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.

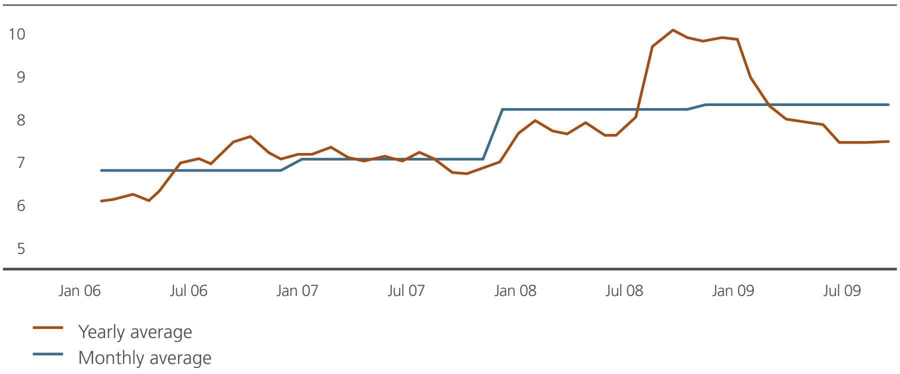
Operating expenses

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.

RAND/US DOLLAR EXCHANGE RATE



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	Decommis-sioning	**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.

This reflects the fact that waste removal is necessary to gain access to the ore body and therefore realise future economic benefit. The average stripping ratio is calculated as the number of tonnes of waste material expected to be removed during the life of mine, per tonne of ore mined. The average life of mine cost per tonne is calculated as the total expected costs to be incurred to mine the ore body divided by the number of tonnes expected to be mined.

The cost of stripping in any period will therefore be reflective of the average stripping rates for the ore body as a whole. However, where the pit profile is such that the actual stripping ratio is below the average in the early years no deferral takes place as this would result in recognition of a liability for which there is no obligation. Instead this position is monitored and when the cumulative calculation reflects a debit balance deferral commences. The average life of mine stripping ratio and the average life of mine cost per tonne are recalculated annually in light of additional knowledge and changes in estimates. Changes in the life of mine stripping ratio are accounted for prospectively as a change in estimate.

During the development of a mine, before production commences, stripping expenses are capitalised as part of the investment in construction of the mine.

The change in accounting policy had no effect on the financial position or performance of the group due to the fact that Sishen Mine's pit profile is such that the actual stripping ratio is currently below the average life of mine stripping ratio and therefore no deferral is required.

The group adopted the following amendments to existing standards and new standard with effect from 1 January 2009.

IAS 1 (revised), Presentation of Financial Statements

The revised standard requires that changes in equity resulting from transactions with owners (holders of instruments classified as equity) be presented separately from non-owner changes in equity (also known as other comprehensive income). In addition specific disclosures for components of other comprehensive income have been introduced. The adoption had no effect on the financial position or performance of the group.

IFRS 8, Operating segments

IFRS 8 replaces IAS 14, 'Segment reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Kumba executive committee.

This has resulted in an increase in the number of reportable segments presented, as the previously reported business segment, mining (being mining, extraction and production of iron ore) has been split further into the different mines that the group operates as well as its shipping operations.

Right: One of Sishen Mine's new haul trucks being assembled on site. The mine acquired eight of these 254t capacity giants in 2009. The design of the trucks incorporates improved safety features, a pantograph support structure that is fully integrated into the chassis, an automatic anti-rollback feature and an improved braking system comprising combined electric braking and wet disc brakes.