NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

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 and marketing and sale of iron ore. The group has its primary listing on the JSE Limited.

The condensed consolidated financial report of Kumba and its subsidiaries for the six months ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 23 July 2008.

Basis of preparation and accounting policies

The condensed consolidated financial report for the six months ended 30 June 2008 has been prepared in compliance with the South African Companies Act No 61 of 1973, as amended, the Listings Requirements of the JSE Limited and International Accounting Standard 34, Interim Financial Reporting.

The condensed consolidated financial report has 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.

Except as disclosed below, the accounting policies and methods of computation applied in the preparation of the condensed consolidated interim financial report are consistent with those applied for the period ended 31 December 2007, which comply with International Financial Reporting Standards (IFRS).

Kumba has effected the early adoption of IAS 23 Borrowing costs before its effective date, with effect from 1 January 2008. IAS 23 requires the capitalisation of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The requirements of the standard have been applied retrospectively from the date when borrowing costs were first incurred in 2006. The effect on earnings and headline earnings per share is an increase of 26 cents and 8 cents for the six months ended 30 June 2008 and 2007 respectively. The effect on equity is disclosed in the table below.

	6 months 30 June 2008 Rm	6 months 30 June 2007 Rm	12 months 31 Dec 2007 Rm
Increase in opening balance	**82**	1	1
Increase in profit before taxation for the period	**140**	46	140
Taxation	**(39)**	(13)	(39)
Increase in equity attributable to equity holders of Kumba	**183**	34	102
Minority interest	**(20)**	(7)	(20)
Increase in shareholders' equity	**163**	27	82

IFRIC 12, Service Concession Arrangements and IFRIC 14, IAS 19 limit on defined benefit asset, which are effective from 1 January 2008, have no impact on the financial position, results or cash flow information of the group for the period under review.

Net debt

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

	30 June 2008 Rm	30 June 2007 Rm	31 Dec 2007 Rm
Long-term interest-bearing borrowings	**2 840**	2 840	1 040
Short-term interest-bearing borrowings	**1 463**	693	2 490
Total	**4 303**	3 533	3 530
Cash and cash equivalents	**(2 009)**	(1 364)	(952)
Net debt	**2 294**	2 169	2 578
Total equity	**5 511**	2 802	3 397
Interest cover (times)	**27**	20	19

It is the intention of management to fund Kumba's capital expansion projects through debt financing. At 31 December 2007 Kumba was revolving certain of its debt facilities and, for this reason, a significant portion of the interest-bearing borrowings were considered short-term. However, as debt is used to finance Kumba's expansion, the debt profile is returning to a longer-term profile. The maximum net debt in terms of current covenants is R4,5 billion. Kumba remained within its covenants during the year. A process is currently underway to increase Kumba's debt capacity.

Segmental reporting

Kumba's single business segment is the mining, extraction and production of iron ore. The financial disclosures of the business segment are presented in the condensed consolidated financial report.

Kumba generated its revenue through the sale of iron ore to customers in the following geographical regions:

	6 months 30 June 2008 Rm	6 months 30 June 2007 Rm	12 months 31 Dec 2007 Rm
Domestic – South Africa	**603**	634	1 349
Export	**8 445**	4 797	10 148
Europe	**2 207**	1 557	2 999
China	**4 482**	1 877	4 284
Rest of Asia	**1 756**	1 363	2 865

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT
(continued)

Significant items included in operating profit

Operating expenses

Operating expenses is made up as follows:

	6 months 30 June 2008 Rm	6 months 30 June 2007 Rm	12 months 31 Dec 2007 Rm
Production costs	**1 864**	1 701	3 740
Movement in inventories	**97**	(73)	(402)
Finished products	**219**	148	7
Work-in-progress	**(122)**	(221)	(409)
Cost of goods sold	**1 961**	1 628	3 338
Selling and distribution costs	**865**	590	1 300
Cost of services rendered – shipping	**979**	267	887
Sublease rent received	**(3)**	(3)	(6)
Operating expenditure	**3 802**	2 482	5 519

Operating profit has been derived after taking into account the following items:

	6 months 30 June 2008 Rm	6 months 30 June 2007 Rm	12 months 31 Dec 2007 Rm
Staff costs	**601**	467	1 017
Share-based payment expenses	**54**	48	122
Depreciation of property, plant and equipment	**134**	129	228
Profit on disposal and scrapping of property, plant and equipment	**—**	(4)	(14)
Finance gains	**(159)**	(38)	(40)
Operating profit/(loss) capitalised (jig plant)	**352**	(42)	(93)
– Revenue	**574**	—	—
– Expenses	**(222)**	(42)	(93)

Share-based payment expenses

The increase in the share-based payment expense for the six months ended 30 June 2008 is due to additional grants that were awarded to employees during March 2008 on the Long-Term Incentive Plan ('LTIP') and the Share Appreciation Rights Scheme ('SARS'). In addition to this a further 613 929 share options were awarded to participants of the Envision scheme during the period.

