

Conversion applications for all of Kumba's old-order rights together with several applications for new-order rights, has been submitted to the Department of Mineral and Energy (DME).

The mining charter also stipulates that, by 2009, at least 40% of the managers Kumba employs must be HDSAs. Kumba has a detailed plan in place to ensure this target is reached and exceeded by the end of 2008.

Currency fluctuations

Kumba's iron ore export prices are determined in US Dollars and the company negotiates iron ore prices in that currency with customers. Strengthening or weakening of the US Dollar against the Rand therefore could have a significant effect on the financial position and results of Kumba. The group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise which may expose it to economic or accounting losses. Major capital expenditure is hedged while the continuous inflow of US Dollar export proceeds acts as a natural hedge for operating activities.

Community

In considering the needs and quality of life of our community stakeholders, we are in discussions with elected representatives of the Dingleton township, 28km from Kathu, to develop a mutually beneficial solution to issues arising from the community's proximity to the mining operation at Sishen Mine.

Environmental risks

Costs associated with rehabilitating land disturbed during the mining process and addressing environmental, health and community issues are estimated and provided for based on the most current information available. Estimates may, however, be insufficient and further issues may be identified. Any underestimated or unidentified rehabilitation costs will reduce earnings and could materially and adversely affect Kumba's asset values, earnings and cash flows. The operations of Kumba are subject to environmental legislation and regulations. If any of the legislation or regulations should be changed, Kumba's production costs could be increased. Mitigating actions include initiatives to ensure that all operating business units have approved environmental management plans and systems in place to reduce energy and diesel consumption, to reduce water consumption and pollution, to separate and recycle waste where possible, to rehabilitate inactive mining sites and ensure biodiversity preservation and to reduce emissions and effluents.

Statement of internal control

The executive committee is responsible for establishing a system of internal control to manage significant group risks. The board's approach to risk management encompasses all significant business risks to the group, including financial, operational and compliance risk, which could undermine achieving business objectives.

There is clear accountability for risk management, which is a key performance area for line managers throughout the group. The requisite risk and control capability is assured through the board challenge, and appropriate management selection and skills development. Managers are supported in fulfilling their risk responsibilities through an integrated risk management policy and guidelines on risk and control management.

Continuous monitoring of risks and control processes provides the basis for regular and exception reporting to business management and the boards of subsidiary companies, the executive committee and the board. Risk assessment and reporting criteria are designed to provide the board with a consistent perspective of key risks. Reports to the board, submitted via the audit and risk committee, include an assessment of the likelihood and impact of risk materialising, as well as mitigation initiatives and their effectiveness.

The system of internal control, which is embedded in all key operations, provides reasonable, rather than absolute, assurance that the group's business objectives will be achieved within the risk tolerance levels defined by the board. Kumba seeks to have a sound system of internal control, based on group policies, in all material associates and joint ventures. In those companies that are independently managed, directors represented on these organisations' boards seek assurance that significant risks are being managed.

The group's internal audit function has a formal collaboration process in place with the external auditors to ensure efficient coverage of internal controls. The internal audit function is responsible for providing independent assurance to the executive committee and the board on the effectiveness of the risk management process throughout the group.