KUMBA IRON ORE LIMITED
INTEGRATED REPORT 2017

BUILDING ON FIRM FOUNDATIONS
DELIVERING A SUSTAINABLE FUTURE
ENHANCING VALUE

AngloAmerican

Real Mining. Real People. Real Difference.

OUR APPROACH TO REPORTING

ENHANCING VALUE

Front cover
1. Rudolph Snyders, plant operator; Jaco Malgas, boilermaker and Tumelo Magdane, plater conducting plant maintenance work at the dust screening plant at Kolomela mine.
2. Kabelo Sifolokuse, a welder working at the Kolomela mine mining and maintenance workshop.
3. David Fourie, millwright, and Louis Jordaan, fitter, completing compliance and risk assessment paperwork at the maintenance workshop at Sishen mine.

Back cover
4. Samuel Chisanga, a process controller analysing water samples at the wastewater treatment plant in Kolomela mine.
5. Frederique de Klerk, a plant operator at Kolomela mine's primary crusher, doing maintenance work and cleaning the area around the conveyors.
6. Shirly Maphosa and Neo Mabilo, both samplers doing sampling and core cutting at Kolomela mine.

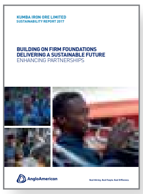
For more information see www.angloamericankumba.com

CONTENTS

Navigating our 2017 reports

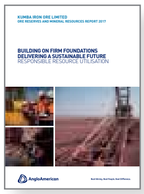
Our integrated reporting suite comprises the following reports:

INTEGRATED REPORT (IR)
A succinct review of our strategy and business model, operating context, governance and operational performance, targeted primarily at current and prospective investors.



SUSTAINABILITY REPORT (SR)
Reviews our approach to managing our significant economic, social and environmental impacts, and to addressing those sustainability issues of interest to a broad range of stakeholders.

ANNUAL FINANCIAL STATEMENTS (AFS)
Detailed analysis of our financial results, with audited financial statements, prepared in accordance with International Financial Reporting Standards (IFRS).



ORE RESERVES AND MINERAL RESOURCES REPORT (ORMR)
Reported in accordance with the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC Code – 2016 edition).

Online
Each of these reports, with additional updated information, is available on our website: www.angloamericankumba.com

This integrated report, written primarily for current and prospective shareholders, seeks to demonstrate that Kumba has the appropriate strategy, and the capacity to deliver on this strategy, that focuses on optimising value for all our stakeholders. During the past two years Kumba made targeted changes in our strategy so as to remain sustainable within the challenging price environment. These changes have resulted in a stronger, more flexible balance sheet. With this foundation, we can now focus on enhancing value for our stakeholders in a sustainable and responsible manner. As outlined throughout this report, our strategy and management practices are informed by a sound appreciation of the critical relationships and resources that Kumba depends on to create value.

ICON NAVIGATION THROUGHOUT THIS REPORT

- CAPITALS
- STAKEHOLDERS
- STRATEGIC FOCUS AREAS
- GOVERNANCE
- OPERATING CONTEXT

ABOUT THIS REPORT

HOW WE MEASURE THE VALUE WE CREATE

Our seven pillars of value underpin everything we do. Each pillar has defined key performance indicators (KPIs) and targets that we set for the business and against which we measure our financial and non-financial performance:

For our KPIs see page 12

SAFETY AND HEALTH
To do no harm to our workforce.

ENVIRONMENT
To minimise our impact on the environment.

SOCIO-POLITICAL
To partner in the benefits of mining with local communities and government.

PEOPLE
To create sustainable competitive advantage through capable people and an effective, performance-driven organisation.

PRODUCTION
To sustainably produce valuable product.

COST
To be competitive by operating as efficiently as possible.

FINANCIAL
To deliver sustainable returns to our shareholders.

REPORTING SCOPE AND BOUNDARY

This report provides information relating to Kumba's strategy and business model, operating context, material risks and opportunities, and governance and operational performance for the period 1 January 2017 to 31 December 2017. The report covers the activities and impacts of the following operations over which we have direct control: our Sishen and Kolomela mines, our corporate office in Centurion, our operation at Saldanha port, and our marketing division. We also consider the risks, opportunities and outcomes of our business activities on the various stakeholders who are affected by what we do; these stakeholders and their interests are described on page 25, and an overview of the principal outcomes of our activities is provided on pages 10 and 11. In addition we have published annual financial statements (AFS), a sustainability report (SR), and an Ore Reserves and Mineral Resources (ORMR) report. The reporting process for all our reports has been guided by the principles and requirements contained in International Financial Reporting Standards (IFRS), the IIRC's International <IR> Framework, the GRI Standards, the King Code on Corporate Governance 2016 (King IV), the JSE Listings Requirements and the Companies Act No 71 of 2008.

OUR APPROACH TO MATERIALITY

This report provides information that we believe is of material interest to current and prospective investors, and to any other stakeholder who wishes to make an informed assessment of Kumba's ability to generate value over the short, medium and long term. We have sought to ensure that all the information in this report relates to matters that have a material bearing on value creation at Kumba. Understanding our business (page 2), our business model (page 6) and our activities and impacts across our value chain (page 8) form the basis for appreciating how Kumba creates value, and for identifying those issues impacting value. Our ability to create value is determined by our operating context (page 19) and by our response to the resulting risks and opportunities (page 28) and the interests of our stakeholders (page 25). Making an informed assessment of our response requires an appreciation of our strategy (page 35), our performance (page 12), our leadership team (page 14), and our governance practices (page 70).

The material matters included in this report were identified through a structured process involving the Chief executive, Chief financial officer and various other executives and senior managers, in which they reviewed Kumba's business model and operating context, and its interaction with the six capitals. These material matters were also endorsed by the Kumba Board.

ASSURANCE

We use a combined assurance model to provide us with assurance obtained from management and from internal and external assurance providers. Deloitte & Touche assured our AFS 2017 (see page 22 of AFS), while PwC assured key sustainability information in our SR 2017 (see page 86 of the SR). Both of those processes inform our IR 2017, which contains both financial and non-financial indicators. Two independent external due diligence audits were conducted this year of the 2016 Kumba Ore Reserve and Mineral Resource estimates, the next audit will take place in 2018. Our Audit Committee provides internal assurance to the Board on an annual basis on the execution of the combined assurance plan. The group's financial, operating, compliance and risk management controls are assessed by the group's internal audit function, overseen by the Audit Committee. The Audit Committee report is on pages 17 to 21 of the AFS.

DIRECTORS' RESPONSIBILITY

As members of the Kumba Board, supported by the Audit Committee, we acknowledge our responsibility for ensuring the integrity of this report. While executive management, assisted by a dedicated reporting team, was responsible for preparing this report, the Board has reviewed the report and believes that it provides a balanced and appropriate presentation of those matters that have, or could have, a material effect on our ability to create value. We have applied our collective mind to the preparation and presentation of the information contained in the report, on 8 March 2018.

I invite Kumba's stakeholders to review this report and to provide feedback on the Company's performance and its disclosure on delivering stakeholder value.

Dr Mandla Gantsho
Chairman

8 March 2018

WHO WE ARE

OUR VISION: To be a successful and sustainable African supplier of quality iron ore to global and local markets while delivering superior value to our stakeholders.

OUR AMBITION: We aspire to drive shareholder returns into the top quartile for our peer group through the price cycle, by extracting maximum value from our high-quality asset portfolio.

LISTED ON THE JSE LIMITED

45.0 Mt
PRODUCTION
(2016: 41.5 Mt)

217.3 Mt
WASTE MINED
(2016: 187.3 Mt)

41.6 Mt
EXPORT SALES
(2016: 39.1 Mt)

3.3 Mt
DOMESTIC SALES
(2016: 3.4 Mt)

10,727
EMPLOYEES
(2016: 8,332)

Customers in South Africa, China, India, Japan, South Korea, Europe and the Middle East

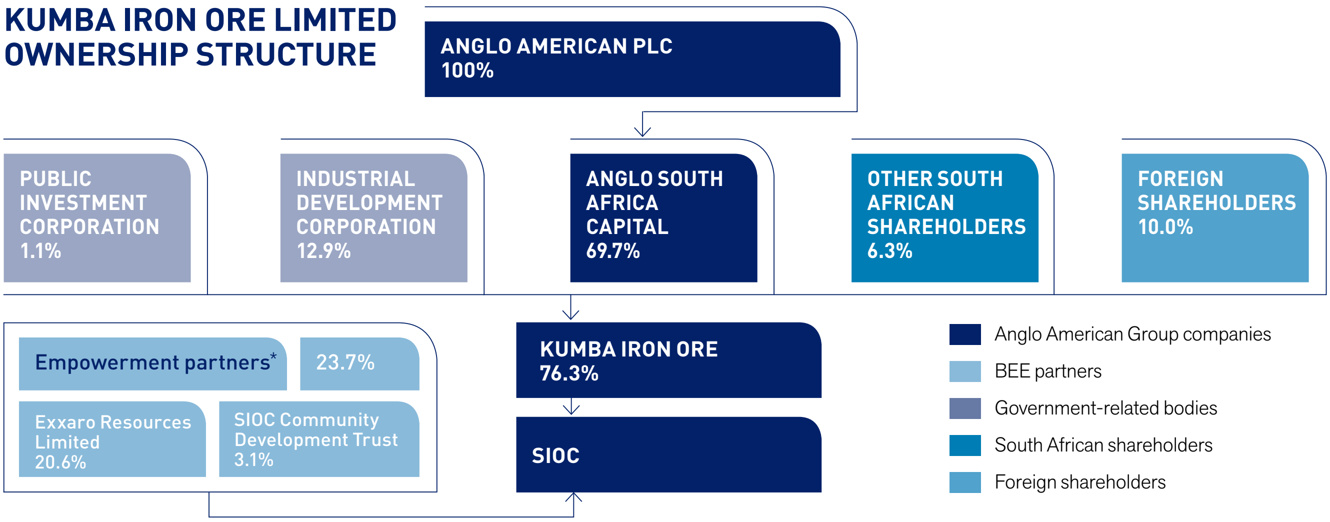
WHO WE ARE: Kumba is a supplier of high-quality iron ore (64.1% average Fe) to the global steel industry. We operate primarily in South Africa, with mining operations in the Northern Cape, a head office in Centurion, Gauteng, and a port operation in Saldanha Bay, Western Cape. Kumba has a 76.3% interest in Sishen Iron Ore Company (Pty) Ltd (SIOC), an entity that we manage. SIOC, in turn, owns the operating assets of the Company. The remaining 23.7% interest in SIOC is held by our black economic empowerment (BEE) partners Exxaro Resources Limited, a leading BEE company listed on the JSE (20.6%), and the SIOC Community Development Trust, a trust that funds projects in local communities (3.1%).

WHAT WE DO: We produce high-grade iron ore, with a lump-to-fine ratio of 66:34 in 2017. This ore is mined at our two operations, all of which are managed by SIOC. Export ore is shipped to customers across the globe from the port operation in Saldanha Bay. We also have a marketing office in Singapore, integrated with Anglo American marketing BU, and one in Luxembourg, wholly owned by Kumba. In total, around 93% of our product is exported, and around 7% comprises domestic sales. The revenue generated from these sales is used to grow and sustain the business, which shares its success with various stakeholders. To learn more about our operations see pages 58 to 63.

BEING A PARTNER OF CHOICE: Building lasting beneficial relationships is core to our success. We are a significant employer in the regions in which we operate, and we work with communities and local governments to create lasting change in these areas. As at the end of 2017 we had 10,727 people in employment, comprising 5,875 permanent employees, 4,367 contractors and 485 learnerships.

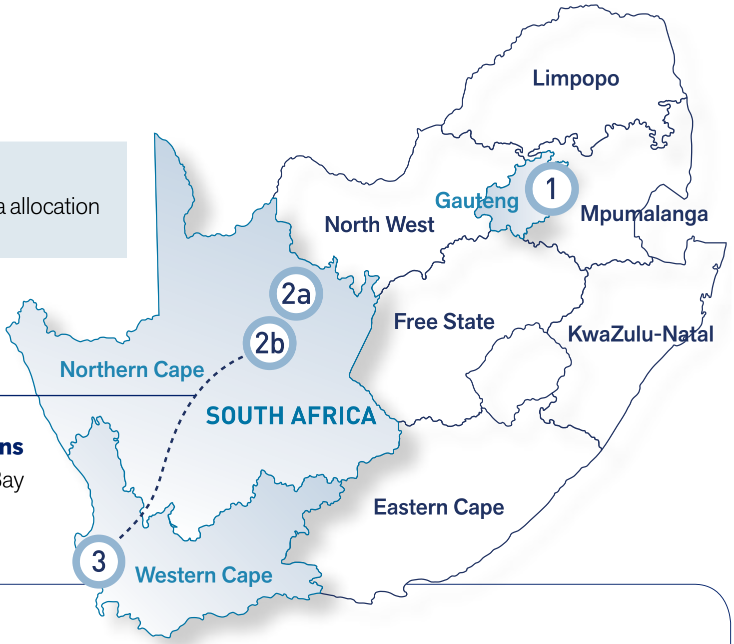
For more on these relationships see pages 35 to 41 of the SR.

KUMBA IRON ORE LIMITED OWNERSHIP STRUCTURE



* Total effective Empowerment shareholding of 29.79% consisting of Exxaro Resource Limited (20.6%), SIOC Community Development Trust (3.1%), Envision I (3%, unwound November 2011), Envision II (3.09%, unwound November 2016).

EXPORT RAIL LINE
– Current capacity of 60 Mtpa of which Kumba has a 44 Mtpa allocation



Corporate office
1 Centurion

Mining operations
2a Sishen mine
2b Kolomela mine

Port operations
3 Saldanha Bay

WHERE WE OPERATE

SISHEN MINE 2a

- Commissioned in 1953
- Located in Kathu
- Reserve life: 13 years
- Bulk of Kumba's production
- One of the largest open-pit mines in the world
- All mining is done by opencast methods
- Sishen is the only haematite ore producer in the world to beneficiate all its product

2017 PERFORMANCE

- Zero fatalities; LTIFR of 0.16
- Production of 31.1 Mt
- 199.5 Mt total tonnes mined, including ex-pit ore of 37.8 Mt and waste of 161.7 Mt
- 28.5 Mt railed on the Sishen/Kolomela-Saldanha iron ore export channel (IOEC)
- Unit cash cost: R287/tonne
- Stripping ratio: 4.3
- 4,194 permanent full-time employees and 3,112 full-time contractors
- R13 million invested in social and community projects
- ISO 14001, ISO 9001, and OHSAS 18001 certified

For more information on this operation see page 58 of this report.

KOLOMELA MINE 2b

- Commissioned in 2011
- Mine situated near the town of Postmasburg
- Produces primarily high-grade direct shipping ore (DSO)
- Reserve life: 14 years

2017 PERFORMANCE

- Zero fatalities; LTIFR of 0.26
- Production of 13.9 Mt
- 71.8 Mt total tonnes mined including ex-pit ore of 16.2 Mt and waste of 55.6 Mt
- 13.5 Mt railed on the IOEC
- Unit cash cost: R237/tonne
- Stripping ratio: 3.4
- 1,324 permanent full-time employees and 1,178 full-time contractors
- R21.6 million invested in social and community projects
- ISO 14001, ISO 9001 certified, and OHSAS 18001 certified

For more information on this operation see page 60 of this report.

SALDANHA BAY PORT 3

- All Kumba export volumes exported through Saldanha Bay port operations, the only dedicated iron ore export facility in South Africa
- Operated by Transnet, a South African state-owned enterprise

2017 PERFORMANCE

- Zero fatalities; LTIFR of zero
- Total volumes railed to Saldanha Bay: 42.0 Mt
- Total shipped volumes: 41.6 Mt
- Export sales: 41.6 Mt
- Total CFR volumes: 28.6 Mt
- 25 permanent full-time employees
- ISO/IEC 17025 accredited QC laboratory

For more information on this operation see page 62 of this report.

For an update on the transfer of Thabazimbi mine to ArcelorMittal SA see page 63 of this report.

CHAIRMAN'S REVIEW

2017 was a pivotal and productive year for Kumba as we accelerated our journey of transformation. It gives me pleasure to introduce Kumba's 2017 integrated report, following a year during which the Company delivered excellent results. The role that Kumba and the broader mining sector play in making a positive contribution to society and in delivering effectively on the country's transformation objectives, is particularly important.

Kumba employs over 10,000 people in the Northern Cape. The holding company, Anglo American plc, has an average of 98,000 permanent employees, while the mining sector as a whole employs over 450,000* people in the country and supports approximately 4.5 million* dependants. This places a specific responsibility on all of us in the sector to ensure the continued success of the industry and the responsible creation and sharing of value for stakeholders.

IMPROVED PERFORMANCE IN A CHALLENGING OPERATING ENVIRONMENT

Internationally, volatility in the iron ore price has been accompanied by a further flattening of the producer cost curve and continued pressure on margins. After peaking at a 30-month high of US$95/tonne in mid-February 2017, iron ore prices ended the year at US$74/tonne, averaging US$71/tonne for 2017, a 22% increase on 2016 average index iron ore prices. In the context of recent supply growth driven by mine expansions in Brazil and Australia, and sluggish demand growth, analysts forecast iron ore prices in a mid-term range of US$50 to US$70/tonne.

In South Africa, the mining sector has continued to operate in the context of regulatory and policy uncertainty. The gazetting of the third version of the Mining Charter in June 2017, and the subsequent legal impasse, has negatively impacted market capitalisation of listed mining companies and resulted in some hesitance to take large-scale, long-term investment decisions. Kumba fully supports South Africa's socio-economic transformation objectives, and has a strong track record in delivering on these. However, the Company shares industry concerns regarding certain key provisions of the Charter. We are working alongside industry players to effect a constructive and timely outcome to this process that will more effectively harness the full economic and developmental potential of the mining sector.

This regulatory and policy uncertainty was accompanied by political and economic uncertainty in South Africa during 2017. While the prognosis for an improved operating environment is positive, significant challenges lie ahead in ensuring greater political, economic and policy stability. We welcome the intervention of the President of the Republic of South Africa and look forward to working with all parties involved to revisit the Mining Charter.

Given these external challenges, it has been very pleasing to see Kumba's strong performance this year in delivering on its key strategic objectives. Its performance reflects a remarkable turnaround over a short timeframe. I am particularly heartened by the significant improvement in safety performance across Kumba's operations, which have been fatality-free since May 2016. The good progress in all of the group's safety indicators mirrors the Company's very positive operational and financial performance.

STAKEHOLDER DELIVERY

The encouraging performance this year is by no means cause for complacency. Given Kumba's current positioning on the fourth quartile of the global cost curve (the third quartile when accounting for premiums), as well as anticipated further increases in non-controllable costs, there is a clear need for a sustained focus on driving margin improvements to enhance the Company's competitive position.

Following a comprehensive strategic review, the Board has approved an ambitious strategic plan aimed at positioning Kumba for the long term. This will be achieved by optimising our assets at their full potential and extending the life of mines, while maintaining the quality of our products. The means to achieve these strategic outcomes are outlined in more detail in the Chief executive's review and elsewhere in the report. Suffice to say that this will require a significant shift in how the Company operates, underpinned by a high-performance culture that will drive substantial improvements in the performance of current assets and leverage opportunities to grow the Company's core business. Over the longer term, Kumba will also be looking to expand beyond its current core business through attractive growth options.

Driving an ambitious change agenda across a company is never easy, particularly when it involves both organisational and behavioural change. I am confident, however, that the Company's recent experience – in taking the necessary tough decision to restructure the business following the collapse in iron ore prices, and in successfully implementing its turnaround strategy – is evidence that it has the capacity to deliver on its strategic agenda. This will be essential in ensuring sustained value creation for its shareholders and other stakeholders.

* Source: Chamber of Mines: Integrated annual review 2016.

DR MANDLA GANTSHO – CHAIRMAN

TRANSFORMATION THROUGH COLLABORATION

Kumba is cognisant of the imperative to address the deep structural challenges facing the country, and in particular that we use our assets to deliver meaningful social and economic transformation. It is critical that business, government, labour and civil society acknowledge the strengths that each party brings to the challenge, and that we move beyond an adversarial mindset, agreeing on the goals to be achieved and working collaboratively in finding appropriate solutions.

The Company recognises the importance of proactive engagement and dialogue with its stakeholders, as the foundation for its collaborative approach to delivering societal value. This year, in addition to conducting roadshows in each host municipality, Kumba also held a successful Stakeholder Day early in November to review the Company's progress in delivering on its transformational goals and to identify opportunities for collaboration in enhancing its contributions towards socio-economic development. It was encouraging to note the range of partners who came together at this event, including representatives from the Board and executive team, provincial and local government, labour unions, business and development partners, suppliers, host community groups and civil society.

This collaborative approach is further evidenced in Kumba's active participation in an initiative led by manganese and iron ore companies in the Northern Cape aimed at promoting socio-economic development in the region. Launched in 2017, this initiative involves working closely with priority stakeholders to develop a shared vision, and to identify specific projects for joint implementation through an agreed governance framework. This initiative will demonstrate the value of a collaborative approach towards promoting transformation.

MAINTAINING GOOD GOVERNANCE

The Board understands its role as custodian of good corporate governance, setting the Company's strategic direction, providing continuous oversight of the Company's performance on material matters, and acting as an independent check and balance to the executive management team. Critical to delivering on these responsibilities is ensuring that we have a skilled and diverse Board, with an appropriate mix of gender, ethnicity, experience and perspective.

During the reporting period there have been various changes to the Board membership, in addition to my appointment as Chairman with effect from 1 August 2017. In May 2017, Mr Frikkie Kotzee stepped down as Chief financial officer and executive director after five years in the role; Mr Bothwell Mazarura was appointed as Chief financial officer and executive director with effect from 1 September 2017. In March 2017, Ms Natascha Viljoen and Mr Andile Sangqu resigned as Anglo American representatives; they were replaced by Messrs Stephen Pearce and Seamus French. Mr Terence Goodlace was appointed as an independent non-executive director with effect from 24 March 2017. Ms Zarina Bassa resigned as an independent non-executive director in May, after diligently serving on the Board for eight years. Mr Sango Ntsaluba was appointed as independent non-executive director effective 5 June 2017. Ms Mary Bomela and Ms Ntombi Langa-Royds were both appointed as independent non-executive directors effective 1 December 2017.

I believe that the current Kumba Board brings the right balance of experience, skills and diversity of perspective needed to provide the governance, oversight and strategic direction that will ensure Kumba's continued resilience and value creation.

APPRECIATION

I would like to thank Fani Titi for his leadership of the Board over the last five years and I am committed towards building on the legacy he created. On behalf of the Board, I extend our collective thanks to Themba Mkhwanazi and the executive team for their role in driving the Company's strong performance this year. I wish also to acknowledge and thank my colleagues on the Kumba Board for their valuable advice in ensuring effective stewardship of Kumba's ambitious strategic agenda. Finally, I express my deep appreciation to Kumba's employees, who have been instrumental in securing the Company's continued ability to generate stakeholder value throughout the recent challenging years.

With the active contribution of the Kumba executive team, the Company's employees and its many different stakeholders, I am confident that Kumba will continue to deliver on its strategic objectives.

Dr Mandla SV Gantsho
Chairman

8 March 2018

OUR BUSINESS MODEL

COMPETING ON REVENUE

HOW WE CREATE VALUE

OUR REVENUES

- **Iron ore prices**
- **Iron ore sales volumes**
- **Rand/US$ exchange rate (higher US$ iron ore prices offset by the stronger Rand)**

OUR VALUE PROPOSITIONS

CUSTOMER VALUE PROPOSITION

Reliable supply of high-quality iron ore

EMPLOYEE VALUE PROPOSITION

The opportunity to earn, learn and grow in a zero harm environment

SOCIETAL VALUE PROPOSITION

Converting mineral resources into value that supports transformation in the country by providing opportunities for equitable and environmentally responsible economic growth

SHAREHOLDER VALUE PROPOSITION

Provide sustained and growing financial returns and dividends throughout the commodity cycle, through responsible management and good governance

OUR ACTIVITIES (See page 8)

- Exploration – primarily in the Northern Cape
- Mining – extracting iron ore in the Northern Cape
- Beneficiating – improving the final product quality; ultra-high density media separation (UHDMS)
- Blending and outbound logistics – providing and transporting niche products
- Shipping, marketing and selling to markets in South Africa and globally
- Rehabilitation and environmental management

KEY RESOURCES AND RELATIONSHIPS

- Quality and location of mineral resources
- Concluded prospecting and mining rights from **government**
- Social licence to operate from **communities and their representatives**
- Financial capital from **shareholders** and **investors**
- Life of assets and infrastructure (including rail and port)
- Positive relationship with **employees** and **trade union representatives**
- Technical, commercial and managerial skills, experience and leadership in **management team**
- Exploration, mining and processing technology and techniques in **technical team** and contractors
- Key **service providers** (including Transnet) and **suppliers** (with focus on BEE and local supplier base)
- Loyal customer base and customer satisfaction
- **Emerging miners**, supported by skills development and financial assistance
- Strong reputation, including with **media and analysts**

OUR OPERATING CONTEXT: ISSUES IMPACTING VALUE

- Volatility in the iron ore price
- Flattening of the cost curve globally
- Increasing non-controllable costs: inflation, freight, currency
- Challenging regulatory and policy environment
- Heightened stakeholder expectations
- Zero harm drive – elimination of fatalities
- Sustained focus on operational excellence
- Quality of iron ore reserves and life of asset

OUR COSTS

TO MAINTAIN VALUE PROPOSITION

- Distribution (rail, port and freight)
- Labour
- Energy
- Consumables
- Maintenance
- Drilling and blasting
- Beneficiation
- Taxes and royalties
- Mining and non-mining contractors
- Social investments
- Rehabilitation

TO EXPAND VALUE PROPOSITION

- Capital expenditure
- Exploration
- Marketing

COMPETING ON COSTS

POTENTIAL FOR REVENUE DIFFERENTIATION

Ability to achieve quality and lump premium for superior ore quality (64.1% vs 62% benchmark)	✓
Price differential potential due to higher lump:fine ratio (66:34 vs global average of 30:70)	✓
Ability to respond more quickly to market volatility due to greater operational flexibility as a result of company size and our superior ore quality	✓
Stronger price realisation, driven by effective marketing activities	✓

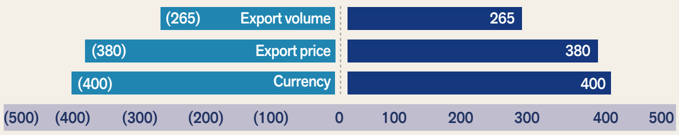
POTENTIAL FOR COST DIFFERENTIATION

Scope for differentiation through UHDMS technology	✓
Potential leverage in operating costs through enhanced operating efficiencies	✓
Ability to deliver costs reductions in the supply chain	✓
Higher stripping ratio due to inherent characteristics of the ore body resulting in higher mining costs	✗
Higher costs associated with distance from ports, and Australian competitors closer to key market in China	✗

Sensitivity analysis

1% change to key operational drivers, each tested independently

Sensitivity analysis (1% change) – EBITDA impact (Rm)



Change per unit of key operational drivers, each tested independently

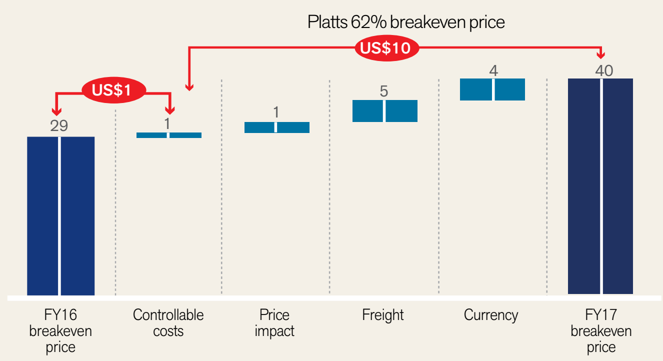
Sensitivity analysis	Unit change	2017 EBITDA impact
Currency (R/US$)	R0.10/US$	R300m
Export price (US$/t)	US$1.00/t	R535m
Volume (kt)	100 kt	R65m
	Unit change	**Breakeven price impact**
Currency (R/US$)	R1.00/US$	US$2.75/t

OUR TOP 10 RISKS

1. Commodity markets and exchange rate fluctuations
2. Safety and health
3. Third-party infrastructure
4. Mining legislation and regulatory compliance
5. Socio-economic and current governance challenges
6. Stakeholder relations and social licence to operate
7. SIOC empowerment status
8. Cyber risk
9. Resource depletion and securing our growth
10. Managing change (transformation of the business)

For more information see page 28.