Operating profit capitalised (jig plant)

The capitalisation of operating profit for the six months ended 30 June 2008 relates to operating costs (production costs of R165 million and distribution costs of R57 million) incurred on 0,9Mt of ore from the jig plant that has been capitalised to property, plant and equipment as part of the directly attributable cost of bringing the jig plant to the location and condition necessary for it to be capable of operating in the manner intended by management.
The related revenue of R574 million from the sale of ore from the jig plant earned during this development stage was also capitalised.
On 1 June 2008 the capitalisation of the revenue and expenses was ceased as substantially all the activities for bringing the jig plant in the location and condition necessary for it to be capable of operating in the manner intended by management had been completed.

Property, plant and equipment

Capital expenditure on property, plant and equipment was R806 million for the six months ended 30 June 2008. This includes the R352 million capitalised operating profit as discussed above.

Related party transactions

During the six months Kumba, in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures. These transactions were subject to terms that are no less favourable than those offered by third parties.
Included in short-term interest-bearing borrowings at 30 June 2008 is a facility from Anglo South Africa (Pty) Limited of R750 million. Included in cash and cash equivalents at 30 June 2008 is a short-term deposit facility placed with Anglo American SA Finance Limited of R1 490 million.

Changes in contingent liabilities since 31 December 2007

There have been no significant changes in the contingent liabilities disclosed at 31 December 2007 that arise from the guarantees provided for environmental rehabilitation and decommissioning obligations of the Kumba Rehabilitation Trust Fund.

Legal proceedings

Lithos Corporation (Pty) Limited ('Lithos')

Kumba continues to defend the merits of the claim and is of the view, and has been so advised, that the basis of the claim and the quantification thereof is fundamentally flawed. A trial date is awaited. No liability has been raised for this matter.

Miferso – Falémé

Kumba has initiated arbitration proceedings against La Societe Des Mines De Fer Du Senegal Oriental and the Republic of Senegal under the Rules of Arbitration of the International Chamber of Commerce. This process is confidential in nature.

Sishen Supply Agreement

- Kumba and ArcelorMittal have agreed to an arbitration process to resolve key differences of interpretation of the Sishen Supply Agreement. Arbitration proceedings were initiated in 2007 by Kumba. These proceedings are confidential in nature.
- During 2007 ArcelorMittal paid an amount of R60 million in respect of the export parity pricing element for 0,2Mt acquired during the period, the price of which it still disputes. This matter may potentially be subject to further arbitration.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

(continued)

Post-balance sheet date events

The directors are not aware of any matter or circumstance arising since the end of the period and up to the date of this report, not otherwise dealt with in this report.

Corporate governance

The group subscribes to the Code of Good Corporate Practices and Conduct as contained in the King II Report on corporate governance and the board has satisfied itself that Kumba has complied throughout the period under review in all material aspects with the code.

Independent review opinion

The auditors, Deloitte & Touche have issued their unmodified review opinion on the condensed consolidated financial report for the six months ended 30 June 2008. A copy of their unmodified review opinion is available for inspection at the company's registered office.

On behalf of the board

PL Zim	**CI Griffith**	23 July 2008
Chairman	Chief Executive Officer	Pretoria

Notice of interim cash dividend

At its board meeting on 23 July 2008 the directors declared an interim cash dividend of 800 cents per share on the ordinary shares from profits accrued during the year ending 31 December 2008. The salient dates are as follows:

- Last day for trading to qualify and participate in the interim dividend (and change of address or dividend instructions) — Friday, 15 August 2008
- Trading ex dividend commences — Monday, 18 August 2008
- Record date — Friday, 22 August 2008
- Dividend payment date — Monday, 25 August 2008

Share certificates may not be dematerialised or rematerialised between Monday, 18 August 2008 and Friday, 22 August 2008, both days inclusive.

By order of the board

VF Malie	23 July 2008
Company secretary	Pretoria