



Exchange rate

Kumba's revenue generated from the export of iron ore and shipping services is affected by the Rand/US Dollar exchange rate.

Relative to the US Dollar, the South African Rand has strengthened ~20% over the past year. Kumba's operating profit remains highly sensitive to the Rand/US Dollar exchange rate.

Operating expenses

Kumba is committed to a further increase in production volumes during 2010, with the continued ramp-up of the Jig plant. Waste mining at Sishen Mine is anticipated to increase as the pit gets deeper and wider.

The first mining royalty is payable by Kumba's mining operations from the second quarter of 2010.

Management focus will be on asset optimisation initiatives, cost management and additional production and sales volumes to lessen the adverse effects of the cost pressures from an increase in waste mining.

Change in accounting estimates

The provisions for environmental rehabilitation and decommissioning are calculated using management's best estimate of the costs to be incurred based on the group's environmental policy taking into account current technological, environmental and regulatory requirements discounted to a present value. Estimates are based upon costs that are regularly reviewed, by internal and external experts, and adjusted as appropriate for new circumstances. Actual costs incurred in future periods could differ from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates used could affect the carrying amount of this provision. As a result the liabilities that we report can vary if our assessment of the expected expenditures changes.

At 31 December 2009 management revised the estimate of the amount and timing of the closure cost of Sishen and Thabazimbi mines. The effect of these changes is detailed below:

Rand million	Environmental rehabilitation	Decommissioning	Total
Amount of the closure cost	57	63	120

The change in estimate in the environmental rehabilitation provision resulted in a decrease in attributable profit for 2009 of R43 million (effect on earnings per share 13.4 cents per share) after taking into account taxation of R21 million and minority interest of R11 million. The change in estimate in the decommissioning provision has been capitalised to the related property, plant and equipment.

Change in accounting policies

Kumba has elected to change its accounting policy in respect of the treatment of mineral waste stripping expenses in order to provide more reliable and relevant information about the effects of these costs on the entity's financial position and financial performance for the reporting periods, for the annual period commencing 1 January 2009.

Waste stripping expenses

The removal of overburden or waste ore is required to obtain access to the ore body. To the extent that the actual waste material removed per tonne of ore mined (known as the stripping ratio) is higher than the average stripping ratio in the early years of a mine's production phase, the costs associated with this process are deferred and charged to operating costs using the expected average stripping ratio over the average life of the area being mined.

RAND/US DOLLAR EXCHANGE RATE