Cash breakeven price



OUR VALUE CHAIN ACTIVITIES AND IMPACTS

	EXPLORATION	MINING	BENEFICIATION
PRIMARY INPUTS	Our ability to generate value is dependent on access to financial capital, skilled people, quality relationships and key natural resources, supported by the right Company culture, and by access to necessary infrastructure, plant and equipment. An overview of key inputs across our value chain is provided on page 10.		
OUR ACTIVITIES ACROSS THE FULL VALUE CHAIN	Our exploration in South Africa is focused in the Northern Cape, close to our existing operations. On and near-mine exploration and resource definition drilling is conducted to increase confidence in the geological models; these are updated annually in support of life-of-mine and long-term planning.	We extract iron ore by mining the iron ore bodies within our mining leases using open pit methods. We are implementing a technology roadmap that aims to accelerate the adoption of technology to improve safety, quality, efficiency and resource utilisation.	We use dense-media and ultra-high density media processing and jigging technologies to regulate the physical properties of the finished product, removing impurities and improving product quality. We also support the South African government's objectives to maximise the developmental impact of the minerals sector.
KEY OUTCOMES Implications of our activities on value in each stage of the value chain ✓ Positive outcome = Neutral outcome ✖ Negative outcome	✓ Contributing to long-term financial viability ✓ Developing relationships in Northern Cape ✓ Developing intellectual capital through enhanced technologies and techniques ✓ Contributing to tax base ✖ Increasing community expectations for economic opportunities	✓ Zero fatalities and reduced LTIFR of 0.17 ✓ Skills development and assistance to emerging miners ✓ Community upliftment, enhanced service provision and infrastructure investment ✓ Investment in innovation ✓ Contribution to tax base ✓ Improved water supply through dewatering and water provision activities ✓ Advanced process control and automated drilling ✓ Impact of change in shift patterns on labour productivity and efficiency ✖ Dust emission challenges ✖ Influx of informal settlements around Sishen ✖ Competition over land use with communities	✓ Securing market premium through enhanced quality product ✓ Enhanced intellectual capital and technology development ✓ Contribution to tax base ✓ Contribution to government beneficiation objectives ✓ Unlocking low-grade potential with UHDMS technology ✖ Dust emission challenges
STRATEGIC FOCUS AREA	**WHERE TO PLAY** Focus on Northern Cape **HOW TO WIN** Use technology to extract maximum value **KEY ENABLER** Proactively engage with stakeholders	**WHERE TO PLAY** Extend life of current mines **HOW TO WIN** Sustainably operate at lower unit costs to remain competitive Use technology to extract maximum value **KEY ENABLER** Provide leadership through responsible citizenship	**WHERE TO PLAY** Compete through premium products Extend life of current mines **HOW TO WIN** Use technology to extract maximum value **KEY ENABLER** Provide leadership through responsible citizenship

BLENDING AND OUTBOUND LOGISTICS

Blending allows us to utilise products from our operations to provide niche specification products to our markets. Products are screened and sized to match customer requirements, and then transported through our outbound logistics chain.

- ✓ Maximise value from the resource
- ✓ Investment in technologies and techniques
- ✓ Contribution to tax base
- ✖ Transport-related environmental impacts

SHIPPING, MARKETING AND SELLING

We sell iron ore domestically and internationally. Export customers are in a range of geographical locations, including China, Japan, India, South Korea and countries in Europe and the MENA region. Domestically, we sell ore to ArcelorMittal SA.

- ✓ Enhanced financial returns through 'product differentiation' in sales
- ✓ Price risk management used to mitigate price volatility
- ✓ Quality of products and flexibility to market demand
- ✖ Transport-related environmental impacts and risks

REHABILITATION AND ENVIRONMENTAL MANAGEMENT

The life-cycle of the mine needs responsible environmental management practices to ensure minimal disruption to natural resources during and after our operations, through application of our mine closure toolbox.

- ✓ Minimising longer-term environmental impacts and decreased longer-term liabilities
- ✓ Securing authorisations and licences
- ✓ Enhanced reputational benefits
- ✓ Positive biodiversity impacts in set-aside areas
- ✓ Continuous mine rehabilitation
- ✓ Responsible mine closure
- ✓ Progress with zero waste to landfill at Kolomela mine
- ✖ Increased financial costs

45.0 Mt high-quality haematite iron ore with a lump-to-fine ratio of 66:34 in 2017. Our product portfolio includes niche lump products as well as standard fines and standard lump.

WHERE TO PLAY

Compete through premium products

HOW TO WIN

Unlock full infrastructure potential to support maximum export volumes

KEY ENABLER

Align marketing and operational activities

WHERE TO PLAY

Compete through premium products

KEY ENABLERS

Align marketing and operational activities

Reinforce our reputation for product quality and consistency

KEY ENABLER

Provide leadership through responsible citizenship

CREATING VALUE:
UNDERSTANDING TRADE-OFFS IN THE CAPITALS

	PEOPLE	OUR RELATIONSHIPS	NATURAL RESOURCES
CAPITALS AND TRADE-OFFS	**We depend on the expertise, wellbeing and motivation of employees, contractors and service providers to generate value.** Providing a safe working environment, investing in training, ensuring fair labour practice and encouraging local employment are critical to optimising the contribution of our employees to the value creation process.	Developing and maintaining trusted relationships is a foundation for value creation. This has taken on added significance in recent years, with the challenging price environment requiring us to take actions that have tested many of our relationships. **The trust we have developed over time has been crucial in facilitating an effective transition, informed by a common appreciation among our stakeholders of the challenging context.**	Generating social and economic value through our activities has unavoidable negative environmental impacts. These are borne mainly by communities around our mines, with potential negative consequences for this critical relationship. **In addition to mitigating the environmental impacts of our activities, we seek to offset them through rehabilitation, the provision of energy and water services to the local community, and the responsible sharing of socio-economic benefits.**
KEY INPUTS	– **10,727** skilled and motivated employees and contractors – A new **experienced and diverse** executive leadership team demonstrating values-driven behaviour – Contracted service providers delivering on agreed terms and conditions – An **effective zero-harm culture** programme – **Change in shift patterns** to increase labour productivity and efficiency	– **Strong engagement** with unionised and non-unionised workforce – **Positive relationships** with representatives from government and regulators – **Mutually respectful** and understanding relationship with neighbouring communities, civil society bodies and NGOs – **Open and timely communication** with suppliers and contractors	– Total water withdrawals: **33.2 million m^3** – Energy consumption: **8.94 million GJ** – Diesel purchased: **201.2 Mℓ** – Land under management: **98,846 hectares** – Inclusive mineral resources: **1,885.6 Mt**
OUTCOMES	✓ **Zero** employee and contractor fatalities ✓ **5,875** full-time permanent employees ✓ **R161.9 million** invested in employee training and development ✓ Improvement in lost-time injury frequency rate to **0.17** ✓ Reduction in new cases of occupational health to **two** ✓ **Three-year** wage agreement reached without any labour disruption	✓ No industrial action since 2012 ✓ **66%** HDSA in management = **21%** women in total workforce ✓ Relocation of Dingleton town ✓ Delivery of social benefit in communities through core activities, plus **R106.7 million** social investment ✓ **R9.3 billion** B-BBEE procurement spend ✓ **R8.1 billion** total tax contribution ✓ Sustained confidence from shareholders and investors ✓ **R520 million** spent on suppliers from our host communities	✓ Non-hazardous waste to landfill: **1.98 kt** ✓ Waste recycled: **0.04 kt** ✓ **94.8 Mt** year-on-year increase in mineral resources declared ✓ Land rehabilitated in 2017: **104.5 hectares** ✓ Tailings dams (active and inactive): **27 273 kt** ✓ Hazardous non-mineral waste to landfill: **0.47 kt** ✗ **9%** decrease in ore reserve compared with 2016 ✗ Continuing challenges with dust emissions ✗ Greenhouse gas emissions: **1.00 million** tonnes CO_2e
ACTIONS TO ENHANCE OUTCOMES	– Provide leadership through responsible citizenship IR – p 44 – Kumba culture and leadership programme SR – p 38 – Developing a capable and engaged workforce SR – p 36 – Ensuring a safe workplace SR – p 26 – Promoting the health and wellbeing of our employees SR – p 28	– Addressing stakeholder interests IR – p 25 – Provide leadership through responsible citizenship IR – p 44 – Equity and transformation drive SR – p 39 – Developing a capable and engaged workforce SR – p 36 – Upholding the highest social standards SR – p 42 – Making a positive social contribution SR – p 46	– Provide leadership through responsible citizenship IR – p 44 – Water SR – p 62 – Climate change and energy SR – p 64 – Land stewardship SR – p 56 – Air quality SR – p 59 – Waste SR – p 60 – Mine closure and rehabilitation SR – p 67

FINANCIAL CAPITAL

The cost of financial capital has risen as a result of reduced investor confidence both in South Africa and the mining sector more generally. Maintaining our ability to generate financial capital is constraining investments in developing the other required assets.

Balancing short-term and long-term interests remains one of the more challenging trade-offs.

- Market capitalisation: **R51 billion** at end of 2016
- Capital expenditure to execute growth projects: **R575 million**
- Cash generated from operations: **R22.4 billion**

✓ Increased market capitalisation of **R122 billion** at end of 2017
✓ Best performing stock on JSE in 2017 increasing from **R159** per share at end of 2016 to **R379** per share at end of December 2017 (138% increase)
✓ Strengthened balance sheet with no debt
✓ Ended the year with a net cash position of **R13.9 billion**
✓ Earnings before interest and tax: **R21.4 billion**
✓ Dividend reinstated: **R30.97** per share (total)

The strong financial performance and benefit of cash flow conversion have delivered a stronger balance sheet. This resulted in a revised approach to capital allocation to ensure that:

- a robust balance sheet is maintained to provide resilience during times of volatility
- debt is not used as a buffer for margin stress due to market volatility
- capital expenditure to be funded from cash generated
- returning excess capital to shareholders

See further CFO review IR – p 46 – 53.

MANUFACTURED ASSETS

Our substantial financial investment in the purchase, development and maintenance of **property, plant and equipment** has given us the capacity to generate longer-term returns. To maintain business viability, current market conditions have required changes in the application and use of key assets.

- Property, plant and equipment with book value of **R36.8 billion**
- Exploration, development and production operations in the Northern Cape and Limpopo provinces
- Marketing and sales operations in Luxembourg and Singapore

✓ **Sishen:** 2018 production and waste guidance increased to ~**30 to 31 Mt** and ~**170 to 180 Mt** with a stripping ratio exceeding **4** in 2018; life of mine (LoM) 13 years
✓ **Kolomela:** 2018 production and waste guidance increased to ~**14 Mt** and ~**55 to 57 Mt** with a stripping ratio exceeding **3.5** in 2018; LoM 14 years
✓ Capital expenditure for 2018 between **R3.9 billion** and **R4.1 billion**

Continued implementation of the mine plan and ongoing implementation of the Operating Model at Sishen mine delivered further productivity gains and increased direct operating hours (DOH). At Kolomela mine productivity and efficiencies were aided by automated drilling technology.

Further information is provided in the Chief executive IR – p 16 and CFO reviews IR – p 51, and in the review of our strategic objectives IR – p 36.

OUR INNOVATION

Our business model depends on having the right people, in the right roles, informed by effective management systems and Company culture, producing the most efficient and effective outcomes. Investing in these skills and systems requires sufficient financial capital, and can have a positive impact in developing our people. Certain process and technologies can result in reduced workforce needs, with implications for employees and key relationships.

- **Technically skilled** and **experienced** employees and external experts
- **Operating model** providing a sequenced and repeatable set of work steps aimed at delivering the intended purpose of our teams' work in the most efficient manner
- **Values-driven** Company culture
- **R224.6 million** invested in technology roadmap

✓ Investment in skills development: **R161.9 million**
✓ Investment in technical studies:
✓ **R100 million**
Sishen: DMS upgrade to UHDMS has moved to pre-feasibility stage
✓ **Kolomela:** recently commissioned modular plant delivered **0.5 Mt** in 2017
✓ Automated drilling and advanced process control at Kolomela

We have maintained our focus on driving the Operating Model across the group to ensure that we have the best processes in place to deliver the revised business expectations. Implementation of this Operating Model is enhancing the Company's operational stability and efficiency.

Further information is provided in the review of our strategic objectives IR – p 36.

MEASURING OUR PERFORMANCE for the year ended 31 December

VALUE PILLAR	STRATEGIC FOCUS AREAS	KPI
SAFETY AND HEALTH	Elimination of fatalities through a culture of zero harm; Provide leadership on responsible citizenship; Provide extensive support to our employees	Fatal injury frequency rate (FIFR) Total recordable case frequency rate (TRCFR) New cases of occupational disease
ENVIRONMENT	Provide leadership on responsible citizenship; Proactively engage with key stakeholders; Focus on the Northern Cape	Energy consumption (million GJ) GHG emissions (Mt CO_2-equivalent) (for detail refer to page 64 of the SR) Total water withdrawals (million m^3) (for detail refer to page 62 of the SR) Number of level 3, 4 or 5 environmental incidents
SOCIO-POLITICAL	Provide leadership on responsible citizenship; Proactively engage with key stakeholders; Provide extensive support to our employees	Social way assessment scores (out of five) (for detail refer to page 43 of the SR)
PEOPLE	Provide leadership on responsible citizenship; Implement the Operating Model; Provide extensive support to our employees	Voluntary labour turnover (%)* Women in management (%) Women in workforce (%) Historically disadvantaged South Africans (HDSAs) in management (%)
PRODUCTION (Mt)	Focus on the Northern Cape; Extend life of current mines; Compete through premium products	Sishen mine Kolomela mine Thabazimbi mine
COST	Unlock full infrastructure potential; Sustainably operate mines at a lower unit cost; Use technology to extract maximum value from our ore	**Sishen mine free-on-rail (FOR) unit cost** **Cash cost** Rand/tonne US$/tonne (for detail refer to page 49 of the IR) **Kolomela mine FOR unit cost** **Cash cost** Rand/tonne US$/tonne (for detail refer to page 50 of the IR)
FINANCIAL	Unlock full infrastructure potential; Sustainably operate mines at a lower unit cost; Use technology to extract maximum value from our ore	Return on capital employed (ROCE) (%) Earnings per share (Rand per share) Attributable free cash flow (Rm)

* Including retrenchments for 2016.

	2017	2016	2015	KPI TREND LINE
				2017 2016 2015
✓	**0**	0.016	0	
✓	**0.65**	0.78	0.90	
✓	**2**	12	28	
				2017 2016 2015
✓	**8.94**	8.45	11.1	
✗	**1.00**	0.94	1.20	
✗	**33.2**	24.1	33.1	
✓	**0**	0	1 (level 3)	
				2017 2016 2015
✗	**3.1**	3.3	3.2	
				2017 2016 2015
✓	**4.4**	49.5	13.0	
✓	**22**	21	19	
=	**21**	21	18	
✓	**66**	62	59	
				2017 2016 2015
✓	**31.1**	28.4	31.4	
✓	**13.9**	12.7	12.1	
=	**N/A**	0.4	1.4	
				2017 2016 2015
✓	**287.3**	296.2	310.8	
✗	**21.6**	20.2	24.4	
✗	**236.7**	201.1	177.7	
✗	**17.8**	13.7	13.9	
				2017 2016 2015
✓	**53**	51	27	
✓	**38.63**	26.98	1.46	
✓	**12,338**	11,183	5,106	

✓ Positive outcome

= Neutral outcome

✗ Negative outcome

Our business

OUR LEADERSHIP

BOARD

DR MANDLA GANTSHO (55)

Chairman, Independent non-executive director

PhD, MPhil, MSc, BCom (Hons), CA(SA)

Joined the Board on 1 August 2017

2/2 1/1 1/1 *

Value added to the Board:
Strategic leadership, governance and financial acumen

THEMBA MKHWANAZI (47)

Chief executive and member of Exco

BEng (Chemical), BEng (Hons)

Joined the Board on 1 September 2016

7/7 2/2 *

Value added to the Board:
Strategic leadership, mining and technical insight

BOTHWELL MAZARURA (44)

Chief financial officer and member of Exco

BCom (Hons), CA(SA), ACA, CA(Z)

Joined the Board on 1 September 2017

2/2 *

Value added to the Board:
Governance, financial acumen and leadership

ALLEN MORGAN (70)

Independent non-executive director

BSc, BEng (Elect), PrEng, CDSA

Joined the Board on 9 February 2006

6/7 5/5 4/4 5/5 4/4 4/4 *

Value added to the Board:
Human resources, governance and risk management

DOLLY MOKGATLE (61)

Independent non-executive director

BProc, LLB, HDip Tax Law

Joined the Board on 7 April 2006

7/7 5/5 4/4 5/5 2/2 4/4 *

Value added to the Board:
Legal and regulatory competence, stakeholder engagement and transformation best practice

BUYELWA SONJICA (67)

Independent non-executive director

BA, BA (Hons)

Joined the Board on 1 June 2012

7/7 4/4 5/5 *

Value added to the Board:
Transformation best practice, stakeholder engagement and sustainability best practice

TERENCE GOODLACE (58)

Independent non-executive director

BComm, MBA
HND (Metalliferous mining)

Joined the Board on 24 March 2017

4/5 3/3 3/3 2/2 2/2 *

Value added to the Board:
Mining strategy and operational experience, occupational safety and risk management

SANGO NTSALUBA (57)

Independent non-executive director

BCompt (Hons), MComm (Dev Fin), HDip in Tax law, CA(SA)

Joined the Board on 5 June 2017

3/3 2/2 2/2 2/2 *

Value added to the Board:
Governance, financial acumen and tax expertise

MARY BOMELA (44)

Independent non-executive director

BCom (Hons), CA(SA), MBA

Joined the Board on 1 December 2017

Value added to the Board:
Strategy, financial acumen and governance

FREQUENCY OF MEETINGS

	Board	Audit Committee	Risk and Opportunities Committee	Social, Ethics and Transformation Committee	Human Resources and Remuneration Committee	Nominations and Governance Committee
February	✓	✓	✓	✓	✓	✓
March	✓	✓		✓		
May	✓	✓	✓	✓	✓	
June	✓					✓
July	✓	✓	✓	✓	✓	✓
October	✓					
November	✓	✓	✓	✓	✓	✓
Total	7	5	4	5	4	4

* Meeting attendance applicable to this Board member.

For more information on the Board refer to:
www.angloamericankumba.com/about-us/leadership-teams/our-board.aspx

NTOMBI LANGA-ROYDS (55)

Independent non-executive director

BA (Law), LLB

Joined the Board on 1 December 2017

Value added to the Board:
Human resources, legal and regulatory competence and governance

SEAMUS FRENCH (55)

Non-executive director

BEng (Chemical)

Joined the Board on 24 March 2017

5/7 | 2/2 *

Value added to the Board:
Mining and technical expertise, commercial and business acumen and strategic leadership

STEPHEN PEARCE (53)

Non-executive director

BA Business (Accounting), FCA, GIA, MAICD

Joined the Board on 24 March 2017

4/5 | 2/2 *

Value added to the Board:
Mining expertise, financial acumen and strategic leadership

NONKULULEKO DLAMINI (44)

Non-executive director

BCom (Accounting), CA(SA)

Joined the Board on 1 November 2016

6/7 | 1/2 *

Value added to the Board:
Financial acumen and governance

EXECUTIVE COMMITTEE (EXCO)

YVONNE MFOLO (50)

Executive head of public affairs

BA (Communications), Advanced Journalism Certificate

Joined Exco on 1 August 2011

Value added to Exco:
Public affairs, community relations, stakeholder management and regulatory competence

VIRGINIA TYOBEKA (51)

Executive head of human resources

BAdmin, BAdmin (Hons), MAP

Joined Exco on 4 January 2010

Value added to Exco:
Human resources, industrial relations and stakeholder management

PHILIP FOURIE (55)

Executive head of safety and sustainable development

BTech (Safety Management), MBA

Joined Exco on 1 May 2017

Value added to Exco:
Health and safety management, environmental management and regulatory knowledge

Including:

THEMBA MKHWANAZI AND BOTHWELL MAZARURA

(See page 14)

GLEN MC GAVIGAN (41)

Executive head of technical and projects

MEng (Mining), GDE (Rock Engineering), PrSciNat

Joined Exco on 1 August 2016

Value added to Exco:
Technical expertise, engineering and mining

TIMO SMIT (49)

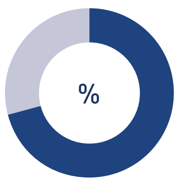
Executive head of marketing and seaborne logistics

MSc (Applied Physics), PhD (Materials Science and Engineering)

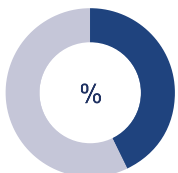
Joined Exco on 1 September 2007

Value added to Exco:
Marketing, logistics and macro-economic insight

EXCO COMPOSITION



■ **71** men
■ **29** women



■ **43** HDSA
■ **57** Non-HDSA

For more information on Exco refer to: www.angloamericankumba.com/about-us/leadership-teams/executive committee.aspx.

CHIEF EXECUTIVE'S REVIEW

In many respects this has been a watershed year for Kumba. After several challenging years, the Company ended 2017 on a very positive note, with exceptional results in terms of our safety, financial and operational performance. I am particularly pleased to report that we ended the year without a single fatality, and that we achieved substantial improvements in our key safety performance indicators. We posted very pleasing financial results, being the best performing stock on the JSE.

While we have achieved a remarkable turnaround in a short timeframe, we continue to anticipate challenges ahead and believe that we have a strong imperative for further change despite these good results. To ensure Kumba's continuing competitiveness in a low iron ore price environment, enhance the Company's longevity and drive a strong safety culture, we have agreed on an ambitious strategy to radically transform our business and ensure sustained value creation for our shareholders and stakeholders. Although we recognise that delivering large-scale transformations effectively is always challenging, I am confident that we have the people, resources, technology and processes in place to drive our strategy of transformation to full potential and to significantly extend the remaining life of our assets.

In this introductory review, I outline our strategic approach for long-term value creation, reflecting first on those issues impacting value, and our performance in creating value over the past year.

DELIVERING VALUE IN A VOLATILE OPERATING CONTEXT

This has been another eventful year in the global and local operating environment, characterised by further volatility in iron ore prices, rising non-controllable costs, and continuing uncertainty in the national regulatory and policy context.

As a single commodity player and price-taker that lies in the third quartile of the global cost curve, we are particularly susceptible to the global iron ore price. At year end, the Platts 62% Fe CFR index was higher than expected at US$74/tonne, with the 2017 average of US$71/tonne representing a 22% increase on 2016 average index iron ore prices. This price growth was driven by healthy demand and lower than expected supply growth. Looking to the future, analysts forecast iron ore prices in a mid-term range of US$50 to US$70/tonne.

The volatility in iron ore prices was accompanied by the first depreciation in the US Dollar for five years, while rising oil prices contributed to an increase in freight rates, especially in the last quarter. Given our distance from the market, Kumba is particularly exposed to rising freight costs and a strengthening of the Rand against the US Dollar.

A YEAR OF EXCEPTIONAL PERFORMANCE

Given the context of continuing volatility, it is particularly pleasing to see the exceptional performance that Kumba has delivered this year.

The greatest satisfaction for me, personally, was the fantastic year that Kumba experienced on the safety front. The Company has suffered no fatalities since May 2016, and we have seen significant improvements in our leading and lagging safety indicators. In addition to being fatality free, this year we achieved a 46% reduction year-on-year in high-potential incidents (HPIs), a 43% reduction in lost-time injuries (LTIs), and a 17% reduction in our total recordable case frequency rate (TRCFR). I believe that this is a direct result of the dedication and leadership in making safety a top priority demonstrated across the Kumba executive and management team, and the evident commitment across our workforce. Although this performance is most encouraging, particularly given the safety challenges experienced across most of the sector this year, it is sobering that we still reported 21 HPIs this year. Although a substantial reduction from 39 the year before, each HPI is cause for concern as it could easily have resulted in a fatality. We will continue to do our utmost to reduce the occurrence of HPIs and drive our goal of zero harm.

This exemplary improvement in our safety performance has been accompanied by a remarkable turnaround in our financial and operational performance, where we have delivered on all our key objectives. This year we were the best performing stock on the JSE, with our share increasing from R159 at the end of 2016 to R379 per share

THEMBA MKHWANAZI – CHIEF EXECUTIVE

at financial year end, representing a 138% growth in one year, more than double the growth of the next top performer. Kumba's market capitalisation increased from R51 billion at the end of 2016, to R122 billion (around US$10 billion) at the end of 2017. This significant growth in enterprise value over the year demonstrates the extent of the market's confidence in Kumba and its leadership team.

The R1.2 billion growth in EBITDA this year to R19.6 billion was principally due to a 11% increase in realised export FOB iron ore prices, a 2.4 Mt higher sales volumes, and substantial savings in operational expenditure, partially offset by currency losses from a stronger Rand against the US Dollar.

This year we declared a total dividend of R30.97 per share; this represents a significant pay-out of profits since suspending dividends in 2015, reflecting our commitment to paying dividends.

The strong financial results were underpinned by the excellent operational performance. Kumba's total production for the year was up 8% year-on-year to 45.0 Mt. Total waste mined increased 16% to 217.3 Mt. We also achieved excellent performance in sales and railage, despite challenges with derailments. Total shipments increased 7% to 41.6 Mt for the year, while total sales of 44.9 Mt were up 6% on 2016.

In addition to our strong safety, financial and operational performance, there were some additional encouraging developments over the year. We made good progress in our exploration activities to further our understanding of what the Northern Cape has to offer, and we commenced construction of the second modular plant at Sishen, as well as the pre-feasibility study on the DMS plant conversion. We concluded a three-year wage agreement with our unions, and saw successful implementation of our optimised shift roster. Although we made significant strides in our closure efforts relating to Thabazimbi mine, we are still awaiting formal government approval to transfer the mining right to ArcelorMittal SA.

