

# DIRECTORS' REPORT

for the year ended 31 December 2006

The directors have pleasure in presenting the annual financial statements of Kumba Iron Ore Limited and the group for the year ended 31 December 2006.

## INCORPORATION

Kumba Iron Ore was incorporated on 16 May 2005 and did not have any business transactions from the date of incorporation until 1 November 2006, the effective date of the unbundling transaction explained below.

### Unbundling transaction

Kumba Iron Ore was unbundled from Kumba Resources Limited and subsequently listed on the JSE on 20 November 2006 as the only pure play iron ore company on the JSE. Following completion of the Kumba Resources empowerment transaction, Kumba Iron Ore now complies with the 2014 equity ownership requirements of the *Mining Charter*. Applications for conversion of SIOC held old order rights were lodged during December 2005 and with the Kumba Resources empowerment transaction now completed, conversion representations to the Department of Mineral and Energy are in progress.

### Nature of business

Kumba Iron Ore, incorporated in South Africa, is a mining group of companies focusing on extracting, processing and beneficiating iron ore.

### Corporate governance

The board endorses the Code of Corporate Practice and Conduct as set out in the King II Report on Corporate Governance and has satisfied itself that Kumba Iron Ore has complied throughout the period in all material aspects with the King II code and the Listings Requirements of the JSE. A detailed report appears from page 38.

### Registration details

Kumba Iron Ore is a listed company on the JSE. The company registration number is 2005/015852/06. The registered office is Lakefield Office Park, 272 West Avenue, Centurion, 0046, Republic of South Africa.

### Activities and financial results

Detailed reports on the activities and performance of the group and the various divisions of the group are contained in the reports on pages 16 and 18 and in the business operations review on pages 25 to 28. These reports are unaudited.

## CAPITAL

### Authorised capital

The company's authorised share capital of 500 000 000 shares of 1 cent each was authorised by the shareholders (resolution dated 7 April 2006).

### Issued capital

During the year new shares were issued as part of the unbundling of Kumba Resources. Following these allotments, the issued share capital increased from 100 ordinary shares to 313 594 471 ordinary shares of 1 cent each.

The directors are authorised to issue unissued shares until the next annual general meeting. Shareholders will be asked to extend the authority of the directors to control the unissued shares of the company at the forthcoming annual general meeting, up to a maximum of 5 percent of the issued capital.

### Dividends

A maiden dividend of 80 cents per share was declared on 14 February 2007.

### Property, plant and equipment

Investments in property, plant and equipment are detailed in the financial statements. Capital expenditure for the two-month period ended 31 December 2006 amounted to R511 million.

### Holding company and related parties

The ultimate beneficial holding company is Anglo American plc group, which has a beneficial interest of 64,1% in the company.

## SHAREHOLDERS

An analysis of shareholders and shareholdings appears on pages 44 to 46 of the annual report.

### Shareholders resolutions

A shareholder resolution was passed on 7 April 2006, approving the following:

- Change of company name to Kumba Iron Ore Limited.
- Change of main business and object to holding company of subsidiaries.
- Increase in authorised share capital.
- Subdivision of authorised and issued share capital.
- Conversion from a private to a public company.
- Replacement of the memorandum and articles of association with a new memorandum and articles of association.

At a shareholder meeting, held on 22 August 2006, the following special and ordinary resolutions were passed:

- General authority to issue shares.
- General authority to issue shares for cash in terms of the Listings Requirements of the JSE.
- General authority to repurchase company shares.

- Adoption of the Kumba Iron Ore Management Share Scheme.
- Authority to issue shares in terms of the Kumba Iron Ore Management Share Scheme.
- Authority to enter into the Share Incentive Schemes Agreement.
- Authority to issue shares to Kumba Iron Ore Management Share Trust.
- Authority to issue shares in terms of the Kumba Iron Ore Sale Agreement.

#### Investments and subsidiaries

The financial information in respect of investments and interests in subsidiaries of the company is disclosed in annexures 2 and 3 to the financial statements.

#### FALÉMÉ

Following notification from Miferso, a Senegalese state-controlled mining exploration permitholder, that it disputes Kumba Iron Ore's rights (held by Kumba International B.V.) in relation to the Falémé iron ore deposit under an agreement entered into in 2004, Kumba Iron Ore has engaged with representatives of the Government of Senegal and Miferso with a view to resolving the dispute in an amicable manner. It remains the view of the board that should settlement discussion not prove successful, legal action is to be pursued to seek appropriate redress.

With respect to a separate claim for US\$196 million brought against Kumba by Lithos, Kumba's legal advisors have concluded that, as presently framed, the particulars of the case do not sustain a cause of action and accordingly no provision has been raised.

#### SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial period and up to the date of this report, not otherwise dealt with in this report or in the group financial statements that would significantly affect the operations or the results of the group.

#### DIRECTORATE

The names of the directors in office at the date of this report are set out on pages 6 and 7. During the current financial year, the following resignations and appointments took place in Kumba Iron Ore:

MW von Wielligh	Resigned as director	31 January 2006
MJ Kilbride	Resigned as director	9 February 2006
PM Baum	Appointed as director	9 February 2006
GS Gouws	Appointed as director	9 February 2006
PB Matlare	Appointed as director	9 February 2006
AJ Morgan	Appointed as director	9 February 2006
EJ Myburgh	Appointed as director	9 February 2006
PL Zim	Appointed as director and chairman	9 February 2006

DD Mokgatle	Appointed as director	7 April 2006
N Moyo	Appointed as director	7 April 2006
VP Uren	Appointed as director	1 May 2006

At the forthcoming annual general meeting the non-executive directors mentioned above will retire and, being eligible, offer themselves for re-election.

#### COMPANY SECRETARY

The company secretary is A van der Merwe. The company secretary's registered address is:

Lakefield Office Park	PO Box 9679
272 West Avenue	Centurion
Centurion	0046
0157	

#### INDEPENDENT AUDITORS

The auditors of the company, Deloitte & Touche, will continue in office in accordance with section 270(2) of the Companies Act, 1973, of South Africa.