained in the 2015 Integrated Report.

18. EVENTS AFTER THE REPORTING PERIOD

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

The new configuration reduced the waste and production profiles of the mine to ~135 Mt and ~27 Mt respectively. The reduction in planned mining and production activities resulted in a re-evaluation of the on-mine equipment and the workforce required to support this reduced profile. Subject to consultation, it is currently estimated that ~2,633 employees and 1,300 contractors may be affected.

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

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

NOTES TO THE AUDITED SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 December 2015

19. INDEPENDENT AUDITORS' REPORT

These summarised consolidated financial statements for the year ended 31 December 2015 have been audited by Deloitte & Touche, who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual financial statements from which these summarised consolidated financial statements were derived.

A copy of the auditor's report on the summarised consolidated financial statements is included below, and a copy of the auditor's report on the annual consolidated financial statements is available for inspection at the company's registered office, together with the financial statements identified in the respective auditor's reports.

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

5 February 2016

Pretoria

NB Mbazima

Chief executive

INDEPENDENT AUDITOR'S REPORT ON SUMMARY FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF KUMBA IRON ORE LIMITED

The summary consolidated financial statements of Kumba Iron Ore Limited, contained in the accompanying preliminary report, which comprise the summary consolidated balance sheet as at 31 December 2015, the summary consolidated income statement, summary consolidated statements of other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited annual consolidated financial statements of Kumba Iron Ore Limited for the year ended 31 December 2015. We expressed an unmodified audit opinion on those consolidated annual financial statements in our report dated 5 February 2016. Our auditor's report on the audited consolidated annual financial statements contained an Other Matter paragraph "Other reports required by the Companies Act" (refer below).

The summary consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated annual financial statements of Kumba Iron Ore Limited.

Directors' Responsibility for the Summary Consolidated Financial Statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in note 2 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements, and for such internal control as the directors determine is necessary to enable the preparation of the summary consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34, Interim Financial Reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, Engagements to Report on Summary Financial Statements.

Opinion

In our opinion, the summary consolidated financial statements derived from the audited annual consolidated financial statements of Kumba Iron Ore Limited for the year ended 31 December 2015 are consistent, in all material respects, with those consolidated annual financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, set out in note 2 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

INDEPENDENT AUDITOR'S REPORT ON SUMMARY FINANCIAL STATEMENTS

continued

Other reports required by the Companies Act

The "other reports required by the Companies Act" paragraph in our audit report dated 5 February 2016 states that as part of our audit of the consolidated annual financial statements for the year ended 31 December 2015, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated annual financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited annual consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary consolidated financial statements or our opinion thereon.

Other Matter

We have not audited future financial performance and expectations by the Directors included in the accompanying summary consolidated financial statements and accordingly do not express any opinion thereon.

Deloitte & Touche

Registered Auditor

Per: SBF Carter

Partner

5 February 2016

National executive: *LL Bam Chief Executive *AE Swiegers Chief Operating Officer *GM Pinnock Audit N Sing Risk Advisory *NB Kader Tax TP Pillay Consulting S Gwala BPaaS *K Black Clients & Industries *JK Mazzacco Talent & Transformation *MJ Jarvis Finance *M Jordan Strategy *MJ Comber Reputation and Risk *TJ Brown Chairman of the Board

A full list of partners and directors is available on request

*Partner and Registered Auditor

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

ADMINISTRATION

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TRANSFER SECRETARIES:

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70 Marshall Street
Republic of South Africa
PO Box 61051, Marshalltown, 2107

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')


Kumba Iron Ore


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