We made valuable progress in the relocation of residents from Dingleton to Siyathemba, ensuring full adherence to international best practice standards. It is pleasing to report that the lawyers representing the few remaining residents have expressed their satisfaction that the process Kumba followed has been fully aligned with IFC protocols, and that the offers we made were fair and sound. Kumba has invested around R3 billion in establishing Siyathemba, building houses and associated infrastructure, and establishing effective community representative forums. We have also made great strides in identifying, together with the municipality and community representatives, initiatives that will ensure the livelihood and sustainability of the Siyathemba community.

I am delighted with our performance this year in driving localised and preferential procurement, an initiative that I believe is instrumental in creating thriving communities, while enhancing supplier development. This year we spent R520 million on procurement from 162 qualifying host community suppliers, exceeding our 2017 target of R500 million. We have set ambitious growth targets of R1 billion spend in 2018 and R2 billion by the end 2019, and will be sharing our experience with other organisations with the aim of increasing the opportunities for the previously disadvantaged businesses.

OUR STRATEGY FOR LONG-TERM VALUE CREATION

The pleasing turnaround of the business, delivered over a remarkably short timeframe, required some tough decisions that had to be taken regarding the restructuring of our business following the collapse of iron ore prices in 2014/15. Although the process has been painful, the Company is now much stronger, enabling us to deliver significant growth in value for our key stakeholders.

CHIEF EXECUTIVE'S REVIEW CONTINUED

Despite the very good results this year, we believe that we cannot afford to be complacent. If Kumba is to remain sustainable in the anticipated low iron ore price environment, then we will need to see a further transformation of our business. We are currently in the fourth quartile of the global cost curve and the third quartile when accounting for premiums, and are facing various structural factors that disadvantage us – such as our stripping ratio, hauling distances and transport costs. We anticipate that some of these will become an increasing cost burden in the years ahead, and we cannot assume that those external factors supporting this year's strong financial results will necessarily be sustained. We also face the challenge that our assets have a relative short remaining life, and that without a change in pit shell or growth projects, our operations would close in 13 to 14 years.

Given the evident need to enhance our competitive position, we have taken the strategic decision to embark on a journey to deliver a fatality-free business and significant margin improvement and extension of LoM by 2022. After assessing the value at stake across a wide range of levers and identifying what would be needed to deliver this value, we are confident that this ambition is achievable, thereby ensuring the sustainability of our business, and creating significant value for shareholders and other stakeholders.

To deliver on this ambition, we have structured our strategic agenda around three transformation horizons:

- *Horizon 1:* Improving the performance of our current assets – We have identified various opportunities to improve the performance of our existing assets through initiatives that require limited capex investments and that use current available technologies; these include specific opportunities aimed at increasing operational efficiencies, optimising our external spend, promoting a leaner and more effective organisation, and pushing our premium product quality to its full potential.
- *Horizon 2:* Investing to grow our core business – Specific opportunities have been identified to grow our core business of premium iron ore production in the Northern Cape. These opportunities – which are more complex to deliver than Horizon 1, require some capital investment and time, and are also dependent on successful negotiations with external stakeholders or external factors such as technology development – including the implementation of low grade projects to treat previously discarded material, expanding our Northern Cape footprint, and optimising logistics capacity to support the increase in production volumes.
- *Horizon 3:* Expanding beyond our core business into attractive growth options – the third longer-term horizon, which is opportunistic in its nature and involves identifying and realising opportunities to expand outside of the business of today.

Successfully delivering on this full potential transformation will require a paradigm shift in how we operate. We will need to drive the required change at pace and in a coordinated manner, with faster decision-making processes and clear alignment in vision across the organisation, informed by the active involvement of management teams in shaping the vision and solutions.

For the year ahead, our primary focus will be on 'being the best we can', by improving the performance of our current assets through the identified Horizon 1 opportunities, and by driving enhanced operational productivity. With safety always our first priority, we will be working hard to decrease the number of high potential incidents in 2018 by implementing the elimination of fatalities framework and rolling out the Safety Leadership Alignment Day (SLAD) training to the rest of the Kumba employees. To support our full potential transformation journey, we will be developing and implementing a leadership and cultural code that unlocks the discretionary effort needed from the Kumba team – encouraging them to go beyond the call of duty of their own free will.

IN APPRECIATION

Since joining Kumba in September 2016, I have been incredibly impressed with the dedication and hard work demonstrated by managers and employees across the group. Leadership is a huge responsibility that requires commitment, and I believe that the results we have achieved reflect the quality of the leadership team and the amazing people across the Company. They have displayed a commitment to fostering teamwork across functions, holding each other accountable for good and bad behaviour, encouraging others to always do the right thing, and showing enthusiasm and a sense of urgency in the execution of their duties. I wish to thank each and every one of Kumba's employees for this commitment and resilience that is essential for ensuring the Company's continued success.

I would like to thank Fani Titi for his steady leadership and guidance upon my stepping into the role of Chief executive of Kumba. We welcomed Dr Mandla Gantsho to the Board and thank him for his leadership and experience as we embark on our full potential transformation.

Finally I would like to thank my colleagues on the Kumba Board and executive for their continued support and advice in charting a way forward for the Company. This has been a particularly positive year for all of us at the Company, and provides a strong foundation for our ambitious plans for sustained growth.

Themba Mkhwanazi
Chief executive

8 March 2018

OUR OPERATING CONTEXT

This year we have prioritised the following eight issues that have a material impact on Kumba's business model and our ability to create value:

- Continuing volatility in the iron ore price
- Further flattening of the producer cost curve globally
- Increased impact of external non-controllable costs
- A challenging regulatory and policy environment
- Heightened stakeholder expectations
- Strong sector-wide drive on zero harm and the elimination of fatalities
- Sustained focus on operational excellence
- Quality of iron ore reserves and life of asset

CONTINUING VOLATILITY IN THE IRON ORE PRICE

Continuing volatility in iron ore prices merits a cautious longer-term outlook

Following the recent significant decline in iron ore prices – from an annual average price of US$135/tonne CFR in 2013, down to US$56/tonne CFR over 2015 – prices rallied in 2016 and early 2017. After reaching a 30-month high of US$95/tonne in mid-February 2017, prices ended the year at US$74/tonne, averaging US$71/tonne for 2017, up 22% on 2016. The strong price strengthening early in the year was off the back of growth in the Chinese steel manufacturing sector and speculative trading fuelled by expectations for greater infrastructure investment in the US following the November 2016 election. The subsequent reversal in prices reflects increases in global iron ore supply driven by expansions in Brazil and Australia, as well as flat demand following supply side reforms in China. Given the anticipated supply growth and sluggish demand prospects, most analysts forecast iron ore prices in a mid-term range of US$50 to US$70/tonne (see graph). Informed by these expectations, and our current positioning on the global cost curve, we have recently adopted a 'full potential transformation programme' aimed at delivering margin improvement by 2022.

IMPLICATIONS FOR VALUE

The low iron ore price has a significantly negative impact on revenues. We are a price-taker in the global iron ore market, and have a much smaller impact on supply dynamics than the larger producers in Australia and Brazil.

OUR STRATEGIC RESPONSE

HOW TO WIN

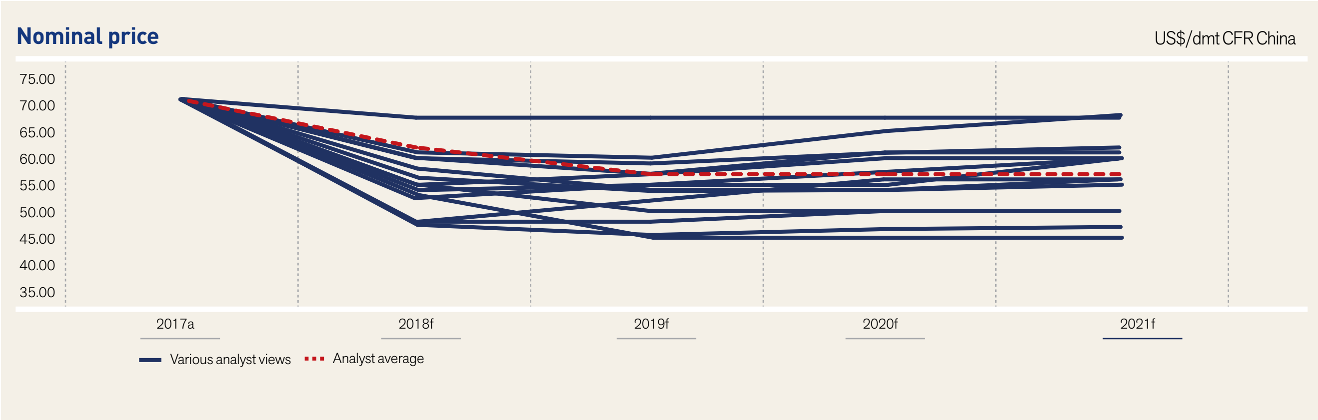
- Sustainably operate mines at lower unit costs
- Unlock full infrastructure potential
- Use technology to extract maximum value

WHERE TO PLAY

- Compete through premium products

Platts IODEX 62% Fe CFR

OUR OPERATING CONTEXT CONTINUED



FURTHER FLATTENING OF THE PRODUCER COST CURVE GLOBALLY

A flattening of the global cost curve across the sector has shifted Kumba's position on the cost curve

Volatility in the iron ore price has been accompanied by a flattening of the production cost curve across the sector, driven by new low-cost supply opportunities, weaker currencies in key producer markets, and enhanced operational efficiencies across the sector, assisted in some instances by significant technological innovations. With major producers bringing low-cost production online, Kumba has moved from the second quartile on the cost curve in 2014 to the fourth quartile this year and the third quartile when accounting for premiums. Our potential for cost differentiation remains constrained by a higher stripping ratio and higher freight costs due to the distance to the main market in China. To remain competitive, deliver on our margin improvement by 2022 and position Kumba for the long term, we have identified specific opportunities to enhance the performance of our current assets including by improving overall equipment efficiency, reducing external spend, and optimising our operating model.

IMPLICATIONS FOR VALUE

The combination of low prices and increased cash costs has put margins and cash under pressure, impacting Kumba's net cash position negatively. The increased pressure from competitors who have greater opportunities to cut costs has necessitated significant measures to conserve cash.

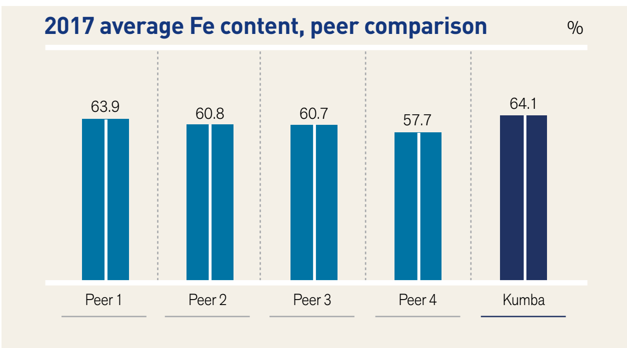
OUR STRATEGIC RESPONSE

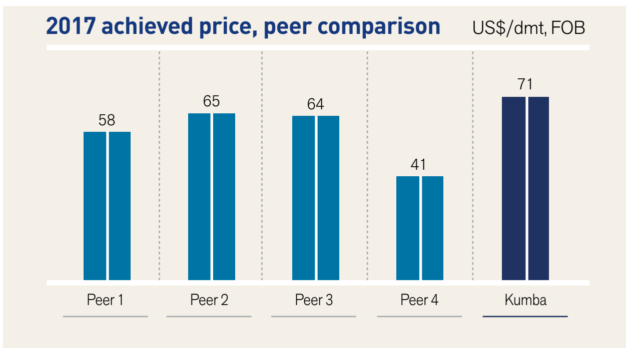
HOW TO WIN

- Sustainably operate mines at lower unit costs
- Unlock full infrastructure potential

WHERE TO PLAY

- Compete through premium products





INCREASED IMPACT OF EXTERNAL NON-CONTROLLABLE COSTS

Changes in non-controllable costs put pressure on margins

This year, total non-controllable costs increased by US$10/tonne year-on-year. Freight rates from Saldanha to Qingdao were up US$5/tonne, while a stronger currency added US$4/tonne and lower market premiums (US$1/tonne). Controllable cost increases were contained at US$1/tonne. Looking to the future, we anticipate that various structural factors that disadvantage us today – such as our stripping ratio, hauling distances, and transport costs – will add greater additional pressure, potentially pushing costs up in the long term.

IMPLICATIONS FOR VALUE

Changes in non-controllable costs impact total mining costs and the unit cost of production; these costs have a substantial impact on margin in the continued volatile iron ore price environment. Our focus remains on containing our controllable costs across our operations, and driving our full potential transformation programme.

OUR STRATEGIC RESPONSE

HOW TO WIN

- Sustainably operate mines at lower unit costs
- Unlock full infrastructure potential
- Compete through premium products

WHERE TO PLAY

- Compete through premium products

A CHALLENGING REGULATORY AND POLICY ENVIRONMENT

Proposed revisions to the Mining Charter reflect continuing policy and regulatory uncertainty

In South Africa in recent years there has been a raft of new legislation impacting the Company, including regulations relating to resource extraction, company and tax law, labour relations, environmental, health and safety performance, and the delivery of social objectives. A particularly significant development this year was the announcement in June 2017 of proposed revisions to the Mining Charter, which sought, among other things, to increase local black ownership from 26% to 30%, introduce new levies, royalties and certain preferential dividend distributions, and implement more demanding procurement targets especially on locally manufactured goods and employment equity requirements. Although Kumba is fully committed to meeting South Africa's transformation objectives, and has a strong track record in delivering in this area, we have significant concerns with the legitimacy and feasibility of the proposed revisions, and support the Chamber of Mines' legal challenge of the Charter. Following an intervention by the office of the President of the Republic of South Africa, the Chamber of Mines and the DMR have agreed to postpone the commencement of the review application to afford all parties an opportunity to revisit the Mining Charter.

IMPLICATIONS FOR VALUE

A predictable and stable regulatory framework is essential for enabling long-term investment decisions. Increasing regulatory measures and continuing uncertainty in the interpretation and application of legal requirements impacts the way we mine, can result in greater compliance-related costs, and affects the nature of the relationship between business and government.

OUR STRATEGIC RESPONSE

KEY ENABLERS

- Proactively engage with key stakeholders
- Provide leadership through responsible citizenship

OUR OPERATING CONTEXT CONTINUED

HEIGHTENED STAKEHOLDER EXPECTATIONS

Continuing demands from stakeholders for enhanced responsibility

Mining companies across the world are facing greater demands from increasingly vocal stakeholder groups, often with competing interests: shareholders and investors expect improved financial performance, strong governance measures and more transparency on executive compensation; governments are increasingly looking to the resource sector as a source of tax revenue and to assist in service delivery; neighbouring communities are placing greater pressure on mining companies to deliver improved economic opportunities, infrastructure and social services; NGOs are becoming more active in driving corporate accountability; and employees and unions are expecting different power dynamics between employer and employee. In South Africa, five years after the Marikana tragedy and in the context of continuing challenges in government service delivery and high unemployment levels, there is particular pressure on mining companies to engage proactively with neighbouring communities to maintain their social licence to operate.

IMPLICATIONS FOR VALUE

Maintaining positive relationships with our key stakeholders is the foundation for our ability to create value. Heightened stakeholder expectations, and the increasingly vocal nature of their demands are testing the quality of some of our critical relationships. Maintaining these relationships, and finding the right balance between competing stakeholder interests, requires proactive engagement and response strategies.

OUR STRATEGIC RESPONSE

KEY ENABLERS

- Proactively engage with key stakeholders
- Provide leadership through responsible citizenship

STRONG SECTOR-WIDE DRIVE ON ZERO HARM AND THE ELIMINATION OF FATALITIES

Ensuring mine safety understandably remains a high-profile public concern

Although the mining sector has seen substantial improvements in the last 20 years, reducing fatalities from more than 1,000 per annum to around 70, these numbers are still far too high. Driving a culture of zero harm and eliminating fatalities across the mining sector remain a critical priority for mining companies, unions and government. It is pleasing to report that Kumba has operated fatality-free since May 2016, and that we have achieved almost all of our safety-related targets for 2017, with encouraging improvements across our leading and lagging indicators. Despite this encouraging performance, we recognise the need to maintain a high level of vigilance. This year we reported 21 high-potential incidents (HPIs); while a significant improvement on the 39 reported in 2016, each of these incidents could have resulted in a fatality. Learning from these HPIs is a key basis for driving improved performance across our operations.

IMPLICATIONS FOR VALUE

While protecting our workforce from harm is a moral imperative and a fundamental human right, our focus on zero harm is also a direct investment in the productivity of the business. A safe and healthy workforce contributes to an engaged, motivated and productive workforce that mitigates operational stoppages, and reduces potential legal liabilities.

OUR STRATEGIC RESPONSE

KEY ENABLERS

- Provide leadership through responsible citizenship
- Proactively engage with key stakeholders
- Elimination of fatalities through a culture of zero harm

SUSTAINED FOCUS ON OPERATIONAL EXCELLENCE

Driving sustained efficiency improvements across the Company

Following the recent sustained downturn in mineral and metal prices, mining companies globally have been under pressure to impose better capital discipline and realise opportunities for systematic cost reductions and improved productivity. In line with the radical restructuring that our parent company, Anglo American, has been driving in recent years, Kumba has similarly been implementing an ambitious organisational restructuring and operational excellence programme. Following the significant restructuring of the organisation in 2016 we have been placing a strong focus in 2017 on improving efficiencies through our operational excellence initiatives as part of our 'full potential transformation programme'.

IMPLICATIONS FOR VALUE

Our sustained focus on operational excellence has delivered material financial benefits, maintaining our viability in a volatile commodity price environment. Successfully delivering full potential transformation will require a paradigm shift in how we operate – driving change at pace and in a coordinated manner, simplifying our governance and approval processes, building a high-performance culture, and inspiring the whole organisation by involving them in identifying the solutions.

OUR STRATEGIC RESPONSE

HOW TO WIN

- Sustainably operate mines at lower unit costs
- Unlock full infrastructure potential
- Implement the Operating Model
- Use technology to extract maximum value

WHERE TO PLAY

- Compete through premium products

KEY ENABLERS

- Provide extensive support to our employees
- Proactively engage with key stakeholders

QUALITY OF IRON ORE RESERVES AND LIFE OF ASSET

Nature and extent of iron ore reserves and life of asset

As of 31 December 2017, Kumba, from a 100% ownership reporting perspective, had access to an estimated haematite ore reserve of 676.4 million tonnes at an average unbeneficiated or feed grade of 59.6% Fe from our two mining operations: Kolomela mine (175.6 Mt at 64.4% Fe, against a 50% Fe cut-off grade) and Sishen mine (500.8 Mt at 58% Fe, against a 40% Fe cut-off grade). A 9% net decrease of 67.6 Mt is noted for the total Kumba ore reserve compared to 2016. Sishen has an estimated 13 years of reserve life in total from 2017, while Kolomela has an estimated 14 years of reserve life. Further details are provided in the Ore Reserves and Mineral Resources report (pages 9 to 16).

IMPLICATIONS FOR VALUE

Access to quality iron ore reserves forms the foundation for our ability to generate revenue through the sale of high-quality iron ore.

HOW TO WIN

- Sustainably operate mines at lower unit costs
- Use technology to extract maximum value

WHERE TO PLAY

- Extend life of current mines
- Focus on the Northern Cape
- Identifying and realising opportunities

Our operating context and strategy

CREATING VALUE FOR STAKEHOLDERS

SHAREHOLDERS AND INVESTORS

Image: Eugine Matlhare, Reginah Konman and Veronica Seleke, all members of the Rerokela Sechaba Primary sewing and beading cooperative in Groenwater situated near Kolomela mine.

EXCEPTIONAL GROWTH IN KUMBA SHARE PRICE from R159 per share at 31 December 2016 to

R379 p/share

at 31 December 2017

DIVIDENDS PAID TO SHAREHOLDERS IN 2017

R6.7 billion

(2016: Rnil)

TOTAL DIVIDENDS PAID TO BEE SHAREHOLDERS SINCE INCEPTION IN NOVEMBER 2006

R26 billion

(2016: R24 billion)

COMMUNITIES

HIV-related services supplied to 17,304 community members through the Ulysses Modise (UGM) Wellness Clinics

TB screening services supplied to 15,930 community members

R106.7 million spent on direct social investment in 2017

EMPLOYEES

Total labour costs of R4,184 billion **paid to** our employees

Employment of local people
Sishen – **84%**
Kolomela – **63%**
Thabazimbi – **65%**

HDSA and women in management
HDSA in management – **66%**
Women in management – **22%**

Women in core mining – 17%

Training and development
Number of participants – **1,050**
Expenditure – **R161.9 million***
% HDSA – **93**
% women – **35**

* Including professionals in training, artisans, apprentices and mining and plant learners.

GOVERNMENT

TAX

TOTAL TAX CONTRIBUTION

Rand million	**2017**
Corporate income tax	5,883
Mineral royalties	1,160
Payroll tax	980
Skills levy	37
UIF	20
Total	8,080

CUSTOMERS

Reinforce our reputation for quality and consistency

QUALITY

Product quality – average Fe content %

64.1%

Lump:fine ratio

66:34

SUPPLIERS

R520 million **spent on suppliers within host communities (2016: R129 million)**

R9.3 billion **spent on procurement from HDSA businesses (2016: R8.5 billion)**

For more detailed information relating to our employees, communities and suppliers refer to the sustainability report pages 23 to 54.

ADDRESSING STAKEHOLDER INTERESTS

The achievement of our business strategy relies on a stakeholder engagement framework that supports the Company's strategic objectives, drives its reputational value, and is in the interest of long-term sustainability and growth. Our stakeholder engagement strategy therefore takes cognisance of various business risks faced by the Company, and responds to interests, concerns and expectations of our key stakeholders. As part of our stakeholder management policy requirements, we adjust our strategy regularly to account for new stakeholders as well as shifting interests and concerns, and to set new performance indicators.

The strategy is based on proactive engagement with stakeholders on their main interests, concerns and expectations. The aim is to formulate an integrated approach to engaging key stakeholders, promote a shared vision and value proposition amid dynamically changing stakeholder positions, and maintain the Company's reputation as partner of choice in creating long-term sustainable value.

In 2017, we improved on stakeholder engagement planning, which allowed for structured and constructive engagements at appropriate levels of the organisation. This increased the level of trust between Kumba and its key stakeholders. Healthy, constructive relationships were maintained, particularly with the regulator, local and provincial government, employees and communities.

This resulted in, among others, the granting of critical regulatory authorisations for Sishen and Kolomela mines, progressive post-resettlement initiatives for Siyathemba, growth in localised preferential procurement and successful wage negotiations. These were crucial for the operations to reach their cost reduction, production and transformation targets. However, a number of authorisations are outstanding, which are impeding us to have meaningful economic development in our local communities, remains a challenge we are faced with. Following the postponement of the commencement of the review application, we welcome the opportunity for all parties to revisit the Mining Charter.

Engaging on our transformation achievements with our stakeholders was another significant undertaking during this reporting period and to this end, the Kumba 2017 Stakeholder Day was held on 8 November 2017. Valuable feedback was received from stakeholders at the event and key deliverables have been identified to address fundamental issues.

IDENTIFYING OUR PRIORITY STAKEHOLDERS

We use the following criteria to prioritise the many individuals and organisations that have a stake in Kumba:
- The degree to which we depend on the stakeholder's support in achieving our strategic goals
- The degree to which the stakeholder can influence organisational performance
- The significance of the issues linking the stakeholder to Kumba
- The risks that we are exposed to should we not deliberately plan our interventions to address stakeholder issues

ENGAGING OUR KEY STAKEHOLDERS

Informed by the above criteria we have grouped our stakeholders as outlined in the table on pages 26 and 27 and identified their key interests, concerns and expectations based on our interactions. For Kumba, the effectiveness of our engagement with key stakeholders and evaluating this helps inform our strategic responses. Below is how we determine the effectiveness of our engagement with key stakeholders:

EFFECTIVENESS OF ENGAGEMENT

To improve
Kumba perceives that our engagement on a specific stakeholder interest or issue needs additional attention and we address this through our strategic responses

Adequate
Kumba perceives that our engagement on a specific stakeholder interest or issue is adequate to reach our common goals but we continue to identify additional strategic responses to improve the level of engagement

Excellent
Kumba perceives that our engagement on a specific stakeholder interest or issue is both mutually beneficial and progressive through the strategic responses that were identified

ADDRESSING STAKEHOLDERS INTERESTS CONTINUED

STAKEHOLDER	ENGAGEMENT CHANNEL	KEY INTERESTS, CONCERNS OR EXPECTATIONS	EFFECTIVENESS OF ENGAGEMENT
Investors, shareholders, BEE partners Shareholders/investors (Anglo American plc and IDC), including our BEE partners (Exxaro, Envision and SIOC CDT) Analysts	– Investor days and roadshows – Annual reports – Website – Results presentations – Mine visits – Workshops – Meetings – Stakeholder days	– Costs, growth and sustainability of the Company in context of volatile iron ore prices – Securing mining rights and other regulatory issues – Empowerment status – Labour relations – Dividends – Dingleton resettlement – Logistical constraints on Iron Ore Export Channel – Transformation – Governance – Technology roadmap	
Unions NUM, AMCU, Solidarity and UASA **Employees**	– Ongoing dialogue through established channels – Operational leadership teams – Visible felt leadership (VFL) – Tripartite Health and Safety Initiative – Future forums – Managers/team dialogues – Surveys and employee presentations – Company intranet and newsletters – Electronic notice boards/ public display – Stakeholder days – Executive roadshows	– Changes in shift patterns – Housing and living conditions – Wages and benefits (wage negotiations) – Employee share ownership scheme – Health and safety issues – Employment equity issues – Career progression – Production and performance – LoM and/or strategic direction – Transformation	
Customers ArcelorMittal SA	– Regular meetings – Annual reports – Website	– Product/service quality – Security of supply – Contracts/price	
Media National and local media	– Annual reports and website – Press releases – Results presentations – Mine visit – Interviews	– Dingleton relocation – Thabazimbi exit – Kumba performance – Good corporate citizenship – Mining rights and regulatory issues – Strategy – Sustainability of the Company – Labour relations – Transformation – Technology roadmap – Markets and products	
South African government National departments: Mineral Resources, Water and Sanitation, Environmental Affairs, Cooperative Governance and Traditional Affairs, Public Works, Public Enterprises and Finance Limpopo and Northern Cape provincial governments	– Annual reports – Website – Mine visits – Meetings – Presentations – Workshops – Press releases – Press conferences – Rehabilitation trust	– Legal compliance, especially on safety, health and environmental performance – Transformation and B-BBEE delivery – Licensing authorisations, including the application to transfer Thabazimbi mine to ArcelorMittal SA – Creating jobs through growth – Sustained contribution to national tax base – Domestic supply and pricing of iron ore – Community development and progress on implementation of social and labour plans – Contribution to local infrastructure and service delivery	

STAKEHOLDER	ENGAGEMENT CHANNEL	KEY INTERESTS, CONCERNS OR EXPECTATIONS	EFFECTIVENESS OF ENGAGEMENT
South African government continued District municipalities (DM) and local municipalities (LM) where Sishen, Kolomela and Thabazimbi mines operate – John Taolo Gaetsewe DM, Waterberg DM, Gamagara LM, Tsantsabane LM, Thabazimbi LM, GA Segonyana LM and Joe Morolong LM	– Regulatory audits/ inspections – Stakeholder days – Integrated development programme forums – Working groups	– Ensuring responsible governance practices and respect for rights – Dingleton resettlement (relocation of remaining homeowners and institutions, and the sustainability and integration of Siyathemba, demolishing and deproclamation of Dingleton) – Municipal capacity development – Dust – Water management/supply – Dingleton asbestos (refer to page 61 in the SR for additional information)	
Host communities Thabazimbi, Tsantsabane and Gamagara community groups, and our labour sending communities	– Socio-Economic Assessment Toolbox (SEAT) and other community engagement sessions – Complaints and grievance procedure – Annual reports – Website (inclusive Facebook/Twitter) – SMME Workshops and Chief executive engagements with business forums – Stakeholder days – Advertorials, radio interviews, flyers and notices	– Localised preferential procurement and employment opportunities – Enterprise development – Community investment initiatives – Nature of engagement structures – Management of environmental impact – Transparency and engagement measures – Financial compensation for Dingleton community – Education	
NGOs	– Annual reports – Website – forums – Written correspondence – Meetings – Review Committee	– Funding for community development – Collaboration on community projects – Human rights – Transparency in environmental disclosures – Responsible mining	
Political parties African National Congress Democratic Alliance and Economic Freedom Front	– Annual reports and website – Meetings	– Similar to government issues above	
Business peers Chamber of Mines Neighbouring mining companies Other businesses operation in local municipalities	– Annual reports and website – Meetings and presentations – Leadership forums	– Mining Charter review and its impact on the industry – Local preferential procurement – Education and career development and critical skills – General knowledge sharing on our approach to managing material issues – Shared Value and Shared Vision (a joint socio-economic development strategy for the Northern Cape) – Safety	
Suppliers Contractors, Transnet Other suppliers	– Direct supplier engagements – Annual reports and website – Meetings with local community business forums – Workshops	– Procurement opportunities – Contract terms – Promoting localised procurement – Development of an industrial park in Kathu – Safety, health and wellbeing, and human rights of employees of contracting companies/suppliers – Iron Ore Export Channel tariffs and penalties and efficiencies/optimisation – Collaboration with junior miners	

MATERIAL RISKS AND OPPORTUNITIES

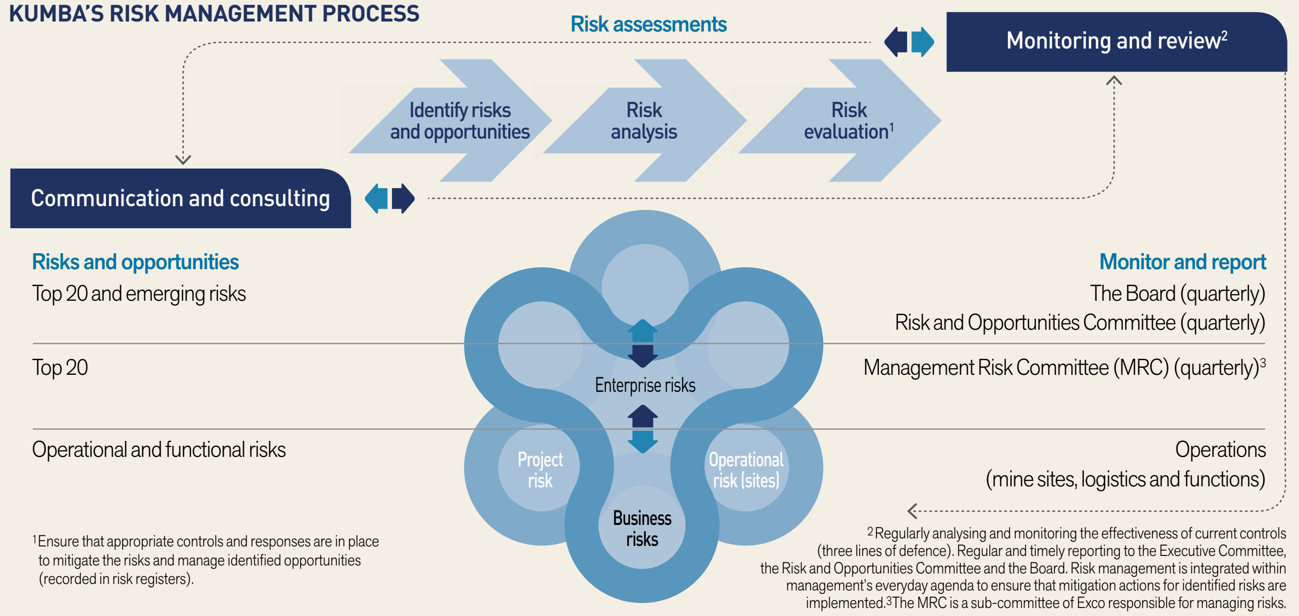
In the context of continuing volatility in the iron ore market, Kumba has continued to adapt and implement initiatives that have significantly mitigated risk exposure and enabled the Company to take advantage of available opportunities to create sustainable value for all stakeholders.

Kumba's Risk and Opportunities Committee oversees risk management on behalf of the Board through regular feedback by management on all risk-related activities. The Committee continually assesses all risk governance structures and lines of defence in conjunction with the Audit Committee to ensure that roles, responsibilities and accountabilities for identifying, managing, mitigating, reporting and escalating risks and opportunities within the Company are defined.

For further responsibilities of the Committee refer to the governance section on page 76.

The Risk and Opportunities Committee and management team promote a culture of risk governance and awareness throughout the organisation.

KUMBA'S RISK MANAGEMENT PROCESS



RISK APPETITE AND TOLERANCE

Kumba defines risk appetite as the nature and extent of the risk the Company is willing to accept in relation to the pursuit of its objectives; risk tolerance refers to the organisation's strategic capacity to accept or absorb risk. The Risk and Opportunities Committee continually defines and reviews the risk appetite and tolerance levels to determine internal boundaries for prudent decision-making, risk taking and highly efficient governance. Our risk appetite and tolerance was reviewed in the context of an ever-changing external and internal environment to ensure decision-making is aligned with the organisation's business strategy, improves the resilience of the organisation and creates sustainable value.

Risk appetite and tolerance is high on the Board's agenda and is a core consideration of our enterprise risk management approach. Risk appetite and tolerance consider the relationship between potential consequences of key risks and the actual condition of the controls or management actions that mitigate those consequences.

Kumba looks at risk appetite from the perspective of severity of the consequences should the risk materialise, any relevant internal or external factors influencing the risk, and the status of management actions to mitigate the risk. If a risk exceeds tolerance, it will threaten the achievement of objectives and may require a change in strategy. Risks that are approaching the limit of Kumba's risk appetite levels may require management actions to be accelerated or enhanced in order to ensure the risks remain within acceptable levels.

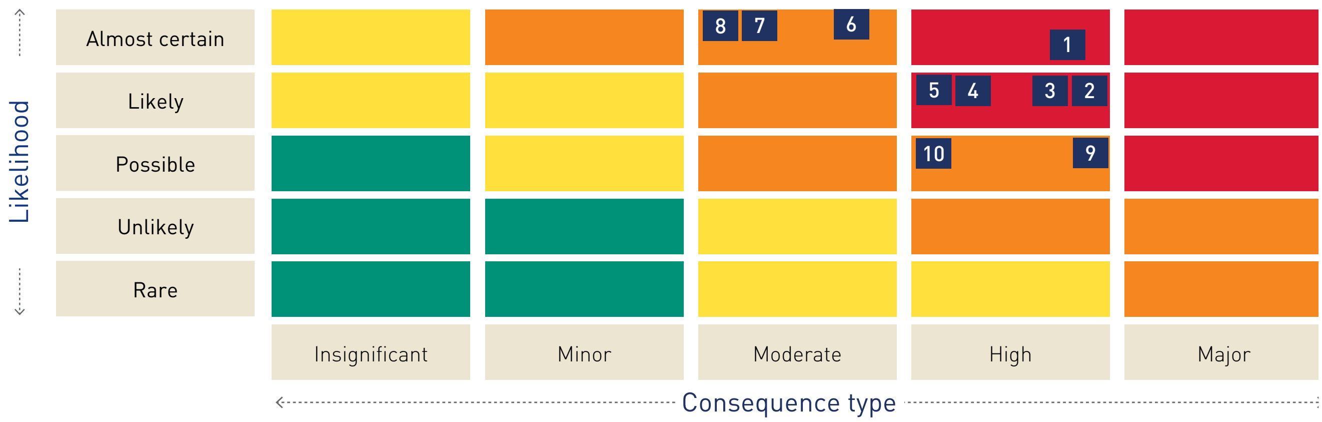
PURSUING OPPORTUNITIES

The risk management process supports the business in achieving its strategic objectives and provides a platform for identifying and realising opportunities. We continue to adapt to the continuously changing business environment and position the Company to take advantage of any identified opportunities to deliver sustainable value for all our stakeholders.

Kumba's management considers the Company's key opportunities to include:

- Kumba's full potential transformation programme, see pages 36 and 37
- Reconfiguring our operating plans by prioritising areas of lower stripping ratios in order to reduce costs, improve profitability and preserve cash
- Sharing resources between Sishen and Kolomela, and taking advantage of synergies with other mines within the Northern Cape
- Implementing the low-grade technology strategy to extend operations beyond 2030
- Introducing value-adding technology into our mining and beneficiation processes to reduce our unit cost and make our operations safer.

RESIDUAL RISK RATINGS



RISK

1 Commodity markets and exchange rate fluctuations →
2 Safety and health ↑
3 Third-party infrastructure ↑
4 Mining legislation and regulatory compliance ↑
5 Socio-economic and current governance challenges (new risk)

RISK

6 Stakeholder relations and social licence to operate ↓
7 SIOC empowerment status ↓
8 Cyber risk ↑
9 Resource depletion and securing our growth (new risk)
10 Managing change (transformation of the business) (new risk)

Outlined in the heat map above is the residual rating per key/material risk for Kumba. Residual risk is the remaining risk exposure after all identified mitigation measures have been applied. The external factors beyond management's control are key contributors to the current high residual risk ratings.

Due to the improvement in risk rating, the following risk is no longer included in the top 10 risks:

- labour relations.

MATERIAL RISKS AND OPPORTUNITIES CONTINUED

The following is a detailed outline of Kumba's key identified risks, together with their potential impacts and mitigating actions. We have considered both internal and external risks. Our mitigation strategies depend on the severity of impact and likelihood of occurrence of the risks we face.

1. COMMODITY MARKETS AND EXCHANGE RATE FLUCTUATIONS

NO MOVEMENT (2016: 1)

ROOT CAUSE

Commodity prices are determined primarily by global supply and demand. Demand is influenced by global economic growth, mainly in Europe and Asia (especially China). Increased supply from the major producers and the shift in the Chinese economy from infrastructure-led growth to consumer-led growth will add downward pressure on current price levels with market speculation in the commodity financial markets adding to the volatility in prices. Exchange rates remain volatile reflecting various macro-economic factors.

IMPACT ON VALUE

- A decline in iron ore prices adversely impacts revenues, margins, cash position and credit rating.
- Revenue is in US Dollar; while some capital and other expenditure are incurred in US Dollar, most of the costs are denominated in Rand. A fluctuating currency can negatively impact our revenue and cash position.

MITIGATING ACTIONS

- Key iron ore market indicators and trends are constantly monitored, providing real time and robust market insights to support agile decision-making and action from production to market. This ensures optimal price realisation for our product.
- Employ price-risk management mechanisms to mitigate exposure and impact of price volatility.
- Continuous focus on cost stewardship and production efficiency improvements to protect margins and improve cash flow.
- Policy is not to hedge currency risk. A natural hedge is achieved through our foreign sales that are denominated in US Dollar.

OUTLOOK

Market fundamentals for iron ore remain uncertain. Although the current iron ore prices remain relatively within a reasonable range, the shift in Chinese market drivers and additional supply from the low-cost producers creates further uncertainty on the sustainability of current price levels.

STRATEGIC FOCUS AREAS

Where to play

- Compete through premium products

How to win

- Operate mines at lower unit costs
- Unlock full infrastructure potential

Key enabler

- Reinforce our reputation for product quality and consistency

2. SAFETY AND HEALTH

INCREASE IN RISK (2016: 3)

ROOT CAUSE

There are inherent safety and health risks associated with mining activities across the value chain. The continuously changing operating environment and conditions heighten the safety risk.

IMPACT ON VALUE

- Apart from physical harm to employees and contractors, failure to maintain high safety levels may impact negatively on employee morale, the achievement of production targets and our licence to operate.

MITIGATING ACTIONS

Various initiatives have been implemented as part of our commitment to zero harm:

- Implementation of safety improvement plans and the elimination of fatalities framework.
- Focus on priority unwanted events and critical controls.
- Focus on leadership and improved safety culture.
- Preventing repeat incidents through effective learning from incidents.
- Driving disciplined and consistent execution of the basics and compliance with safety standards.
- Vehicle separation through designing and constructing light vehicle roads on mines.

OUTLOOK

A continued focus on reinforcing safety practices that eliminate harm and fatalities. Improvement in safety culture and change management practices to anticipate hazards and prevent harm.

STRATEGIC FOCUS AREAS

Key enablers

- Provide leadership through responsible citizenship
- Provide extensive support to employees
- Elimination of fatalities through a culture of zero harm

3. THIRD-PARTY INFRASTRUCTURE

INCREASE IN RISK (2016: 5)

ROOT CAUSE

As many aspects of the logistics chain are out of Kumba's control, the associated risks require careful management and trusted business partnerships. We export our ore to customers through a single-channel rail and port owned and operated by Transnet. Planned production from our operations requires rail and port infrastructure that operates reliably and optimally at design capacities. These assets are owned and operated by a third party, Transnet, and thus out of our control. Key infrastructure requires significant upgrade and/or maintenance (mid-life refurbishment).

IMPACT ON VALUE

- An adverse impact on logistical capabilities and failure to obtain supporting facilities may pose a business continuity risk.
- Increase in freight costs.
- Unavailability of key infrastructure may have an impact on delivery of products to our customers.

MITIGATING ACTIONS

- Ongoing engagement with Transnet in order to optimise the channel throughput.
- Interactions with Transnet to look for cost-effective alternatives for major maintenance/upgrades to limit the potential impact of the mid-life refurbishment.

OUTLOOK

Some of the port infrastructure needs to go through a structured maintenance (mid-life refurbishment) period in 2018 or 2019, which may result in a reduction in capacity. We are engaging with Transnet to quantify the impact and to work on alternatives to mitigate the impact of the shutdown/downtime.

STRATEGIC FOCUS AREA

Key enabler

Proactively engage with key stakeholders

How to win

Unlock full infrastructure potential

4. MINING LEGISLATION AND REGULATORY COMPLIANCE

INCREASE IN RISK (2016: 7)

ROOT CAUSE

There has been an increase in legislation covering the broad spectrum of activities across the business value chain, in particular on the nature of mining rights, transformation, and safety, health and environmental performance. Uncertainty remains with regards to finalisation of Mining Charter III (MC III), and the Mineral and Petroleum Resources Development Act (MPRDA), which in their current state have provisions that may adversely impact the industry.

IMPACT ON VALUE

- Changes in the regulatory environment could require changes to the way we mine, and/or increase production costs.
- Failure to comply could result in the suspension of necessary authorisations, licences and rights. A lack of regulatory certainty impacts our ability to take long-term investment decisions.
- Some of the proposals in the current MC III may lead to value erosion.

MITIGATING ACTIONS

- Monitor regulatory developments and ensure readiness to comply with new legislation.
- Monitor and report on our compliance with all applicable legislation and legislative changes.
- Engage regularly with government – both directly as a company as well as in conjunction with other mining industry participants on all key legislative issues including specifically on the MC III and MPRDA, to ensure co-creation of legislative frameworks and regulations.

OUTLOOK

Continue to participate in industry engagements with a view to reach finality on issues relating to the MC III and MPRDA.

STRATEGIC FOCUS AREAS

Key enablers

Provide leadership through responsible citizenship

Proactively engage with key stakeholders

MATERIAL RISKS AND OPPORTUNITIES CONTINUED

5. SOCIO-ECONOMIC AND GOVERNANCE CHALLENGES

NEW RISK

ROOT CAUSE

Low levels of economic growth in South Africa exacerbate the current challenges of inequality and unemployment that are prevalent in communities where Kumba operates.

Governance and political challenges could impact on our key stakeholders on whom we depend.

IMPACT ON VALUE

- Increased reliance and growing expectations on mining companies by government and communities.
- Community activism and slow levels of local service delivery may cause disruptions at operations.
- Increased cost of living on our host communities and cost of doing business.
- Negative impact on investor confidence in South Africa and higher cost of doing business.

MITIGATING ACTIONS

- Develop a shared vision and shared value journey with communities, youth, municipality, provincial government, NGOs, religious organisations, peer mining companies and local business.
- Localised preferential procurement targets have been set.
- Implementation of municipal capacity building initiatives.

OUTLOOK

The external socio-economic environment remains complex and challenging, with a continuing strong need to foster inclusive economic growth and good governance practices across the public and private sector.

STRATEGIC FOCUS AREAS

Key enablers

Provide leadership through responsible citizenship

Proactively engage with key stakeholders

6. STAKEHOLDER ENGAGEMENT AND SOCIAL LICENCE TO OPERATE

DECREASE IN RISK (2016: 2)

ROOT CAUSE

There are growing expectations within communities and government for mining companies to deliver greater societal value; this is fuelled in part by community activism and slow levels of local government service delivery that have resulted in greater reliance on mining companies. Communities in areas adjacent to our operations continuously increase their demands for procurement opportunities. We continue to engage with the Dingleton community with a view to completing the successful relocation of the remaining residents to Siyathemba.

IMPACT ON VALUE

- A failure to manage stakeholder relationships, in particular unions, local communities, government and non-governmental organisations, may result in disruption of operations, misalignment in expectations and adverse impact on our reputation and social licence to operate.

MITIGATING ACTIONS

- Identify and prioritise stakeholder issues and implement a comprehensive, Exco-approved stakeholder engagement strategy.
- Continue with existing local economic development programmes to empower local suppliers and seek further local procurement opportunities for local suppliers.
- Ongoing engagements with the remaining Dingleton households to ensure a successful relocation and implement post-resettlement sustainability initiatives.

OUTLOOK

We monitor the external environment and are implementing change management processes to ensure that the organisation remains resilient and continues to generate sustainable value for all stakeholders.

STRATEGIC FOCUS AREAS

Key enablers

Provide leadership through responsible citizenship

Proactively engage with key stakeholders

7. SIOC EMPOWERMENT STATUS

DECREASE IN RISK (2016: 6)

ROOT CAUSE	IMPACT ON VALUE	MITIGATING ACTIONS	OUTLOOK
The lock-in period for shareholders (specifically Exxaro's shareholding as well as the Envision scheme) expired in November 2016. The change in shareholding at Exxaro has resulted in a reduction in black shareholders which has impacted SIOC's BEE structure.	– Depending on the outcome of the finalisation of the empowerment principles in the Mining Charter III (MC III), a possible change in the BEE status may impact our licence to operate.	– Monitor developments regarding the finalisation of the new MC III, to inform the position to be taken on Kumba's future BEE structure. – A review of other ESOP options to replace Envision is under way.	Continuous engagement and consultation with industry and regulator on empowerment principles envisaged in MC III to ensure co-creation of the legislative frameworks and regulations. **STRATEGIC FOCUS AREAS** **Key enablers** Provide leadership through responsible citizenship Proactively engage with key stakeholders Provide extensive support to employees

8. CYBER RISK

INCREASE IN RISK (2016: 10)

ROOT CAUSE	IMPACT ON VALUE	MITIGATING ACTIONS	OUTLOOK
Cyber attacks have become increasingly frequent and sophisticated throughout the world and success rates are high for criminals and returns are attractive. With increased use of technology and integration of operating technology platforms, the exposure for cyber attacks exists.	– Cyber attacks can lead to financial loss, access to commercially sensitive information, intellectual property or disruption to operations.	– Ongoing cyber awareness programmes. – Information management framework and policies in place to guide user behaviour and raise security awareness. – Continuous security monitoring to identify and respond to security threats. – Dedicated security operations centre focused on identification of infected machines and anomalous network traffic. – Investment in technology to test and continuously improve our cyber security.	Cyber crime is an ever-evolving and increasingly sophisticated threat requiring increased monitoring and investment in security capability. **STRATEGIC FOCUS AREA** **How to win** Use technology to extract maximum value

MATERIAL RISKS AND OPPORTUNITIES CONTINUED

9. RESOURCE DEPLETION AND SECURING OUR GROWTH

NEW RISK

ROOT CAUSE	IMPACT ON VALUE	MITIGATING ACTIONS
Peak production is currently anticipated to taper off by 2026, and there are constraints in establishing a robust resource replacement. Challenges remain to develop new operations in sufficient quantities to maintain our current levels of production beyond the remaining lives of our mines or to grow our current levels of reserves. Increased productivity has reduced our life of mine by three years.	– Business sustainability at risk. – Declining asset/market value and employee value proposition. – Reduced future ability to acquire new footprint, due to the capital-intensive nature of iron ore operations.	– Implement resource development plan. – Ensure capital availability and prioritise growth portfolio. – An ore replacement strategy has been developed, and accelerated exploration has commenced in South Africa. – Low-grade opportunities under investigation to extend the life of mine for Kumba's operations.

OUTLOOK

Kumba's full potential programme to develop options that will enhance the Company's resource development plan, see page 36.

STRATEGIC FOCUS AREAS

Where to play
- Extend life of current mines
- Focus on the Northern Cape
- Identifying and realising opportunities

How to win
- Use technology to extract maximum value

10. MANAGING CHANGE (TRANSFORMATION OF THE BUSINESS)

NEW RISK

ROOT CAUSE	IMPACT ON VALUE	MITIGATING ACTIONS
Current operating environment is characterised by continuous change which requires the Company to have the agility to adapt while not compromising the long-term sustainable value and sustain current performance.	– Lack of agility in adapting to change may destroy value and hinder Kumba's competitiveness. – Not maintaining/improving current efficiencies. – Change in working environment and stretched targets which introduce safety risks for employees. – Change fatigue.	– Multiyear programme looking to sustainably improve our margin. – Change management framework and guideline.

OUTLOOK

Focus on implementation of Horizon 1 initiatives related to the full potential programme, see page 36.

STRATEGIC FOCUS AREAS

Where to play
- Compete through premium products
- Identifying and realising opportunities

How to win
- Sustainably operate at lower unit cost
- Unlock full infrastructure potential
- Use technology to extract maximum value

Key enabler
- Reinforce our reputation for product quality and consistency

OUR STRATEGY

OUR VISION

To be a successful and sustainable African supplier of quality iron ore to global and local markets while delivering superior value to our stakeholders.

AMBITION

We aspire to drive shareholder returns in the top quartile of our peer group through the price cycle, by extracting maximum value from our high-quality asset portfolio.

- **Elimination of fatalities through a culture of zero harm**
- **Significantly improve margins to remain globally competitive and sustainable**
- **Extend life of mines post-2030**
- **Consistently supply high-quality products**
- **High-performance culture driven by healthy motivated employees**

WHERE TO PLAY

Focus on the Northern Cape, as the region contains the most **attractive ore bodies** for both current operations and targeted brown fields exploration

Extend life of current mines through low-grade projects, and business development activities

Compete through **premium products** to maximise price premium realised and to maintain differentiated customer relationships

Identifying and realising opportunities beyond the existing asset base

HOW TO WIN

Unlock full infrastructure potential to support maximum export volumes over the medium term

Sustainably operate mines at a **lower unit cost** to remain competitive through a reduced cost base and a step-up in productivity

Use technology to extract maximum value from our ore. Focus on step-change opportunities

Implement the Operating Model to ensure the stable and capable processes leading to the delivery of business expectations

KEY ENABLERS

Align **marketing and operational activities** to ensure product produced efficiently matches customer needs

Reinforce our reputation for **product quality and consistency**

Proactively **engage with key stakeholders** to reinforce our partnership approach

Provide leadership through **responsible citizenship,** displaying care for **safety, health and the environment**

Provide **extensive support to our employees** to help them through the Kumba transformation journey

OUR STRATEGY CONTINUED

To deliver on our strategic vision and ambition, we are focusing our actions on making the Company more competitive and sustainable within the context of the volatile, lower price environment that is anticipated for the foreseeable future. Our strategy is structured around three key focus areas: 'where' we want to do business; 'how' we set ourselves up to win in a depressed price environment; and what 'enablers' need to be in place to successfully implement the strategy.

At our strategy session in June 2017, we recognised the need to enhance our competitive position and agreed to embark on a journey to drive the business to its full potential.

Since then, we have done work to assess the value at stake across a wide range of levers and to outline what would be required to deliver that value; we are now confident that our transformation ambition is achievable. In addition to delivering valuable margin improvements, the transformation could also significantly extend the life of mines, thereby ensuring the sustainability of our business, and creating significant value for our shareholders and other stakeholders.

Successfully delivering this transformation will require a paradigm shift in how we operate: we will need to drive change at pace and in a coordinated manner, addressing delivery risks as they arise; we will require faster decision-making, simplifying our governance and approval processes and building a high-performance culture; and will need to align and inspire the whole organisation to deliver the required changes, by involving them in shaping the vision and solutions.

THREE TRANSFORMATION HORIZONS

We have structured our strategic agenda around three transformation horizons:

Horizon 1: Unlocking full operational potential of our current assets

We have identified opportunities to unlock the full potential of our current assets through initiatives that require limited capital investments and through the use of current available technologies. These include:

– Improving overall equipment efficiency and further enhancing labour productivity on the mines
– Reducing our external spend, through a mix of commercial levers (driving price and supplier consolidation improvements) and technical levers (by optimising specifications, demand management and total cost of ownership)
– Driving efficiencies through a more effective organisation
– Pushing our premium product quality to its full potential and realising a higher price premium

We believe that these initiatives could deliver significant margin improvement over a one to three-year timeframe, and extend the life of mines.

STRATEGIC FOCUS AREAS

- Elimination of fatalities through a culture of zero harm
- Focus on Northern Cape
- Compete through premium products
- Sustainably operate at lower unit costs through world-class operating efficiencies

Horizon 2: Investing to grow our core business

In addition to driving our current assets to full potential, we have identified various opportunities to grow our core business. These include:

– Investing in new technologies to process more material more efficiently at Sishen where there is significant beneficiation potential for in situ and stockpiled/discard materials through UHDMS technologies
– Realising various identified life-extension projects around both Kolomela and Sishen
– Debottlenecking the port and driving rail system efficiency gains to unlock additional export capacity
– Pursue business development opportunities in the region to enhance our competitiveness and extend the life of our operations

These opportunities are more complex to deliver than Horizon 1, require some capital investment and time, and are also dependent on successful negotiations with external stakeholders or on external factors such as technology development. It is estimated, however, that they could deliver significant upside of further margin improvements, and further extend the life of our assets.

STRATEGIC FOCUS AREAS

- Elimination of fatalities through a culture of zero harm
- Use technology to extract maximum value
- Extend life of current mines
- Unlock full infrastructure potential
- Proactively engage with stakeholders

Horizon 3: Expanding beyond our core business into attractive adjacencies

While Horizons 1 and 2 focus on our core business activity, Horizon 3 involves identifying and realising 'close-to-core' opportunities that may arise in future. This may include opportunities beyond the existing asset base and will be pursued if these are value accretive and fit well with Kumba's strategic direction. These step-outs will be pursued opportunistically.

STRATEGIC FOCUS AREAS

- Extend life of current mines
- Proactively engage with stakeholders
- Identifying and realising opportunities

OUR STRATEGIC FOCUS FOR 2018

Effectively delivering large-scale transformations is always challenging; achieving the ambition of unlocking full potential that we have set for ourselves will require a paradigm shift in how we operate. Our strategic focus for 2018 will primarily be on unlocking the full potential of our current assets, by realising the identified Horizon 1 opportunities; realising these opportunities will require significant organisational and behavioural changes across the entire organisation. We will run the Horizon 2 opportunities as projects until maturity.

Our immediate priorities are to:

– Mobilise the organisation – by creating a compelling future vision for the organisation, aligning our top leaders in the business and giving them a strong voice in co-creating the vision; this will be accompanied by a robust employee engagement programme to ensure employee buy-in as we launch the programme throughout 2018
– Set up the programme – ensuring that we have achievable integrated plans, and that each transformation initiative is set up for success, supported by the right sponsor, sufficient resourcing and a strong solution development process with appropriate stage gates
– Ensure a decisive and robust governance process – administered through a dedicate transformation office

We believe that getting this right will radically transform our business for the future, and ensure sustained value creation for our shareholders and other stakeholders. It will move us to the first quartile of the margin curve and will significantly extend the remaining life of our assets, improving our competitiveness, and ensuring that we are more robust to withstand external shocks. This will enable us to make optimal use of our available resources, maintain a strong employment base in the Northern Cape, and enable continued iron ore exports from South Africa.

STRATEGIC FOCUS AREAS:
PERFORMANCE AND PROSPECTS

Kumba's full year results reflect the stronger operational performance, which has been our priority, coupled with our focus on costs and ongoing capital discipline. This resulted in EBITDA of R19.6 billion, an increase of 6% compared to 2016.

ENHANCING VALUE

Material improvement
in all key safety benchmarks and no fatal incidents

Image: Rudolph Snyders, a plant operator doing plant maintenance at the Kolomela mine dust screening plant.

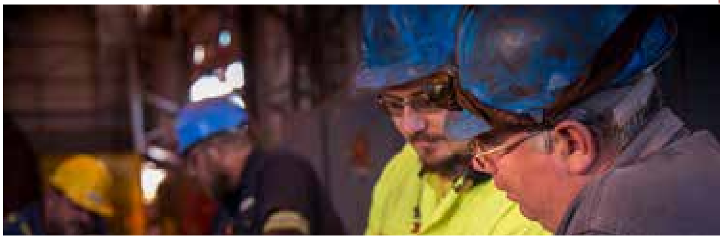


Image: David Fourie, a millwright and Louis Jordaan, a fitter completing compliance paperwork at the mining maintenance workshop.

Continued productivity gains with production of 45 Mt, an 8% increase and total sales of 44.9 Mt, an increase of 6%

Further operating
performance gains

Image: A general view of the reclaimer at Kolomela mine.

Strong financial performance
- **EBITDA of R19.6 billion, a 6% increase**
- **Attributable free cash flow of R12.3 billion, up 10%**
- **Headline earnings of R9.7 billion, R30.47 per share, a 12% increase**
- **An average realised FOB export price of US$71/tonne**
- **Final cash dividend of R15 per share, with total dividend of R30.97 per share**

2018 OUTLOOK

With substantive improvements in operational efficiencies, while remaining fatality-free, coupled with our focus on costs and continuous capital discipline, we delivered strong performance in 2017. The focus for 2018 onwards will be to leverage the improved, more resilient financial position to realise the full potential of our assets while enhancing value for our stakeholders in a sustainable and responsible manner.

STRATEGIC FOCUS AREA

1. WHERE TO PLAY

We are retaining our focus on the Northern Cape, as the basis for ensuring our continuing viability and meeting our longer-term growth ambitions. In addition to realising identified opportunities to extend the life of our current mines, we are continuing to maximise the price premium through the provision of high-quality products and differentiated customer relationships.

Focus on the Northern Cape

We will focus on the Northern Cape, as the region contains the most attractive ore bodies for both current operations and targeted brown fields exploration

We have continued to deepen our understanding of the full potential of the Northern Cape region through application of leading-edge exploration technologies. Over the longer term, we believe that current production levels could be sustained through further development in the Northern Cape, unlocking the region's full potential by extending our Kolomela activities. The full potential of the Sishen mine is dependent on how successful we are in identifying and developing methodologies to beneficiate low-grade haematitic iron ore material.

Please refer to pages 58 and 60 for more information on the operational performance of Sishen and Kolomela mines.

Extend life of current mines

We will extend the life of current mines through low-grade projects and business development activities

There is opportunity to extend the life of Sishen mine by unlocking the significant low-grade potential in the area through ultra-high density medium separation (UHDMS) production technologies. The Central and Kolomela areas and surrounds have valuable potential to increase output via DMS/direct shipping ore (DSO). The potential at both mines can be fully realised by evaluating all opportunities based on an understanding of the geology and through exploration programmes around our Sishen and Kolomela operations.

Specific opportunities for extending the life of current mines include:

- Using our proven UHDMS technology to treat the significant volumes of low-grade material available at Sishen to produce more ore and less waste, and to extend Sishen's life beyond 2030
- Optimising resources and utilising on-lease resources to grow Kolomela to produce above 13 Mtpa
- Extending the Kolomela reserve life with adjacent resources around the operation

Compete through premium products

and differentiated customer relationships

Given that we cannot compete with the big iron ore producers in terms of volume – due to the geographical and geological nature of our operations – we have chosen to compete by maximising our price premium and maintaining differentiated customer relationships through the provision of premium products. By appreciating the specific technical needs of our different customers, we are able to offer equal niche products.

We are unique in that we are primarily a lump producer with a product of recognised exceptional chemical and metallurgical quality. The highest quality and most important iron ores for steelmaking are haematite (Fe_2O_3) and magnetite (Fe_3O_4). Haematite is the more sought-after ore and the preferred raw material in efficient steelmaking mills. It accounts for approximately 95% of South Africa's iron ore production. These iron ore reserves are all of high-quality haematite allowing us to produce both high-quality lump (64.0% Fe) and high-grade sinter fines (63.5% Fe) for the domestic and export markets.

Refer to page 43 for a comparison of Kumba's Fe% and achieved prices compared to our peers.

STRATEGIC FOCUS AREAS:

PERFORMANCE AND PROSPECTS CONTINUED

STRATEGIC FOCUS AREA

1. WHERE TO PLAY continued

Identifying and realising opportunities beyond the existing asset base

In the consideration of broader strategic options, opportunities to expand beyond our core business into attractive growth options will be identified and pursued. This may include opportunities beyond the existing asset base on the clear proviso that such opportunities are value accretive and fit well with Kumba's strategic direction. These step-outs will be pursued opportunistically.

STRATEGIC FOCUS AREA

2. HOW TO WIN

Our second strategic choice relates to how we deliver on our ambitions. We have identified and prioritised various initiatives with the aim of extracting maximum value from the ore body and improving the performance of our current assets, by optimising production, increasing operational efficiencies, reducing our external spend, and investing in step-change technology.

Unlock full infrastructure potential
We will unlock full infrastructure potential to support maximum in export volumes over the medium term

Kumba's distance from the Saldanha port results in higher rail costs compared to our competitors. Kumba is contractually entitled to 44 Mtpa.

Areas of focus over the medium term are:
– Port refurbishment
– Realising the full potential of the IOEC by collaborating in finding solutions with Transnet and other stakeholders

We believe that unlocking the full potential of our third-party infrastructure can be beneficial to all parties and with continuous improvement in both rail and port can deliver substantial value for all stakeholders involved.

Sustainably operate mines at a lower unit cost
We will sustainably operate Sishen and Kolomela at a lower unit cost to remain competitive through a lean support and core cost base and a step up in productivity

We aim to sustainably operate our mines at a lower unit cost to remain competitive through a lean support and core cost base and a step up in productivity. Various initiatives at both operations are targeting equipment and people efficiency improvements.

During the year we delivered material positive results through our various cost discipline measures:
✓ Sishen unit cost of R287/tonne was R9/tonne lower than 2016 and lower than guidance largely due to 3.5 Mt higher production volumes and higher capitalisation of deferred stripping cost due to the increased stripping ratio
= Kolomela unit cost of R237/tonne was R36/tonne higher than 2016, in line with guidance, mainly as a result of increased mining cost due to higher volumes in support of production growth and modular plant feedstock crushing cost
✓ Increase in controllable costs contained at US$1/tonne
✖ Total uncontrollable costs increased by US$10/tonne

With these savings Kumba achieved an all-in average cash breakeven price of US$40/tonne, US$11/tonne up on the 2016 level, primarily as a result of lower market premiums (+US$1/tonne), stronger currency (+US$4/tonne) and higher freight rates (+US$5/tonne).

Use technology to extract maximum value from ore

We will use technology to extract maximum value from ore, focusing on step-change opportunities

We believe that technology is a potential game changer for Kumba. Through our technology strategy, we seek to accelerate the adoption of appropriate technologies at our operations to: improve safety to achieve our zero harm target; drive down costs by improving productivity and efficiencies; and maximise current and future resource utilisation through the development of low-grade beneficiation technology.

Recent initiatives at Sishen and Kolomela include:

- Successful conversion of the Kolomela drilling fleet to full automation, improving drilling efficiency and the quality of drilled holes, lowering drilling costs and improving safety by limiting exposure for operators
- Installation of an auto-braking system on haul trucks to avoid imminent collision by automatic speed adjustment and brake application; this system has been successfully trialled at Sishen on 10 trucks and will now be rolled out to the remainder of the fleet
- Implementing advanced process control (APC) at both mines, increasing utilisation and resulting in a decrease in the number of plant stops
- Dispatch modular upgrades at Sishen and Kolomela
- Assessing beneficiation technologies for application to ultra-fine material to unlock value from what was previously regarded as waste material to saleable grade
- Introducing drones that use scanners and cameras to create three-dimensional images of ore to calculate volume; they can also be used to survey accident scenes and areas deemed unsafe for workers

We have updated our 2014 technology roadmap using a top-down bottom-up approach to conduct a gap analysis and identify technology-driven opportunities; we have a completed benchmark study to evaluate the global technology landscape and will be rolling out our revised strategy in 2018.

Implement the Operating Model

We will implement the Operating Model to ensure stable and capable processes leading to the delivery of business expectations

The Operating Model is a structured management system that provides a sequenced and repeatable set of work steps that **guide people to achieve the intended purpose of their team's work in the most efficient manner**. By assisting in achieving stability, reducing variation and providing clarity, the Operating Model is a critical element of our cost-cutting drive across the business.

Implementation at Sishen during 2017 focused on support and services work, which enables a fully integrated view of all activities in the pit. The most visible and immediate impact was the reduction of unscheduled work by up to 40% in some areas. This has a direct impact on safety, planned work, productivity, elimination of waste and improvement in efficiencies. Scheduled compliance and scheduled work are two of the important leading indicators of stability in the process.

At Kolomela a 7.6% improvement in direct shipping ore plant throughput was achieved while Sishen has achieved an 84% improvement in mine to plan compliance since 2015. The stabilised roll-outs at the Kolomela plant and Sishen shovel maintenance areas continue to demonstrate benefits.

STRATEGIC FOCUS AREAS:

PERFORMANCE AND PROSPECTS CONTINUED

STRATEGIC FOCUS AREA

3. KEY ENABLERS

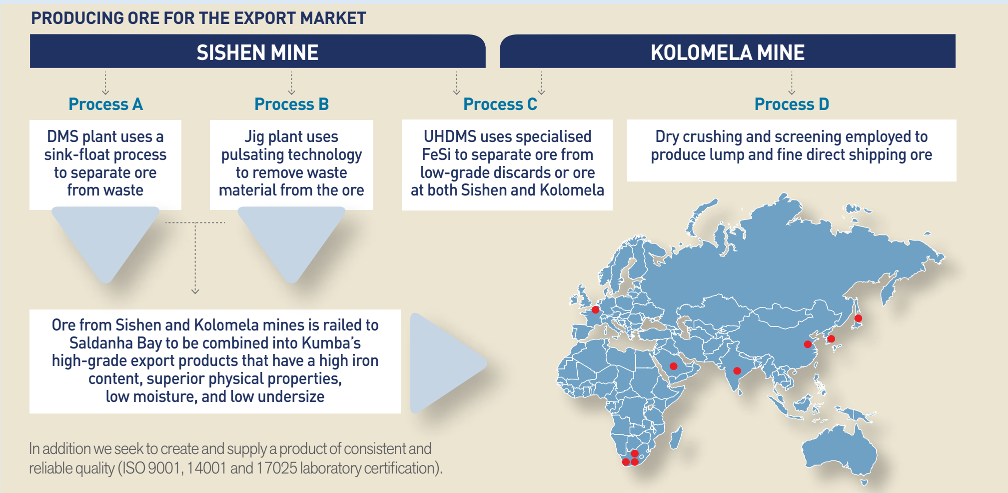
Our strategic commitments on 'where to play' and 'how to win' are underpinned by a sustained focus on our key strategic enablers. These include demonstrating leadership on responsible citizenship, displaying care for safety, health and the environment, reinforcing our reputation for product quality and consistency, aligning our marketing and operational activities, and providing support to our employees.

Align marketing and operational activities

We will align marketing and operational activities to ensure that product produced efficiently matches customer needs

Understanding our clients' expectations enables us to develop and deliver high-quality products, strengthen our relationships with clients, and consolidate our position in an increasingly competitive market. We regularly undertake customer segmentation studies to identify which customers value particular physical and/or chemical properties in our products. Together with mine planning information, we use this information to tailor our product specifications to match customer demands.

Our approach to producing ore for the export market at our Sishen and Kolomela mines is outlined in the following diagram:



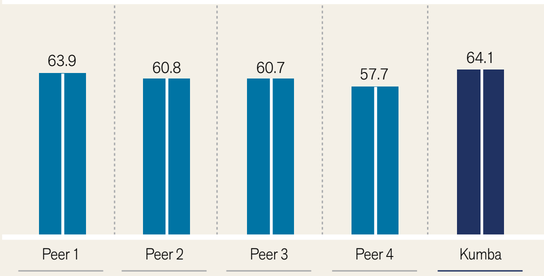
This year our total export sales of 41.6 Mt were 2.5 Mt higher than in 2016. Domestic sales of 3.3 Mt to ArcelorMittal SA were 0.1 Mt lower than 2016, due to lower ArcelorMittal SA demand.

Reinforce our reputation for quality and consistency

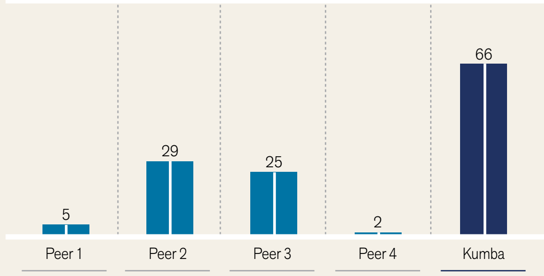
We will reinforce our reputation for product quality and consistency

Since 2012 we have been placing a particular emphasis on consistently delivering a high-quality product and increasing lump ratio, as both of these features attract premiums against the standard product sold in the market. As we cannot compete with the large iron ore producers in terms of volume and proximity to China, reinforcing our reputation for product quality is a key source of competitive differentiation. Our high-average Fe content (64.1%) and lump-to-fine ratio (66% lump) enables us to sell our products in an oversupplied iron ore market and to attract price premiums relative to standard products sold in the market. We continued to perform well in 2017 in maintaining the quality and consistency of our standard lump and standard fine product, with Kumba's FOB price improving by US$7/tonne.

2017 average Fe content, peer comparison



2017 lump:fine, peer comparison



Source: Kumba MI, Company Reports, Woodmac.

Further details on our sales during the reporting period are provided below:

EXPORT SALES AND PRICES

	2017	2016	2015
Total export sales (Mt)	**41.6**	39.1	43.5
Contract (%)	**70**	72	72
Spot (%)	**30**	28	28
Average FOB price realised (US$/tonne)	**71**	64	53

EXPORT SALES GEOGRAPHICAL SPLIT (%)

	2017	2016	2015
Europe/MENA	**18**	14	10
Japan and Korea	**17**	17	20
India and other Asia	**2**	5	7
China	**63**	64	63
Total	**100**	100	100

Proactively engage with key stakeholders

We will proactively engage with key stakeholders to reinforce our partnership approach

Ensuring proactive engagement with our key stakeholders, and being held to account by them on our performance and disclosure, assists us in delivering on our strategic focus areas. Interacting with stakeholders has become particularly important in the context of the current challenging operating environment. We will continue to engage with all our key stakeholders on a frequent basis to ensure that they are kept informed of significant changes impacting their relationship with the business. In 2017, we improved on stakeholder engagement planning, which allowed for structured and constructive engagements at appropriate levels of the organisation. This increased the level of trust between Kumba and its key stakeholders. Healthy, constructive relationships were maintained, particularly with the regulator, local and provincial government, employees and communities.

A brief overview of some key stakeholder initiatives during the year is presented below. Further detail is provided in our review on addressing stakeholder interests on page 25.

OUR 2017 PERFORMANCE: SOME KEY ENGAGEMENTS

= Maintained regular engagement with the DMR throughout the year, both through the Chamber of Mines, Anglo American plc and bi-laterally. These engagements included: securing our mining rights and the waste mining licence in Dingleton; DMR approval of Kolomela mine works programme and the amended social labour plan; ongoing engagement to confirm approval to transfer the Thabazimbi mining rights to ArcelorMittal SA; and engagement on Mining Charter III.

= Largely completed the relocation of the Dingleton community to a new purpose-built suburb in Kathu, ensuring full adherence with International Finance Corporation (IFC) Performance Standards; ongoing engagements are being undertaken with a small number of community members who are refusing to leave.

✓ Successfully hosted a Stakeholder Day at Kathu, engaging with stakeholders on our transformation efforts aimed at enhancing relationships and partnerships ensuring harmonious co-existence.

STRATEGIC FOCUS AREAS:
PERFORMANCE AND PROSPECTS CONTINUED

Provide leadership through responsible citizenship

We will provide leadership through responsible citizenship, displaying care for safety, health and the environment

Demonstrating leadership in responsible citizenship makes us more competitive: it safeguards the health, safety and productivity of our employees, assists us in attracting and retaining the right talent, enhances resource efficiencies, minimises our environmental footprint, reduces potential legal liabilities, and is essential in maintaining our social licence to operate.

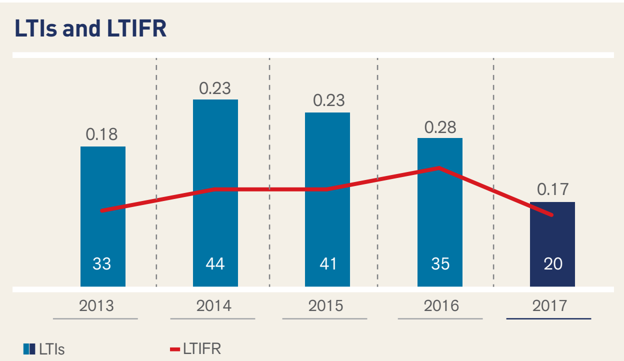
The following tables provide a brief review of our performance on our most material safety, health and environmental issues, as well as of our performance in social investment activities. A more detailed review of our sustainability performance is provided in our Sustainability Report, available at

http://www.angloamericankumba.com/investors/annual-reporting

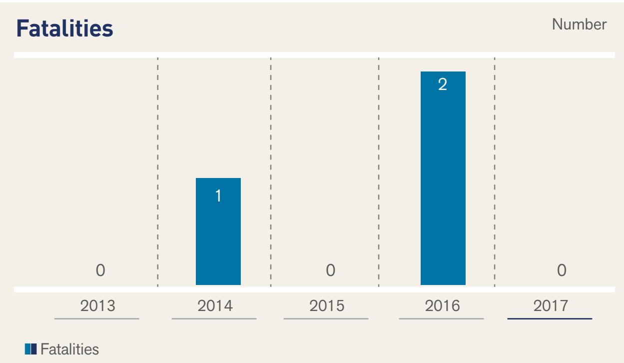
SAFETY

- ✓ Zero fatalities (2016: two)
- ✓ 20 lost-time injuries, down from 35 in 2016 (43% improvement year-on-year)
- ✓ Lost-time injury frequency rate (LTIFR) of 0.17 against our target of 0.24 (2016: 0.28)
- ✓ 21 high-potential incidents (HPIs), down on 39 in 2016 and 76 in 2015
- ✓ Total recordable case frequency rate (TRCFR) of 0.65 against a target of 0.66 (2016: 0.78)

LTIs and LTIFR



Fatalities



GROUP SAFETY PERFORMANCE

	2017	2016	2015	2014
Work-related loss of life	**0**	2	0	1
Fatal injury frequency rate (FIFR)	**0**	0.016	0	0.005
High-potential incidents (HPI)	**21**	39	76	57
Lost-time injuries (LTIs)	**20**	35	41	44
Lost-time injury frequency rate (LTIFR)	**0.17**	0.28	0.23	0.23
Total recordable case frequency rate (TRCFR)	**0.65**	0.78	0.90	0.87
Total first aid cases (FAC)	**87**	52	130	122
Total medical treatment cases (MTC)	**57**	60	117	119
Total recordable cases	**77**	97	158	164

HEALTH

- ✓ Second consecutive year of no new cases of noise-induced hearing loss (NIHL)
- = Two cases of work-related musculoskeletal diseases reported (2016: two)
- ✓ No new cases of diagnosed occupational respiratory disease, including occupational TB
- ✓ 92% of all employees tested in our HIV counselling and testing campaigns (target: 90%)
- ✖ Continuing challenges with chronic disease rates among employees, including hypertension, obesity, cholesterol and diabetes mellitus

ENVIRONMENTAL

- ✓ No significant 'medium' or 'high impact' (levels 3 to 5) environmental incidents reported (2016: none)
- ✓ Good progress in addressing a rehabilitation backlog: 43.5 hectares reshaped at Kolomela (target of 47 hectares); 31.5 hectares reshaped at Sishen (target of 30 hectares)
- ✖ Exceedances reported at our Sishen monitoring stations of particulate matter (PM10) emissions; we continue to engage with the regional Department of Mineral Resources to identify solutions
- ✖ Two legal pre-non-compliance notices issued; one at Kolomela regarding diesel spillage and one at Sishen regarding hydrocarbon spillage
- ✖ Water intensity increased to 147 ℓ/t compared to 139 ℓ/t in 2016 due to increased production
- ✖ Emitted 1.00 million tonnes of CO_2-equivalent (Mt CO_2e), a 5% increase on 2016

COMMUNITY SOCIAL ISSUES

- ✓ Spent R9.3 billion on HDSA businesses (2016: R8.5 billion)
- ✓ Exceeding our targeted R500 million in discretionary procurement spend with 162 suppliers from communities directly adjacent to operations
- ✓ Training centre at Kathu and Kolomela mine provided training to 688 community members (2016: 385)
- ✓ Spent R306 million on housing and accommodation (including housing allowances)
- ✓ Our social spend was R106.7 million, in line with our target of 1% net profit after tax
- ✖ 34 community complaints resolved through formal procedures at our operations, mainly relating to dust and blasting from Sishen mine's operations and the Dingleton resettlement

Provide extensive support to our employees

We will provide extensive support to our employees to help them through the Kumba full potential transformation journey

Kumba has completed the extensive organisational restructuring process undertaken in response to challenging iron ore market conditions. We have built a strong, product-focused organisation that is resourced with the most capable people in the right roles to deliver effectively and efficiently on our strategic objectives. In 2017 we implemented various initiatives to support employees through the Kumba full potential transformation journey, and to increase productivity at Sishen and Kolomela:

- We placed a strong focus this year on re-engaging our employees through group discussions and employee engagement surveys. This yielded valuable insights about the desired Kumba culture and how to optimise the employee experience: identified strengths include the work we are doing around strategy alignment and safety messaging, with many employees reporting a sense of belonging to, and strong identification with, the Company; areas identified for improvement included assistance with career development and progression, adequate and effective communication from managers, and appreciation for diversity and supporting people's differences.
- Following an extensive engagement process with organised labour, we implemented a new two-shift pattern at Sishen, which supports a good work-life balance for employees; employees have responded well, demonstrating significantly improved morale.
- We introduced a new bargaining unit production bonus scheme, which involves employees working towards monthly targets for specific KPIs including safety, production, productivity and attendance.
- We added further impetus to reducing levels of absenteeism at Sishen; through continuous monitoring of attendance and consequence management we have achieved a consistent improvement in attendance and reduction of unplanned leave and sick leave.
- To promote greater empowerment and accountability at supervisory level, Sishen has rolled out a supervisor scorecard with clear monthly KPIs and a supervisory development programme that comprises classroom training and extensive one-on-one coaching.

Industrial relations continued to be stable amid slight changes in union representations at the mines. In 2017, 85% of the total workforce was represented by one of the three recognised unions: the National Union of Mineworkers (NUM) remains the dominant union with 59% of the total bargaining unit population (2016: 56%); AMCU has 20% membership (2016: 22%); and Solidarity has 17% (2016: 16%).

Further information on our activities in supporting employees – including details on promoting diversity, managing talent, engaging employees and investing in skills development – is provided in our Sustainability Report.

EMPLOYEE ENGAGEMENT AND SUPPORT: OUR 2017 PERFORMANCE

- ✓ Total full-time employee headcount of 5,875, with labour costs of R4.2 billion
- ✓ Successfully concluded a three-year wage agreement
- ✓ Industrial relations continue to be stable, with no work stoppages experienced since 2012
- ✓ Employee turnover rate of 4.37%, well below the 7.6% industry benchmark
- ✓ Invested R161.9 million on employee training and development (5.8% of Sishen payroll and 5.9% of Kolomela payroll)

CHIEF FINANCIAL OFFICER'S REVIEW

ENHANCING VALUE

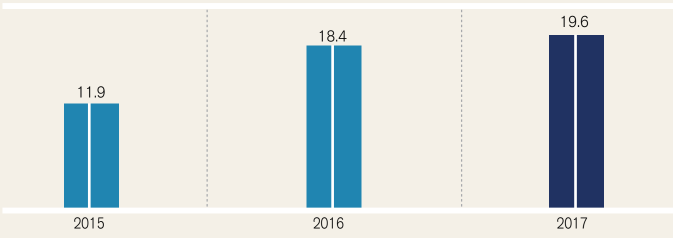
- **EBITDA of R19.6 billion, a 6% increase**
- **Attributable free cash flow of R12.3 billion, up 10%**
- **Headline earnings of R9.7 billion, R30.47 per share, a 12% increase**
- **An average realised FOB export price of US$71/tonne**
- **Final cash dividend of R15 per share, with total dividend of R30.97 per share**

BOTHWELL MAZARURA – CHIEF FINANCIAL OFFICER

EBITDA[1]

Rand billion

R19.6 billion

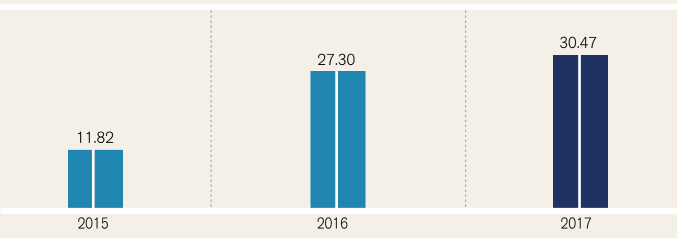


[1] Including discontinued operations, excluding impairment reversal/charge.

Headline earnings per share

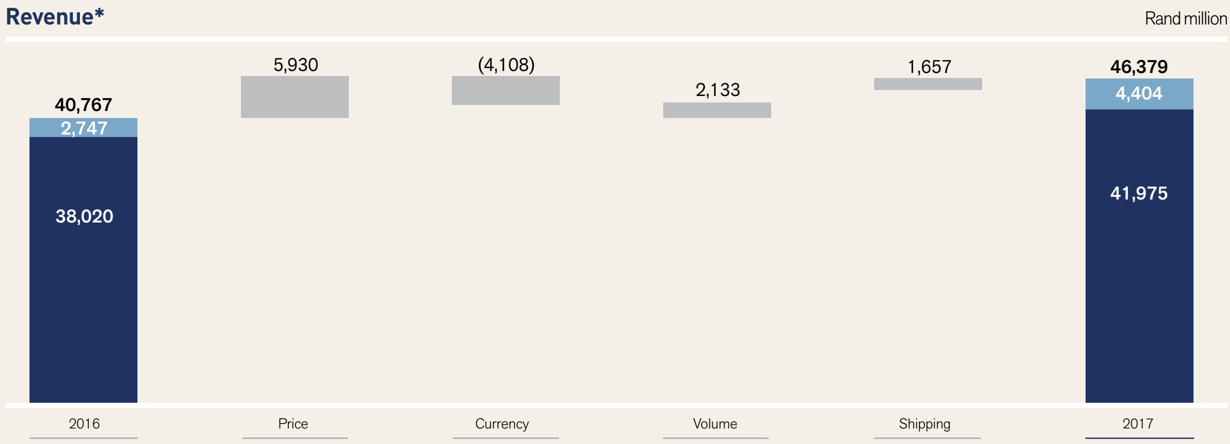
Rand per share

R30.47 per share



For the year ended 31 December 2017, Kumba reported a strong set of results underpinned by solid overall operational performance. Improvements in operational efficiencies and productivity drove the increased product volume which together with strict cost discipline had a positive impact on unit costs, and diluted the effects of cost escalation. The increased production also resulted in higher sales volumes, which coupled with higher realised FOB export prices for the year, led to revenue increasing by 14% over 2016 despite the impact of a stronger Rand. The subsequently higher profitability and stronger cash flow conversion allowed the business to provide for investment in growth, reinstate dividend payments and retain a resilient balance sheet.

REVENUE GROWTH FROM STRONGER PRICES AND HIGHER VOLUMES



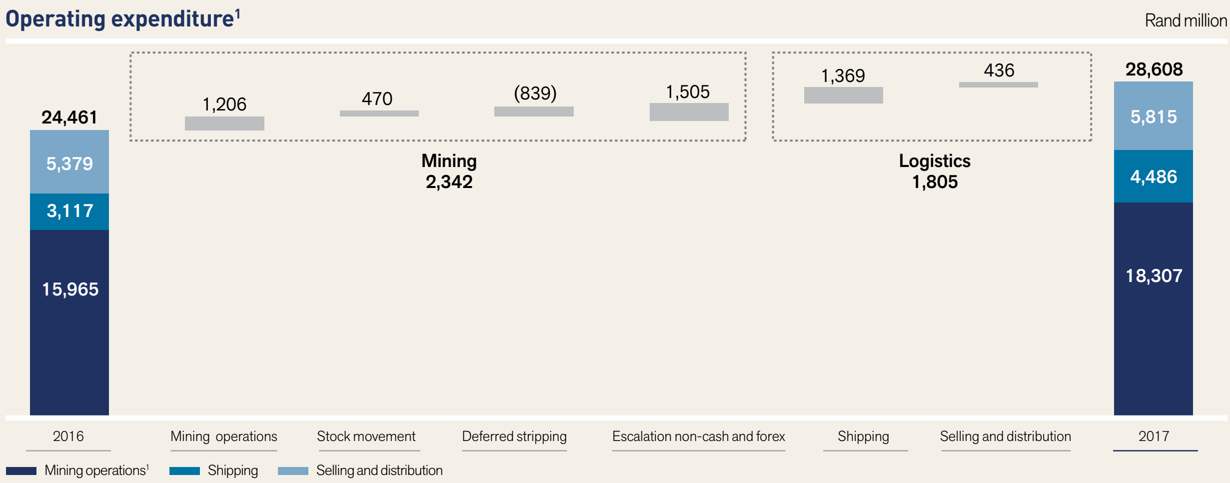
* Includes revenue from discontinued operations.

The group generated strong revenue growth of 14% to R46.4 billion, including R42 billion from mining and R4.4 billion from shipping operations. Growth was primarily driven by the 11% rise in average realised FOB export prices, the 2.4 Mt growth in total sales volumes, and revenue from shipping operations adding R1.7 billion. This was partially offset by the 9% strengthening of the Rand against the US Dollar which impacted revenue by R4.1 billion.

Higher production levels in 2017 resulted in a 7% increase in export sales to 41.6 Mt (including 0.6 Mt sourced from third-party producers). Export sales to China accounted for 63% of the Company's total exports, slightly down from 64% in 2016. Exports to Japan and South Korea remained at around 17% of the total, while sales to Europe and MENA increased to 18%.

Domestic sales of 3.3 Mt were 0.1 Mt lower than 2016, as a result of reduced ArcelorMittal SA off-take from Sishen. Sales to ArcelorMittal SA were made under the Export Parity Price in accordance with the supply agreement.

OPERATING EXPENDITURE DRIVEN BY VOLUME GROWTH



[1] Excluding mineral royalty and impairment reversal/charge.

Our performance

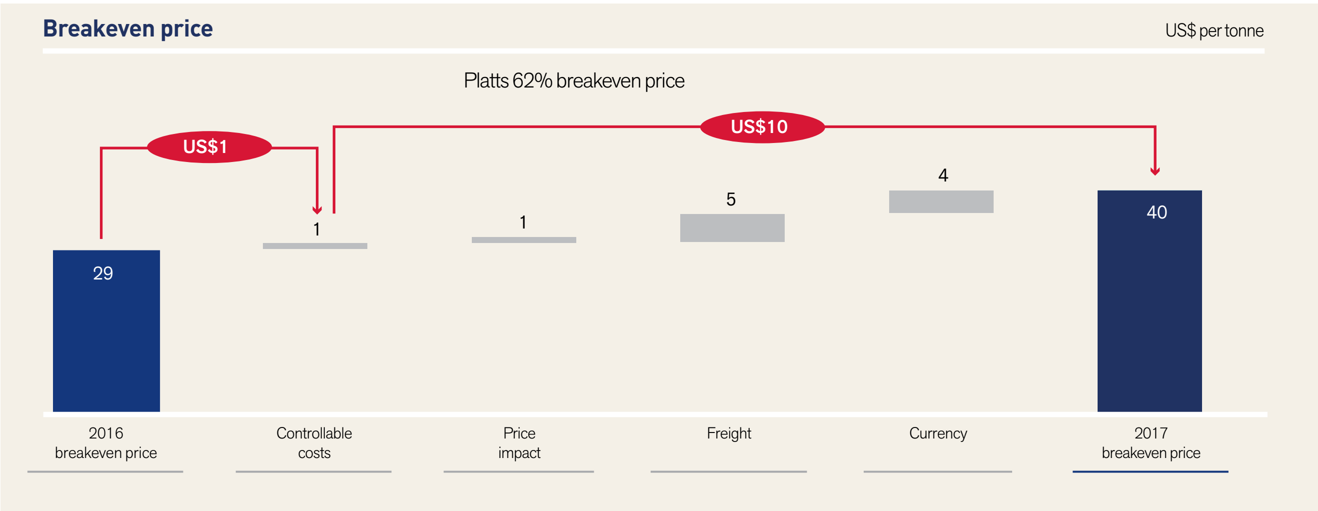
CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

Operating expenditure (excluding the reversal of the Sishen impairment) (please refer to page 51 for details on the impairment review) increased by 17% to R29.8 billion due to total mining and production volumes increasing by 12% and 8%, respectively, together with inflationary pressure on input costs. This was partially offset by savings in mining costs from improved productivity, a reduction in overhead costs and less input from mining contractors.

Selling and distribution costs increased 3% in real terms, driven by the 6% growth in sales volumes railed. Overall, higher freight costs of R1.4 billion were incurred due to the average Platts freight rate on the Saldanha-Qingdao route rising to US$12/tonne. Spot freight rates averaged US$11.54/tonne for 2017, a 66% increase from the US$6.95/tonne for 2016.

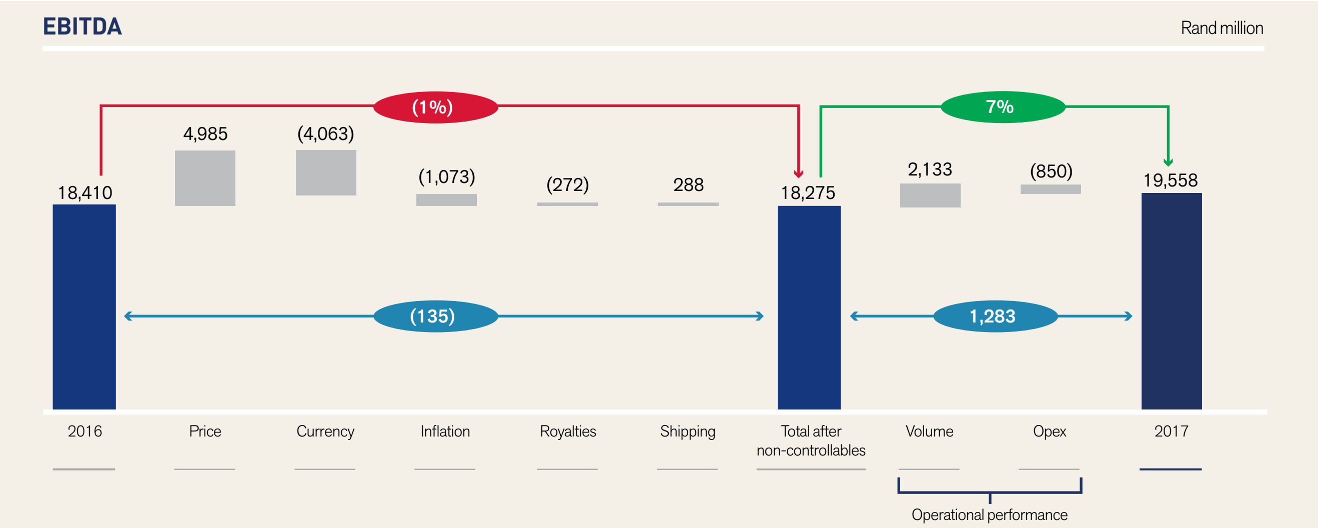
Cost savings were achieved through continued strict management of overheads and on-mine costs. This, together with higher production, resulted in unit costs remaining below the guidance given in July 2017.

BREAKEVEN PRICE INFLUENCED BY NON-CONTROLLABLES



Kumba achieved an average cash breakeven price of US$40/tonne (CFR China), US$11/tonne higher than the average of US$29/tonne for 2016. Increases in controllable costs were contained at US$1/tonne, as mining-related inflation and higher mining volumes from a rising stripping ratio were partially offset by production gains and operating efficiency improvements. Non-controllable costs rose by US$10/tonne as a result of lower market premiums (US$1/tonne), higher freight rates (US$5 tonne) and the stronger currency (US$4/tonne).

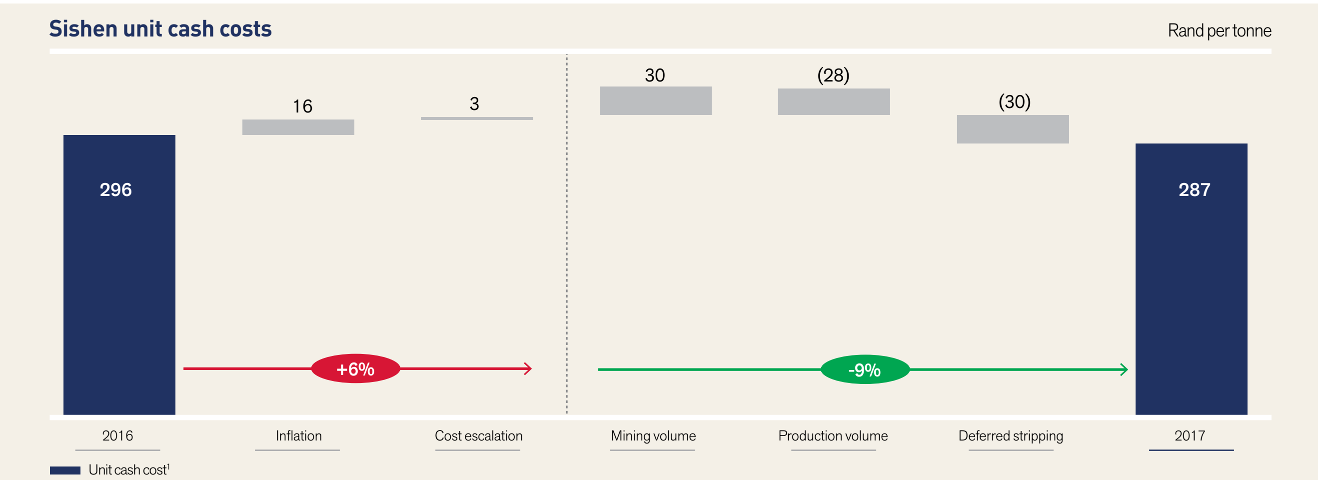
EBITDA IMPROVEMENT DUE TO EFFICIENCY AND PRODUCTIVITY GAINS



EBITDA of R19.6 billion was 6% higher, reflecting a 6% improvement in total sales volumes and an 11% increase in the average realised FOB export iron ore price to US$71/tonne (2016: US$64/tonne). This was partially offset by cost inflation, including higher freight rates and a stronger currency.

UNIT CASH COSTS CONTAINED

Sishen mine: improved unit cost through operating efficiencies



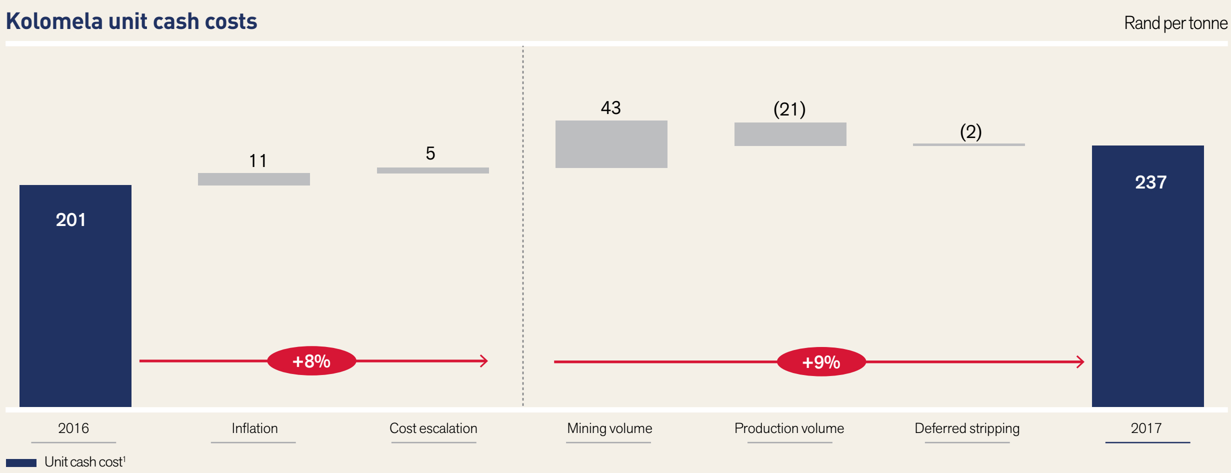
[1] Excluding impact of deferred stripping on unit costs: 2017 R30/tonne (2016: R3/tonne).

Sishen's unit cash costs improved, decreasing by 3% to R287/tonne (2016: R296/tonne) as a result of higher production volumes and cost savings from continued efficiencies in operations, partially offset by mining-related cost escalations and the higher stripping ratio of 4.3 (2016: 3.3) which increased waste volumes by 18% to 161.7 Mt for 2017.

For 2018 Kumba is aiming to keep Sishen's unit cash cost, net of capitalisation of deferred stripping, in the range of R295/tonne to R305/tonne.

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

Kolomela mine: unit cost driven by plant feedstock crushing costs



[1] Excluding impact of deferred stripping on unit costs: 2017 R18/tonne (2016: R18/tonne).

At Kolomela mine, unit cash costs increased by R36/tonne to R237/tonne (2016: R201/tonne). Higher mining volumes, above inflation increases in fuel prices and costs incurred for the crushing of feedstock material for the modular plant, all contributed to the increase in costs. While the modular plant costs will continue to be incurred in the future, this is now in the cost base.

For 2018, the target is to maintain Kolomela's unit cash cost, net of capitalisation of deferred stripping, in the range of R240/tonne to R250/tonne.

TAXATION

The amount of tax paid and Kumba's management of its tax affairs is a demonstration of the value of its contribution to government and the group's host communities.

The approach to tax is aligned with the principles of business integrity embedded in the Kumba Code of Conduct, our long-term business strategy and holding company Anglo American plc's vision, to be 'Partners in the Future'. Kumba supports the principles of transparency and active and constructive engagement with all stakeholders. Increased transparency allows host communities to understand the amount of income generated from mining activities in the region.

Kumba's approach to tax management includes the following:

- Respect for the law in each of the jurisdictions in which Kumba operates, complying with the legal obligation for tax, filing of tax returns on time with full and adequate disclosure of all relevant matters, and paying taxes timeously.
- Not taking an aggressive approach to tax management, which means that Kumba will only undertake transactions that are fully disclosed, and only consider transactions based on a strong underlying commercial motivation, and which are not (or appear to be) artificial or contrived.
- Conducting intragroup transactions on an arm's length basis and complying with the obligations under transfer pricing rules in the jurisdictions where Kumba operates. Transfer pricing reflects the commercial and economic substance of any related-party transactions, using a consistent approach within the group. Kumba ensures that taxable profits arise in the jurisdictions where the operations create value, and is compliant with local law and international best practice.
- Kumba does not use tax haven companies.
- All Kumba entities are tax residents in the countries in which the business operates.
- Kumba seeks to maintain a long-term, open and constructive relationship with tax authorities and government.

Tax risk management forms part of Kumba's overall risk management process and ensures compliance with applicable tax legislation. It also enables the Company to timeously identify and respond to legislative amendments and new taxes. This is in line with the tax authorities' objective of improving tax compliance and encouraging businesses to adopt best practice tax risk management processes.

Kumba's tax payments include corporate income tax, mineral royalties, value added tax (VAT) on purchases, duties on imports and exports, payroll taxes and dividend withholding taxes. The Company also pays a skills levy of 1% of employees' pay to the South African Revenue Service (SARS).

In terms of the Mineral and Petroleum Resources Royalty Act No 28 of 2008 and the Mineral and Petroleum Resources Royalty Administration Act No 29 of 2008, the specified condition for iron ore used to calculate the mineral royalty payable will be deemed to have been extracted at a 61.5% Fe. Kumba extracts iron ore below 61.5% Fe and this requires management to make certain judgements and estimates when determining the gross sales value of the ore extracted at the group's mines.

Tax is a significant element of Kumba's overall economic contribution to government and host communities. The following cash payments were made to the jurisdictions in which the group operates:

TOTAL TAX CONTRIBUTION BY CATEGORY

Rand million	2017	2016
Corporate income tax	5,883	3,363
Mineral royalties	1,160	1,014
Payroll tax	980	763
Skills levy	37	31
UIF	20	22
Total	**8,080**	5,193

CAPITAL EXPENDITURE SUPPORTS PRODUCTION TARGETS

Kumba's capital expenditure in 2017 was R3.1 billion (2016: R2.4 billion). This included expansion capex of R0.6 billion, largely from the Sishen modular plant (R0.3 billion) and the Dingleton relocation project (R0.3 billion), R1.3 billion from stay-in-business (SIB) activities and R1.2 billion in deferred stripping.

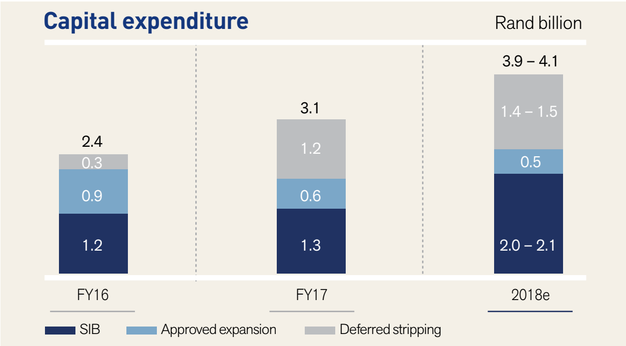
Capital expenditure for 2018, including deferred stripping, is expected to be in the range of between R3.9 billion and R4.1 billion. This will include capex to renew the mining fleet and the enhancement of infrastructure to support production targets, the finalisation of the Dingleton project, the completion of the second modular project and the planned acquisition of additional surface rights for the group's exploration programme.

Deferred stripping capitalised at Sishen is expected to increase to ~R1.2 billion, as mining activity continues in high waste strip areas.

Impairment review

Given the improved market conditions since 2015 when an impairment charge of R6 billion was recognised for Sishen mine, it was considered appropriate to reassess the mine's recoverable amount at 31 December 2017. Sishen has achieved improved levels of production and efficiencies. Additionally, while the long-term outlook for iron ore has remained broadly unchanged since 2015, the outlook for market conditions in the nearer term has improved. These factors have resulted in an increase in the recoverable amount for the mine to above its previous carrying value. In this context, the impairment charge previously recognised was reversed.

For information on the key assumptions applied in preparing the impairment calculation refer to page 52 of the AFS.



FINANCIAL RISK MANAGEMENT

Kumba is exposed to credit risk, liquidity risk and market risk (due to currency, interest rate and commodity price risk) from the use of financial instruments. These risks are monitored continuously by management as part of the oversight and risk management framework, while the Risk and Opportunities Committee oversees the process on behalf of the Board (for more information on the risk management process refer to page 28 of the report). Kumba in conjunction with Anglo American SA Finance Limited (AASAF), a subsidiary of the ultimate holding company, provides a treasury function to the group that coordinates access to domestic and international financial markets and manages the financial risks relating to Kumba's operations. To mitigate credit risk, the credit ratings of all counterparties are continuously monitored and exposure is diversified among high-quality financial institutions with acceptable daily settlement limits. The group also relies on letters of credit from acceptable banks to limit the risk of financial loss from our customers.

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

For exposure to foreign currency movements it is group policy to only use derivatives for hedging purposes and not to engage in speculative transactions. Hedging is conducted in limited circumstances and in strict compliance with the Company's treasury risk policy. For interest rate risk it is policy to borrow at floating rates and to manage the risk by minimising the after-tax cost of debt for the group and for fixed rate debt approval from the Board is required. The Company's earnings are also exposed to commodity price risk and certain of our sales are provisionally priced. Thus the selling price is determined between 30 and 180 days after delivery to the customer and is based on quoted market prices stipulated in the contract, resulting in these sales being susceptible to future price movements. In 2015, Kumba started entering into iron ore swap contracts and iron ore futures contracts to manage commodity price risk. These derivatives allow Kumba to more closely align prices achieved from sales transactions with reference prices set by the group. For more detailed information please refer to the AFS pages 75 to 81 for detailed disclosure on financial risk management.

For liquidity risk, the objective is to maintain adequate cash and credit facilities to meet all short-term obligations and to ensure that the group can meet all known forecast strategic commitments using the appropriate debt instruments.

In light of the volatile iron ore prices and continued uncertainty over the long term, Kumba reviewed its approach to capital allocation. The revised approach ensures that a robust balance sheet is maintained to provide resilience during times of volatility, and will also enable the Company to take advantage of opportunities when they arise. The Company does not use debt as a cushion for margin stress brought on by market volatility. The intention is for capital expenditure to be funded from cash generated from operations.

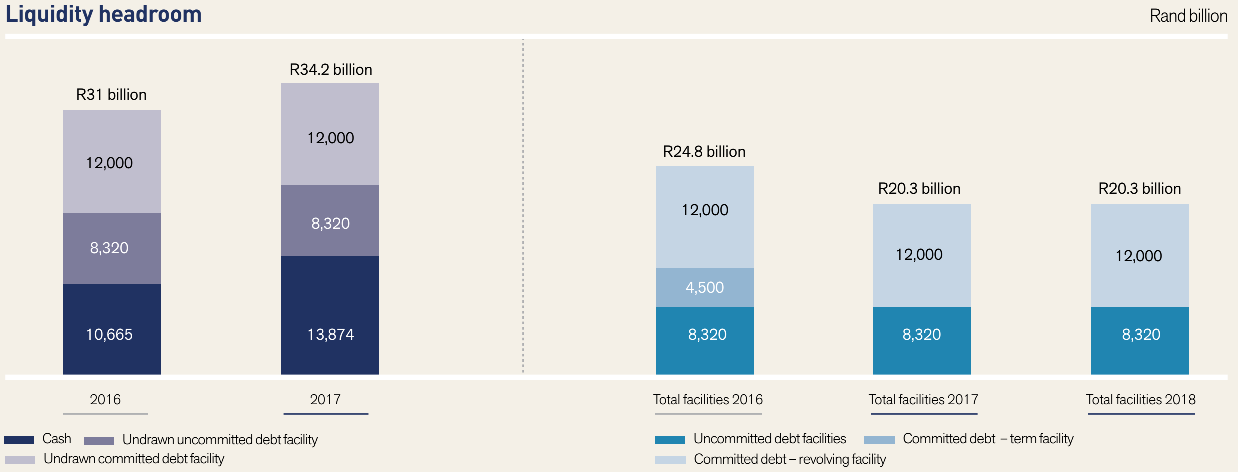
There remains an appetite for moderate gearing in the event of an attractive merger or acquisition opportunity. We return excess capital to shareholders unless there are compelling value-accretive opportunities for investment.

CASH GENERATION AND LIQUIDITY

During the year Kumba made excellent progress in cash conversion and the group ended 2017 with net cash of R13.9 billion, compared to a net cash position of R6.2 billion in 2016. Increased profitability due to higher iron ore prices and increased sales volumes contributed to the group's cash generating ability. Cash generated amounted to R22.4 billion, 30% higher than in 2016 (R17.2 billion). The cash was used to pay income tax of R5.9 billion (2016: R3.4 billion), mineral royalties of R1.2 billion (2016: R1 billion), capex of R3.1 billion (2016: R2.4 billion), repay borrowings of R4.5 billion (2016: R3.7 billion) and dividends to shareholders amounting to R6.7 billion (2016: Rnil).

Total committed facilities of R12 billion (revolving facility) mature in 2020. Financial guarantees issued in favour of the DMR in respect of environmental closure liabilities were R2.8 billion. The annual revision of closure costs reflected a further shortfall of R216 million in respect of the rehabilitation of the Thabazimbi mine. Guarantees for the shortfall will be issued in due course.

Liquidity headroom



SHAREHOLDER RETURNS

Kumba's share price continued to recover significantly during the year from R159 at 31 December 2016 to end the year at R379, gaining the accolade of best performing share on the JSE. The share price history since listing is presented below. Dividends were reinstated during 2017, resulting in a final cash dividend of R15.00 per share with a total dividend for 2017 at R30.97 per share.

Kumba closing share price

CHANGE IN ESTIMATES

The measurement of the environmental rehabilitation and decommissioning provisions are a key area requiring management's judgement. The closure provisions are measured at the present value of the expected future cash flows required to perform the rehabilitation and decommissioning. This calculation requires the use of certain estimates and assumptions when determining the amount and timing of the future cash flows and the discount rate. The closure provisions are updated at each balance sheet date for changes in these estimates. The life-of-mine (LoM) plan on which accounting estimates are based only includes proved and probable ore reserves as disclosed in Kumba's annual ore reserves and mineral resources statement.

The most significant changes in the provision for 2017 arise from the change in the LoM plan as well as the timing of the expected cash flows for both Sishen and Kolomela mine. The effect of the change in estimate, which was applied prospectively from 1 January 2017, is detailed below:

Rand million	Audited 31 December 2017
Increase in environmental rehabilitation provision	77
Decrease in decommissioning provision	(199)
Increase in profit attributable to the owners of Kumba	42
Rand per share	
Effect on earnings per share attributable to the owners of Kumba	0.13

The change in estimate in the decommissioning provision has been capitalised to the related property, plant and equipment and as a result had a significant effect on profit or earnings per share.

TRANSFORMATION TO FULL POTENTIAL

Kumba continued to achieve excellent operational and financial performance during 2017, but the Company remains sensitive to the volatility in the iron ore export prices and the fluctuation in the Rand/US$ exchange rate, both outside of the group's control. As set out on page 36 management is aware that more can be done to realise the full potential of the assets. By building on the strong 2017 results, the next steps have been identified to ensure the long-term sustainability of Kumba and to maximise value for all stakeholders.

The finance team will support the strategic direction of the business by focusing on four key areas:

- Dealing with the structural cost challenges and extracting additional margin through the entire value chain.
- Maintaining strict cost stewardship across the business.
- Ensuring free cash flow generation after sustaining capex and maintaining a robust balance sheet.
- Capital allocation that will sustain and grow core assets and return excess capital to shareholders, unless we see value-accretive opportunities for investment become available.

I would like to conclude by thanking all my colleagues in the finance team for their support and their efforts in producing a world-class report.

Thank you to our shareholders for your support and confidence in us, and to our stakeholders for the awards and your acknowledgement of Kumba's high standards in integrated reporting.

Bothwell Mazarura
Chief financial officer

8 March 2018

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December

Rand million	Audited 31 December 2017	Audited 31 December 2016
ASSETS		
Property, plant and equipment	**36,833**	32,131
Biological assets	**3**	2
Investments held by environmental trust	**627**	559
Long-term prepayments and other receivables	**211**	84
Deferred tax assets	**72**	87
Inventories	**2,841**	2,889
Non-current assets	**40,587**	35,752
Inventories	**4,061**	4,604
Trade and other receivables	**2,709**	5,253
Cash and cash equivalents	**13,874**	10,665
Current assets	**20,644**	20,552
Assets of disposal group classified as held for sale	**1,235**	938
Total assets	**62,466**	57,212
EQUITY		
Shareholders' equity	**34,769**	27,850
Non-controlling interest	**10,777**	8,686
Total equity	**45,546**	36,536
LIABILITIES		
Interest-bearing borrowings	**–**	4,500
Provisions	**1,860**	1,967
Deferred tax liabilities	**8,860**	7,462
Non-current liabilities	**10,720**	13,929
Provisions	**147**	164
Trade and other payables	**4,945**	3,741
Current tax liabilities	**59**	1,906
Current liabilities	**5,151**	5,811
Liabilities of disposal group classified as held for sale	**1,049**	936
Total liabilities	**16,920**	20,676
Total equity and liabilities	**62,466**	57,212

NATURAL RESOURCES

These investments may only be utilised for the purposes of settling decommissioning and rehabilitation obligations. Investments for Thabazimbi mine shown as part of assets of disposal group held for sale.

MANUFACTURED ASSETS

Disposal group held for sale

As previously reported, SIOC and ArcelorMittal SA have entered into an agreement to transfer Thabazimbi mine, together with the mining right, to ArcelorMittal SA, which is expected to become effective in 2018, subject to certain conditions. The identified assets and liabilities of Thabazimbi mine will be transferred at a nominal purchase consideration plus the assumed liabilities. If these conditions are not satisfied by 31 March 2018 (or a later date agreed to between the parties), the agreement will lapse and SIOC will proceed with the closure of the mine.

The requirements of IFRS 5 have been considered and as a result, the Thabazimbi mine assets and related liabilities that will transfer to ArcelorMittal SA to be presented as part of non-current assets held for sale as at 31 December 2017.

FINANCIAL CAPITAL

Kumba ended 2017 with net cash of R13.9 billion.

Total debt facilities at year end amounted to R20.3 billion, all of which was undrawn at 31 December 2017.

The group's committed debt facilities of R12 billion (revolving facility) mature in 2020. The group also had undrawn uncommitted facilities of R8.3 billion at 31 December 2017.

Kumba was not in breach of any of its financial covenants during the year.

MANUFACTURED ASSETS

The group's working capital position remains healthy, ensuring sufficient reserve to cover short-term positions. Net working capital decreased by R4.3 billion from 31 December 2016 to R1.8 billion. This decrease is mainly due to a decrease in trade receivables of R2.5 billion, due to higher collections in December 2017 compared to the previous year.

FINANCIAL CAPITAL

The group has issued financial guarantees in favour of the DMR in respect of its environmental rehabilitation and decommissioning obligations to the value of R2.8 billion (2016: R2.8 billion).

Included in this amount are financial guarantees for the environmental rehabilitation and decommissioning obligations of the group in respect of Thabazimbi mine of R439 million (2016: R439 million). ArcelorMittal SA has guaranteed R439 million of this amount by means of bank guarantees issued in favour of SIOC. As a result of the annual revision of closure costs a further shortfall of R216 million arose in respect of the rehabilitation of the Thabazimbi mine. Guarantees for the shortfall will be issued in due course.

NATURAL RESOURCES

The total rehabilitation and decommissioning provision of the group was R1.95 billion at the end of 2017 (2016: R1.9 billion). The measurement of this provision is a key area where management's judgement is required. The closure provisions are updated at each balance sheet date for change in future cash flows and the discount rate. The LoM plan on which accounting estimates are based only included proved and probable ore reserves as disclosed in the ORMR. This resulted in an insignificant increase in these provisions.

SUMMARISED CONSOLIDATED STATEMENT OF PROFIT AND LOSS for the year ended 31 December

Rand million	Audited 31 December 2017	Audited 31 December 2016
Revenue	46,379	40,155
Operating expenses	(24,989)	(24,881)
Operating profit	21,390	15,274
Finance income	637	295
Finance costs	(339)	(496)
Share of profit from equity-accounted joint venture	–	2
Profit before taxation	21,688	15,075
Taxation	(5,481)	(3,934)
Profit for the year from continuing operations	16,207	11,141
Discontinued operation		
(Loss)/profit from discontinued operation	(74)	3
Profit for the year	16,133	11,144
Attributable to:		
Owners of Kumba	12,335	8,621
Non-controlling interests	3,798	2,523
	16,133	11,144
Basic earnings/(loss) per share attributable to the ordinary equity holders of Kumba (Rand per share)		
From continuing operations	38.86	26.97
From discontinued operation	(0.23)	0.01
Total basic earnings per share	38.63	26.98

NATURAL RESOURCES

The group's total revenue increased by 14%, mainly as a result of the increase in the average realised FOB iron ore prices to US$71/tonne and 2.4 Mt higher export sales volumes offset to an extent by 9% stronger average Rand/US$ exchange rate.

MANUFACTURED ASSETS

Operating expenditure (excluding the reversal of the Sishen impairment) increased by 17% to R29.8 billion compared to R25.4 billion in 2016. This increase can be attributed to:
- A 12% increase in total mining volumes
- An 8% increase in production volumes and inflationary pressure on input costs
- Partially offset by savings in mining costs from productivity measures, reduction in overhead costs and less use of mining contractors

Unit cash costs at Sishen mine were R287/tonne, 3% lower than the R296/tonne of 2016, mainly driven by higher production volumes and cost savings, partially offset by mining-related cost escalations and the higher stripping ratio of 4.3 which increased waste volumes by 18%.

Kolomela mine incurred unit cash costs of R237/tonne (2016: R201 tonne), a 17% increase, in line with expectations. Higher mining volumes, above inflationary pressures form higher fuel prices and costs incurred for the crushing of feedstock material for the modular plant were the main contributors.

MANUFACTURED ASSETS AND NATURAL RESOURCES

Operating profit of R16.6 billion (excluding the reversal of the impairment) increased by 9% (2016: R15.3 billion), mainly due to the 11% increase in average realised iron ore price to US$71/tonne and 6% higher total sales volumes, partially offset by the 12% increase in mining volumes, 8% increase in production volumes and inflationary pressure on input costs.

TAXATION

The group's effective tax rate decreased slightly to 25% (2016: 26%).

SEGMENT ANALYSIS (Rand million)

	Products[1]			Services		Other	Total[3]
	Sishen mine	Kolomela mine	Thabazimbi mine	Logistics[2]	Shipping operations		
Audited year ended 31 December 2017							
Revenue from external customers	30,252	11,723	–	–	4,404	–	46,379
EBITDA	18,842	7,481	(56)	(5,806)	(83)	(820)	19,558
Depreciation	1,934	1,001	13	9	–	70	3,027
Staff costs	2,523	849	–	41	–	771	4,184
Impairment reversal	(4,789)	–	–	–	–	–	(4,789)
Audited year ended 31 December 2016							
Revenue from external customers	26,644	10,764	612	–	2,747	–	40,767
EBITDA	16,186	7,481	47	(5,370)	(370)	436	18,410
Depreciation	1,992	943	2	9	–	145	3,091
Staff costs	3,045	738	62	29	–	717	4,591
Impairment charge	–	–	4	–	–	–	4

[1] Derived from extraction, production and selling of iron ore.
[2] No revenue is reported for this segment as its performance is viewed with reference to volumes railed and rail tariffs.
[3] The segment information above includes the results of Thabazimbi and therefore differs from the information presented in the statement of profit and loss.

Our performance

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended

Rand million	**Audited 31 December 2017**	Audited 31 December 2016
Total equity at the beginning of the year	**36,536**	25,167
Changes in share capital and premium		
Treasury shares issued to employees under employee share incentive schemes	**121**	197
Purchase of treasury shares[1]	**(61)**	(180)
Changes in reserves		
Equity-settled share-based payment	**135**	513
Vesting of shares under employee share incentive schemes	**(121)**	(197)
Total comprehensive income for the year	**11,989**	8,442
Dividends paid	**(5,144)**	–
Changes in non-controlling interest		
Total comprehensive income for the year	**3,690**	2,469
Dividends paid	**(1,599)**	–
Equity-settled share-based payment	**–**	125
Total equity at the end of the year	**45,546**	36,536
Comprising		
Share capital and premium (net of treasury shares)	**(54)**	(114)
Equity-settled share-based payment reserve	**186**	172
Foreign currency translation reserve	**916**	1,262
Retained earnings	**33,721**	26,530
Shareholders' equity	**34,769**	27,850
Attributable to the owners of Kumba	**34,769**	27,850
Attributable to non-controlling interest	**–**	–
Non-controlling interest	**10,777**	8,686
Total equity	**45,546**	36,536
Dividend (Rand per share)		
Interim	**15.97**	–
Final[2]	**15.00**	–

[1] The average price paid for the purchase of shares was R214.77 per share (2016: R83.90).
[2] The final dividend was declared after 31 December 2017 and has not been recognised as a liability in these summarised financial statements. It will be recognised in shareholders' equity in 2018.

FINANCIAL CAPITAL

Total shares in issue were 322,085,974 (2016: 322,085,974) and treasury shares held were 2,626,977 (2016: 2,797,627). All treasury shares are held as conditional awards under the Kumba bonus share plan.

SUMMARISED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended

Rand million	**Audited 31 December 2017**	Audited 31 December 2016
Profit for the year	**16,133**	11,144
Other comprehensive income for the year	**(454)**	(233)
Exchange differences on translation of foreign operations[1]	**(454)**	(233)
Total comprehensive income for the year	**15,679**	10,911
Attributable to:		
Owners of Kumba	**11,989**	8,442
Non-controlling interest	**3,690**	2,469
	15,679	10,911

[1] There is no tax attributable to items included in other comprehensive income and items subsequently reclassified to profit or loss.

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended

Rand million	Audited 31 December 2017	Audited 31 December 2016
Cash generated from operations	**22,432**	17,218
Income from investments	**–**	2
Net finance income/(cost)	**461**	(319)
Taxation paid	**(5,883)**	(3,363)
Cash flows from operating activities	**17,010**	13,538
Additions to property, plant and equipment	**(3,074)**	(2,353)
Proceeds from the disposal of property, plant and equipment	**27**	9
Cash flows utilised in investing activities	**(3,047)**	(2,344)
Purchase of treasury shares	**(61)**	(180)
Dividends paid to owners of Kumba	**(5,144)**	–
Dividends paid to non-controlling shareholders	**(1,599)**	–
Net interest-bearing borrowings repaid	**(4,500)**	(3,705)
Cash flows utilised in financing activities	**(11,304)**	(3,885)
Net increase in cash and cash equivalents	**2,659**	7,309
Cash and cash equivalents at the beginning of the year	**10,665**	3,601
Foreign currency exchange loss/(gain) on cash and cash equivalents	**550**	(245)
Cash and cash equivalents at the end of the year	**13,874**	10,665

HEADLINE EARNINGS

for the year ended

Rand million	Audited 31 December 2017	Audited 31 December 2016
Reconciliation of headline earnings		
Profit attributable to owners of Kumba	**12,335**	8,621
Impairment (reversal)/charge	**(4,789)**	4
Net loss on disposal and scrapping of property, plant and equipment	**63**	186
	7,609	8,811
Taxation effect of adjustments	**1,309**	(54)
Non-controlling interest in adjustments	**810**	(33)
Headline earnings	**9,728**	8,724
Headline earnings (Rand per share)		
Basic	**30.47**	27.30
Diluted	**30.26**	27.16

FINANCIAL CAPITAL

The group's cash generated from operations increased 30% to R22.4 billion compared to R17.2 billion in 2016. The cash was used to pay income tax of R5.9 billion (2016: R3.4 billion), mineral royalties of R1.2 billion (2016: R1.0 billion) and R4.0 billion (2016: R3.9 billion) paid to employees in salaries and wages. Dividends were reinstated and a total of R6.7 billion (R5.1 billion to owners of Kumba and R1.6 billion to non-controlling shareholders) was paid out.

In 2017 R3.1 billion (2016: R2.4 billion) was spent on capital and R4.5 billion (2016: R3.7 billion) was used to repay debt.

REGULATORY UPDATE

The Reviewed Mining Charter (MC III)

On 15 June 2017, the South African Department of Mineral Resources (DMR) published its Reviewed Mining Charter 2017 (MC III). Kumba expressed its concern that the MC III was not concluded through agreement between the DMR and all relevant stakeholders.

Kumba is supportive of the legal action followed by the Chamber of Mines, with the ultimate objective of arriving at a negotiated solution that is practical to implement, and which preserves and enhances investment in what is a critically important industry for South Africa.

Kumba welcomed the intervention by the office of the President of the Republic of South Africa and the Chamber of Mines, and the DMR has agreed to postpone the commencement of the review application to afford all parties an opportunity to revisit the Mining Charter.

Sishen consolidated mining right granted

Sishen's application to extend the mining right by the inclusion of the adjacent prospecting rights was granted on 6 July 2017 and the process to amend the Sishen mining right continues. Mining operations in this area will only commence once the required environmental authorisation has been approved, which is expected soon. The grant allows Sishen mine to expand its current mining operations within the adjacent Dingleton area.

OPERATIONAL PERFORMANCE

All operational targets exceeded through improved operating efficiencies

ABOUT SISHEN MINE

Sishen mine is our flagship operation, producing around 69% of our annual iron ore production. Located close to the town of Kathu in the Northern Cape province, the mine has been in operation since 1953 and is one of the largest single open-pit mines in the world. All our mined ore is transported to the beneficiation plant where it is crushed, screened and beneficiated. We are the only haematite ore producer in the world to fully beneficiate its product, made possible through our dense medium separation (DMS) and jig technology. At year end, the mine had 4,194 permanent full-time employees and 3,112 full-time contractors.

OUR STRATEGIC PURPOSE

To deliver waste of 170 to 180 Mt in 2018, ensuring sustainable zero-harm production of 30 to 31 Mtpa through an empowered workforce, while improving productivity.

Sishen mine

STRATEGIC FOCUS AREAS

Where to play

- Elimination of fatalities through a culture of zero harm
- Extend life of current mines

How to win

- Sustainably operate mines at lower unit cash costs
- Use technology to extract maximum value from our ore
- Unlock full infrastructure potential
- Implement the Operating Model

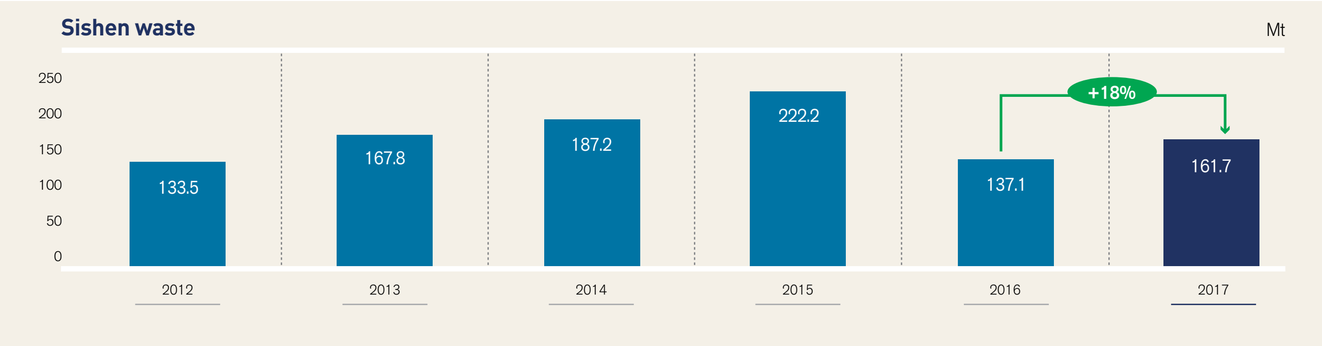
SISHEN PERFORMANCE SUMMARY

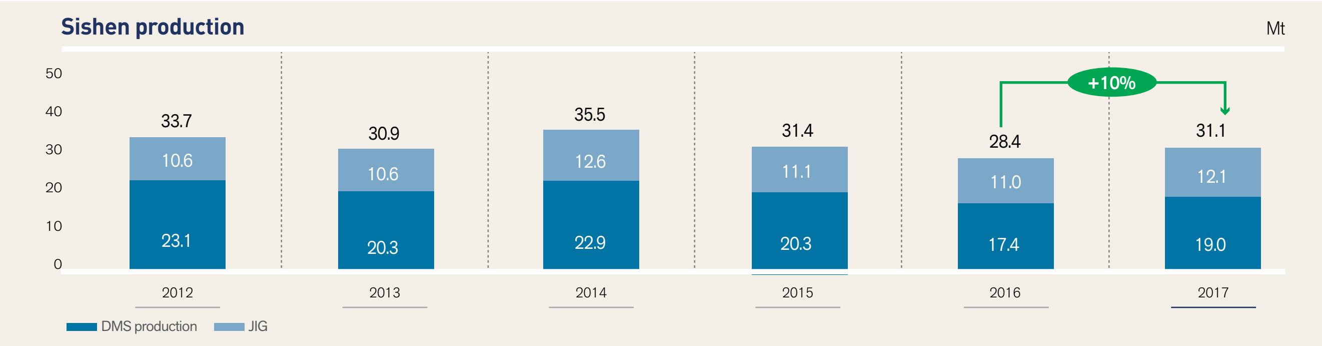
Following the recent reconfiguration of the Sishen pit to a lower-cost shell configuration, our focus this year has been on delivering on the turnaround plan to sustainably produce ~30 Mt per annum. This year saw valuable increases in production and waste levels, underpinned by improved productivity levels and a pleasing improvement in safety performance.

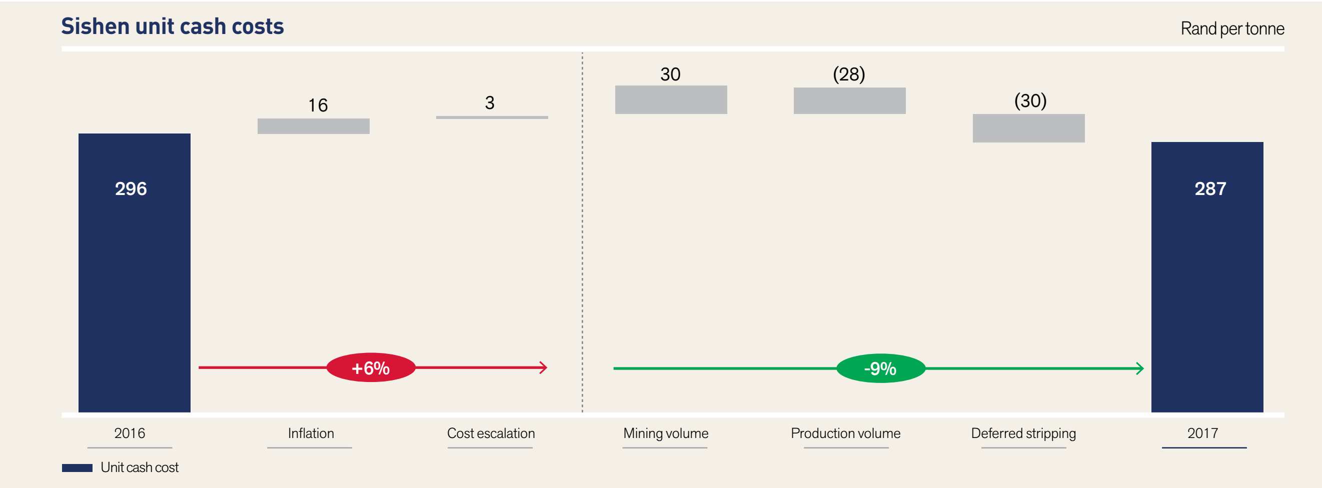
- **Lost-time injury frequency rate (LTIFR) of 0.16 (2016: 0.25), with zero fatalities (2016: one)** ✓
- **Waste removal of 161.7 Mt, up 24.6 Mt on 2016 levels, reflecting improved productivity** ✓
- **Production of 31.1 Mt, up 2.7 Mt on 2016 levels, due to the new mine plan, Operating Model and significant fleet productivity gains** ✓
- **Unit costs of R287/tonne: R9/tonne down on 2016, driven by higher production volumes and costs savings from continued improvements in operating efficiencies** ✓
- **Direct operating hours increased 31%** ✓
- **62% productivity improvement on Sishen fleet** ✓
- **R13 million investment in social and community projects, up R1.6 million on 2016** ✓
- **ISO 14001, ISO 9001, OHSAS 18001 certified** ✓

OUTLOOK

- LoM stripping ratio of ~4 over the LoM as the major cut backs progress to expose ore
- Waste performance anticipated to increase to ~170 Mt to 180 Mt in 2018
- Reserve life reduced to 13 years (from 17 years in 2016), as a result of the productivity improvements built into the updated LoM plan
- Second modular plant is in implementation and expected to be commissioned in 2018, producing ~0.6 Mtpa with a cost of about R400 million
- Upgrade of the Sishen DMS to UHDMS continuing
- Strong focus on delivering on efficiency improvement plans and reducing unit costs
- Negotiations continuing with 14 remaining Dingleton homeowners
- Plans in place to mitigate the potential impact of any unseasonably high rainfall







Our performance

OPERATIONAL PERFORMANCE CONTINUED

Another year of strong performance underpinned by enhanced efficiencies

ABOUT KOLOMELA MINE

Kolomela mine is our newest operation, beginning production in 2011, ahead of schedule and on budget. Situated near the town of Postmasburg in the Northern Cape province, the mine produces lump ore with excellent physical strength that allows us to meet a niche demand. The mine produces above the original name-plate capacity of 9 Mtpa and with improved efficiencies will deliver ~14 Mtpa over the reserve life. Kolomela was the first mine to successfully introduce automated drilling technology. At year end, the mine had 1,324 permanent full-time employees and 1,178 full-time contractors.

OUR STRATEGIC PURPOSE

Successfully operating a zero-harm and attractive mine, positioned for growth.

Kolomela mine

STRATEGIC FOCUS AREAS

Where to play

- Elimination of fatalities through a culture of zero harm
- Extend life of current mines

How to win

- Sustainably operate mines at lower unit cash costs
- Use technology to extract maximum value from our ore
- Unlock full infrastructure potential
- Implement the Operating Model

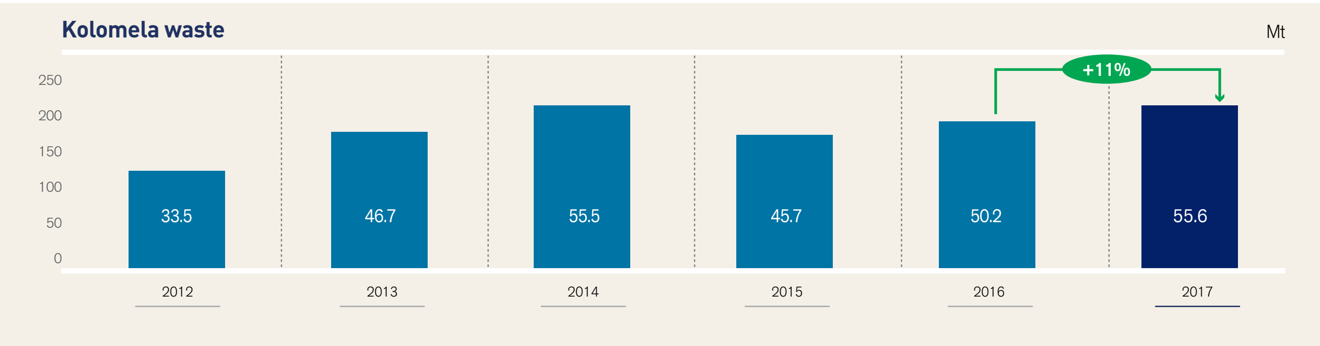
KOLOMELA PERFORMANCE SUMMARY

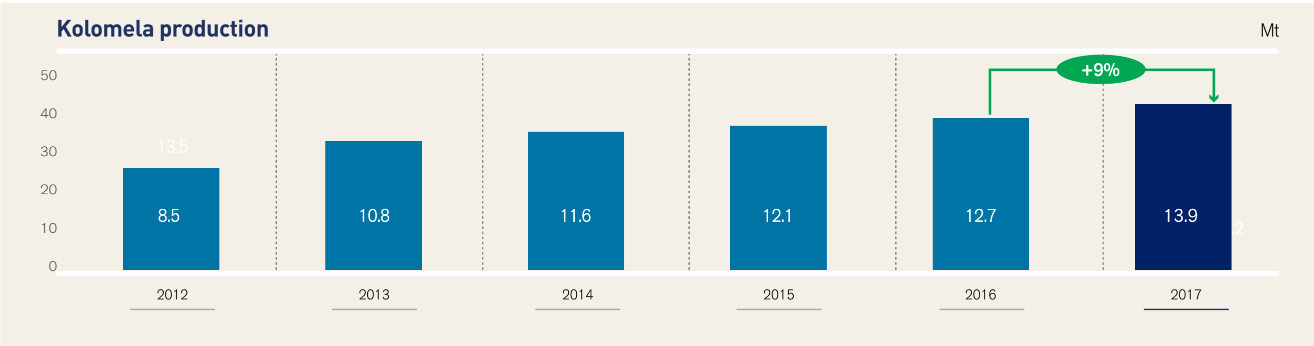
Revised mining plans, including deferral of mining at one of three pits, have been implemented. Mining to be concentrated on two primary pits with the third pre-stripped pit rephased to around 2019.

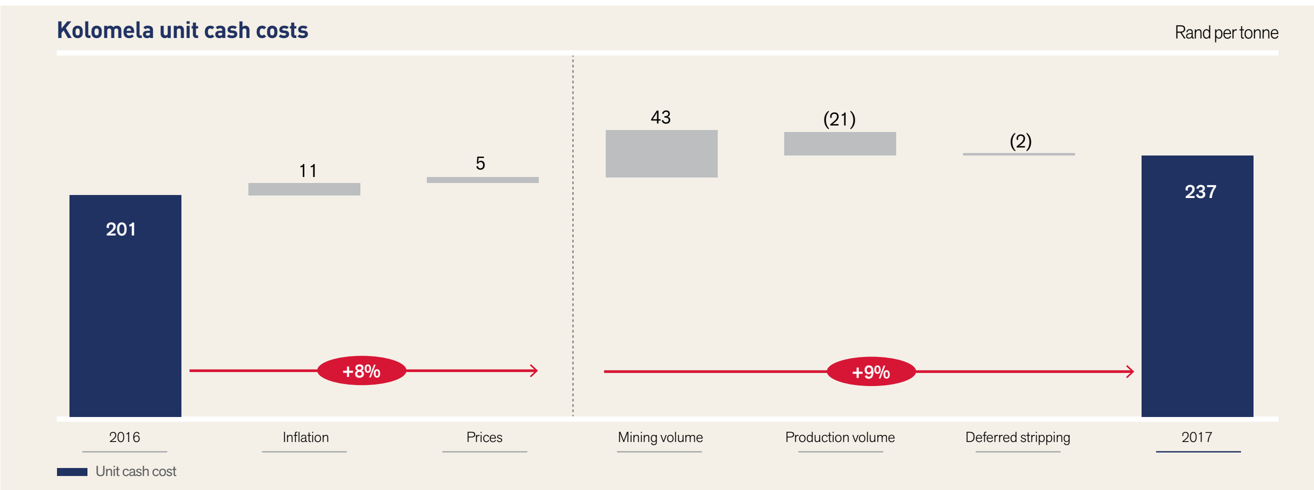
- **Lost-time injury frequency rate (LTIFR) of 0.26 (2016: 0.48), with zero fatalities (2016: one) and a record 154 injury-free days** ✓
- **Waste volumes of 55.6 Mt, 5.4 Mt higher than 2016 levels, with run rates remaining according to plan, with stripping ratio of 3.4** ✓
- **Production of 13.9 Mt, 1.2 Mt up on 2016 levels, despite negative impact of unseasonably heavy rains in Q1** ✓
- **Truck direct operating hours increased 28% to 16.5 hours per day in the second half of 2017** ✓
- **R21.6 million investment in social and community projects up on 2016** ✓
- **ISO 14001, ISO 9001 certified; OHSAS 18001 compliant** ✓
- **Unit costs of R237/tonne were R36/tonne higher than 2016, in line with expectations, largely due to higher mining volumes, above inflationary pressures from higher fuel prices and costs incurred for the crushing of feedstock material for the modular plant** =

OUTLOOK

- Waste mining is expected to be in the range of ~55 Mt to 57 Mt in 2018, with a stripping ratio of ~4 over the LoM
- Reserve life reduced to 14 years (from 18 years in 2016), following a more stringent resource-to-reserve conversion approach
- Expected production for 2018 is ~14 Mtpa, with further improvements in plant efficiency and throughput rates delivered through the Operating Model and technology initiatives
- Ramp up of DMS modular plant is expected to be completed in 2018, contributing 0.6 Mtpa
- Strong focus on delivering on efficiency improvement plans and reducing unit costs
- Plans in place to mitigate the potential impact of any unseasonably high rainfall







OPERATIONAL PERFORMANCE CONTINUED

Volume railed hampered by Transnet rail performance

ABOUT SALDANHA BAY RAIL AND PORT

Located in Saldanha Bay in the Western Cape province, the Saldanha Bay port is owned and operated by Transnet, a state-owned entity. The port is connected to Sishen and Kolomela mines by Transnet's Sishen/Kolomela-Saldanha iron ore export channel (IOEC) railway line. Iron ore is exported from the port to markets in the Asia-Pacific, Europe and the Middle East and North Africa.

OUR STRATEGIC PURPOSE

Successfully focusing on improved blending strategies in Saldanha Port, striving to further improve the quality consistency of our products.

Saldanha bay rail and port

STRATEGIC FOCUS AREAS

Key enabler

- Elimination of fatalities through a culture of zero harm
- Reinforce our reputation for product quality and consistency
- Align marketing and operational activities
- Proactively engage with key stakeholders

How to win

- Unlock full infrastructure potential

Where to play

- Compete through premium products

SALDANHA BAY RAIL AND PORT PERFORMANCE SUMMARY

42.0 Mt railed to Saldanha Bay port, up 2.2 Mt on 2016 despite derailments and severe weather disruptions ✓

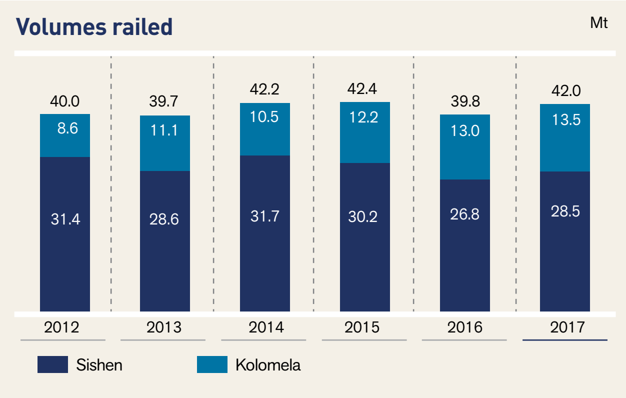
41.6 Mt shipped from Saldanha port, 2.9 Mt up on 2016 ✓

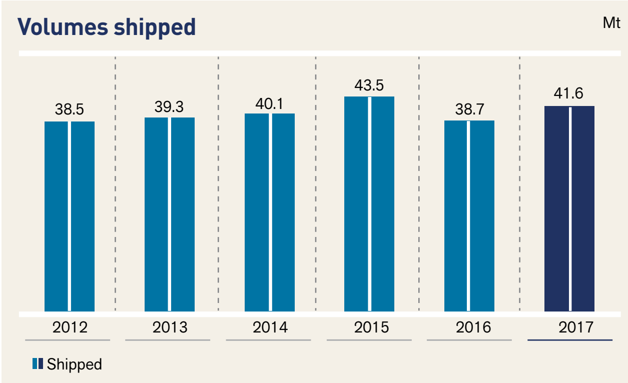
Export sales of 41.6 Mt, 2.5 Mt up on 2016 ✓

Averaged 24.2 trains per week over the year, a slight increase compared to 2016 (23 trains per week) ✓

OUTLOOK

- Total sales are expected to be between 44 Mt and 45 Mt in 2018
- A priority challenge is to manage the current high opening stock levels at Sishen and Kolomela
- Fruitful discussions with Transnet to ensure rail capacity for 2018 will be met
- Transnet has committed to replace the derailed wagons and will be commissioning a significant amount of new wagons in Q2 of 2018
- We are working closely with Transnet and providing technical assistance to investigate and mitigate the various causes of the derailments





UPDATE ON THE THABAZIMBI TRANSFER TO ARCELORMITTAL SA

SIOC and ArcelorMittal SA announced in 2016 that they had entered into an agreement to transfer Thabazimbi mine to ArcelorMittal SA, subject to the fulfilment of certain conditions. As the DMR has not yet issued the section 11 approval, the deadline has been extended to 31 March 2018. The agreement is expected to become effective in the second half of 2018, at which time the employees, assets and liabilities will transfer to ArcelorMittal SA at a nominal purchase consideration plus the assumed liabilities of which 97% is already ArcelorMittal SA's contractual liability.

The Thabazimbi mine assets and related liabilities that will transfer have been presented separately in the balance sheet as assets and liabilities of the disposal group held for sale at 31 December 2017 (refer to note 20 in the AFS, page 65). If the conditions are not satisfied by this time and there is no agreement by the parties to extend it, the agreement will lapse and SIOC will proceed with the closure of the mine.

ORE RESERVES AND MINERAL RESOURCES

This statement is an abridged version of the more comprehensive Kumba 2017 Reserve and Resource Statement, which can be accessed at

http://www.angloamericankumba.com/investors/annual-reporting.aspx

Kumba's ability to create value for all its stakeholders is dependent on its key natural resources and the continuous improvement of its ability to mine and beneficiate these resources at its Sishen and Kolomela mining operations to extract niche iron ore saleable product. As at 31 December 2017, the company's reportable mineral endowment status is summarised as follows:

SALEABLE PRODUCT – CURRENT VALUE	ORE RESERVES – CURRENT VALUE	EXCLUSIVE MINERAL RESOURCES (REPORTED IN ADDITION TO ORE RESERVES) – POTENTIAL FUTURE VALUE
Kolomela mine: 168.3 Mt at 64.3% average Fe **Sishen mine:** 370.4 Mt at 64.6% average Fe **Total:** 538.6 Mt at 64.5% average Fe	**Kolomela mine:** 175.6 Mt at 64.4% average Fe (against 50% Fe cut-off grade) **Sishen mine:** 500.8 Mt at 58.0% average Fe (against 40% Fe cut-off grade) **Total:** 676.4 Mt at 59.6% average Fe	**Kolomela mine:** 173.4 Mt at 62.8% average Fe (against 50% Fe cut-off grade) **Sishen mine:** 559.6 Mt at 52.0% average Fe (against 40% Fe cut-off grade) **Zandrivierspoort project:** 476.1 Mt at 34.5% average Fe (against 21.7% Fe cut-off grade) **Total:** 1,209.2 Mt at 46.7% average Fe
A 10% YEAR-ON-YEAR NET DECREASE OF 60.4 MT IS NOTED FOR THE TOTAL KUMBA SALEABLE PRODUCT.	**A 9% NET DECREASE OF 67.6 MT IS NOTED FOR THE TOTAL KUMBA ORE RESERVE COMPARED TO 2016.**	**OVERALL, THE MINERAL RESOURCE BASE INCREASED BY 9% (94.8 MT) YEAR-ON-YEAR.**

Kumba's South African mineral endowment forms the foundation of its business with the following key focus areas in place to sustainably extract value over the Company's combined mine life:

EXPLORATION	PLANNING	TECHNOLOGY	OPERATIONS	MARKETING
Focus on the Northern Cape	Extend life of current mines	Use technology to extract maximum value from our ore	Align marketing and operational activities	Compete through premium products

INTRODUCTION

The 2017 Kumba Saleable Product, Ore Reserve and Mineral Resource estimates as stated in this report, to remain after 31 December 2017, is an abridged version of the online Ore Reserve and Mineral Resource Statement, which in turn is a condensed version of the full 2017 in-house Kumba Resource and Reserve Statement and Audit Committee report, derived from detailed site-specific Reserve and Resource Statements; the latter structured to address all aspects listed in the SAMREC Table 1 checklist of reporting and assessment criteria as per the SAMREC Code (2016 edition).

SALIENT FEATURES

As a result of the productivity improvements built into the updated life-of-mine (LoM) plan, Sishen's reserve life has reduced from 17 years in 2016 to 13 years in 2017. A more stringent resource-to-reserve conversion approach was adopted at Kolomela to ensure that the direct shipping ore operation continues to deliver a niche high-grade product that will maintain Kumba's realised price. This is now similar to the approach applied at Sishen mine and resulted in Kolomela's reserve life reducing from 18 years in 2016, to 14 years in 2017.

Kumba has continued to invest in on-lease exploration and as a result has realised a significant reduction in Inferred Mineral Resources considered for LoM plans. At Kolomela the modified Inferred Mineral Resources considered in the LoM plan has materially reduced from 22% in 2016 to 8% in 2017, while for Sishen mine the figure reduced from 7% in 2016 to 5% in 2017.

On 25 June 2017, Sishen Iron Ore Company (Pty) Ltd (SIOC), in which Kumba has a 76.3% attributable shareholding, was granted consent in terms of section 102 of the Mineral and Petroleum Resources Development Act (MPRDA) to extend its Sishen mine's mining right by the inclusion of the adjacent prospecting right properties for which it applied. Notarial execution of amendment of the Sishen mining right and registration thereto in the Mineral and Petroleum Titles Registration Office is still pending.

Image: Pierre Willemse, a master fitter changing the air filter while Silence Maumane and Phenyo Baruni are replacing a sensor on a truck at the Sishen life-of-mine workshop.

ORE RESERVES AND MINERAL RESOURCES CONTINUED

SALEABLE PRODUCT

2017 SALEABLE PRODUCT STATEMENT (referenced against 2016)

			2017	2016	Saleable Product 2017		Saleable Product 2016	
Operation/project	Operation status	Saleable Product category	Metal-lurgical yield (%)	Metal-lurgical yield (%)	Tonnage (Mt)	Grade (% Fe) Average	Tonnage (Mt)	Grade (% Fe) Average
MINING OPERATIONS								
Kolomela mine[1,2,3]	Steady-state	Proved			88.3	64.3	57.3	65.0
		Probable			80.0	64.4	129.3	64.9
		Sub-total	**95.8**	97.3	**168.3**	**64.3**	**186.6**	**65.0**
Sishen mine[1,2,3]	Ramp-up	Proved			261.3	64.7	272.8	65.5
		Probable			109.1	64.4	139.6	63.5
		Sub-total	**74.0**	74.7	**370.4**	**64.6**	**412.4**	**64.9**
Kumba Iron Ore – mining operations		Proved			**349.6**	**64.6**	**330.2**	**65.5**
		Probable			**189.0**	**64.4**	**268.9**	**64.2**
		Total	**79.5**	80.5	**538.6**	**64.5**	**599.0**	**64.9**
COMPANY								
Kumba Iron Ore – total Saleable Product		Proved			**349.6**	**64.6**	**330.2**	**65.5**
		Probable			**189.0**	**64.4**	**268.9**	**64.2**
		Total	**79.6**	80.5	**538.6**	**64.5**	**599.0**	**64.9**

1 Mining method – open cut
2 Ore type – haematite
3 Percentage owned by Kumba – 76.3%

Kolomela mine is primarily a direct shipping ore operation where Ore Reserves are crushed and screened to deliver Saleable Product at the required top sizes. The mine commissioned a small-scale modular dense media separation (DMS) plant in 2016 to treat lower Fe-grade ore; scheduled throughput through this DMS plant has been increased in the 2017 LoM plan, resulting in a lowering of the overall average yield.

Sishen mine beneficiates its high-grade Ore Reserves by means of a DMS plant and its medium-grade Ore Reserves by means of a Jig facility to produce Saleable Product according to required client specifications. The mine furthermore commissioned a small-scale ultra-high dense media separation plant in 2016 to treat a portion of the Jig plant discard and produce Saleable Product. The overall average yield decreased by 0.9% year-on-year, due to the implementation of a higher resolution geological block model which resulted in a better definition of dilution and subsequent estimation of Ore Reserves and Saleable Product.

Image: A view of a Komatsu 730 truck at the Kolomela mine maintenance workshop.

ORE RESERVES

2017 ORE RESERVE STATEMENT (referenced against 2016)

			2017				2016			
Operation/project	Operation status	Reserve category	Tonnage (Mt)	Grade (% Fe) Average	Cut-off	Reserve life years	Tonnage (Mt)	Grade (% Fe) Average	Cut-off	Reserve life years
MINING OPERATIONS										
Kolomela mine[1, 2, 3]	Steady-state	Proved	92.2	64.3	50.0	14	59.0	64.4	50.0	18
		Probable	83.4	64.4			132.8	64.4		
		Sub-total	**175.6**	**64.4**			**191.8**	**64.4**		
Sishen mine[1, 2, 3]	Ramp-up	Proved	352.1	58.3	40.0	13	353.8	59.8	40.0	17
		Probable	148.7	57.1			198.4	54.8		
		Sub-total	**500.8**	**58.0**			**552.2**	**58.0**		
Kumba Iron Ore		Proved	**444.3**	**59.6**			412.8	60.5		
– mining operations		Probable	**232.1**	**59.8**			331.2	58.6		
		Total	**676.4**	**59.6**			**744.0**	**59.7**		
COMPANY										
Kumba Iron Ore		Proved	**444.3**	**59.6**			412.8	60.5		
– total Ore Reserves		Probable	**232.1**	**59.8**			331.2	58.6		
		Total	**676.4**	**59.6**			**744.0**	**59.7**		

1 Mining method – open cut
2 Ore type – haematite
3 Percentage owned by Kumba – 76.3%

Kolomela mine's Ore Reserves decreased with 16.1 Mt (-8%) from 2016 to 2017.
The two primary aspects that resulted in a year-on-year decrease of the Kolomela Ore Reserves are:

- A more stringent approach in terms of resource-to-reserve conversion followed in 2017 compared to 2016 with the introduction of value chain reconciliation derived modifying factors, resulting in 28.1 Mt less Mineral Resources being converted to Ore Reserves in order to safeguard the production of high-grade Saleable Product.
- Run-of-mine (RoM) production of 14.8 Mt Ore Reserves (excluding modified Inferred RoM ore).

The reduction in Ore Reserves as explained above was offset by a 29.0 Mt upgrade of Inferred Mineral Resources into Indicated and Measured Mineral Resources and the subsequent conversion thereof into Ore Reserves.

For Kolomela mine the 2017 LoM plan delivered a 14-year remaining reserve life, which includes 8% modified Inferred RoM ore. The 2016 LoM plan quoted the same average annual Saleable Product output, but 22% thereof was modified Inferred RoM. The year-on-year decrease in the modified Inferred considered in the LoM plan is the result of a continued on-mine exploration focus to minimise the Inferred ore in order to derisk the Kolomela LoM plan. The reserve life decreased with four years from 2016, primarily as a result of the implementation of additional modifying factors to safeguard the production of high-grade ore.

To define the risk of having low-confidence modified Inferred Mineral Resources in the LoM plan, Kolomela mine valuated a long-term mine plan scheduling scenario excluding Inferred Mineral Resources which remained economically viable, although at a 24% lower net present value at 8% real).

Sishen mine's Ore Reserves decreased by 51.4 Mt (-9%) year-on-year.
An annual Ore Reserve production of 31.9 Mt (excluding modified Inferred RoM ore) as well as a 32.7 Mt decrease in the year-on-year resource-to-reserve conversion because of the implementation of an improved mine-to-design process, are the main factors that contributed to the overall decrease in Ore Reserves from 2016.

For Sishen mine, a 13-year reserve life has been quoted in 2017, which includes 5% modified Inferred RoM ore, compared to a 17-year reserve life in 2016 including 7% modified Inferred RoM ore. The primary reason for the four-year decrease in reserve life is due to the planned annual production.

To define the risk of having low-confidence modified Inferred Mineral Resources in the LoM plan, Sishen mine valuated a long-term mine plan scheduling scenario excluding Inferred Mineral Resources which remained economically viable, although at a 22% lower net present value (at 8% real).

ORE RESERVES AND MINERAL RESOURCES CONTINUED

EXCLUSIVE MINERAL RESOURCES

2017 EXCLUSIVE MINERAL RESOURCE STATEMENT (referenced against 2016)

		2017				2016			
Operation/project	Resource category	**Tonnage (Mt)**	**Average (% Fe)**	**Average (% Fe_3O_4)**	**% Fe Cut-off**	Tonnage (Mt)	Average (% Fe)	Average (% Fe_3O_4)	% Fe Cut-off
MINING OPERATIONS									
Kolomela mine[1$] – Mineral Resources in addition to Ore Reserves	Measured (outside LoMP)	36.2	63.1	Not applicable		27.5	63.7	Not applicable	
	Indicated (outside LoMP)	57.5	62.8			67.4	62.6		
	Measured and Indicated (outside LoMP)	**93.8**	**62.9**		50.0	**94.9**	**62.9**		50.0
	Inferred (considered in LoMP)	19.4	60.9			52.7	65.2		
	Inferred (outside LoMP)	60.2	63.3			56.6	62.9		
	Total Inferred	**79.6**	**62.7**			**109.3**	**64.0**		
	Sub-total	**173.4**	**62.8**			**204.2**	**63.5**		
Sishen mine[2$] – Mineral Resources in addition to Ore Reserves	Measured (outside LoMP)	216.8	55.7			160.6	57.2		
	Indicated (outside LoMP)	228.4	49.0			180.5	47.1		
	Measured and Indicated (outside LoMP)	**445.1**	**52.3**		40.0	**341.1**	**51.9**		40.0
	Inferred (considered in LoMP)	25.5	57.5			28.7	58.1		
	Inferred (outside LoMP)	89.0	49.0			64.2	48.2		
	Total Inferred	**114.5**	**50.9**			**92.9**	**51.3**		
	Sub-total	**559.6**	**52.0**			**434.0**	**51.7**		
Kumba Iron Ore – mining operations – Mineral Resources in addition to Ore Reserves	Measured (outside LoMP)	253.0	56.8			188.1	58.2		
	Indicated (outside LoMP)	285.9	51.8			247.9	51.3		
	Measured and Indicated (outside LoMP)	**538.9**	**54.2**			**436.0**	**54.3**		
	Inferred (considered in LoMP)	44.9	59.0			81.4	62.7		
	Inferred (outside LoMP)	149.2	54.8			120.8	55.1		
	Total Inferred	**194.1**	**55.8**			**202.2**	**58.1**		
	Total	**733.0**	**54.6**			**638.2**	**55.5**		

$ Ore type = haematite; percentage owned by Kumba is 76.3%

1 Kolomela mine quotes a 30.8 Mt (-15%) decrease in exclusive Mineral Resources from 2016 to 2017.
The overall decrease is primarily the result of:

- Geological model updates based on new borehole information and the subsequent upgrade of Inferred Mineral Resources to Indicated and Measured Mineral Resources, in turn being converted to Ore Reserves (-17.2 Mt).
- Further geological model refinements whereby the geological block model resolution was increased to define waste and ore volumes more accurately on a local scale (-10.4 Mt).
- Constraining the Mineral Resources with a 1.6 revenue factor resource shell in 2017 compared to a 2.0 revenue factor resource shell in 2016 (-6.9 Mt). The decision to reduce the resource shell size was taken to align resource estimates with the reduced reserve life, assuming a more conservative outlook in terms of reasonable prospects for eventual economic extraction.

Of the 60.2 Mt Inferred Mineral Resources (outside the LoM plan), 13.2 Mt is extrapolated.

Of the total 173.4 Mt exclusive Mineral Resource, 0.8 Mt at 55.6% Fe) Indicated Mineral Resources are located on long-term stockpiles and are not *in situ*.

2 Sishen mine exclusive Mineral Resources showed a substantial 29% increase of 125.6 Mt year-on-year.
The substantial year-on-year increase is primarily the result of the addition of 120.7 Mt of low-grade resources outside the pit layout but inside the 1.6 revenue factor resource shell after the Sishen low-grade project pre-feasibility A study has been approved by the relevant Anglo and Kumba Investment Committees late in 2016.

The other major contributing factor is an increase in the resource shell size, resulting in the inclusion of an additional 31.6 Mt Mineral Resources in the Sishen 2017 resource portfolio.

Of the 89.0 Mt Inferred Mineral Resources (outside the LoM plan), 6.4 Mt is extrapolated.

Of the total 559.6 Mt exclusive Mineral Resource, 13.8 Mt at 48.1% Fe) Indicated Mineral Resources are located on long-term stockpiles and are not *in situ*.

EXCLUSIVE MINERAL RESOURCES continued

2017 EXCLUSIVE MINERAL RESOURCE STATEMENT (referenced against 2016)

Operation/project	Resource category	2017 Tonnage (Mt)	2017 Average (% Fe)	2017 Average (% Fe_3O_4)	2017 % Fe Cut-off	2016 Tonnage (Mt)	2016 Average (% Fe)	2016 Average (% Fe_3O_4)	2016 % Fe Cut-off
PROJECTS									
Zandriviersport Project[3#] – Mineral Resources in addition to Ore Reserves	Measured (outside LoMP)	107.0	34.7	41.5		107.0	34.7	41.5	
	Indicated (outside LoMP)	206.4	34.4	42.5		206.4	34.4	42.5	
	Measured and Indicated (outside LoMP)	**313.4**	**34.5**	**42.2**	21.7	**313.4**	**34.5**	**42.2**	21.7
	Inferred (considered in LoMP)	0.0	0.0	0.0		0.0	0.0	0.0	
	Inferred (outside LoMP)	162.7	34.5	38.1		162.7	34.5	38.1	
	Total Inferred	162.7	34.5	38.1		162.7	34.5	38.1	
	Total	476.1	34.5	40.8		476.1	34.5	40.8	
Kumba Iron Ore Projects – Mineral Resources in addition to Ore Reserves	Measured (outside LoMP)	107.0	34.7	41.5		107.0	34.7	41.5	
	Indicated (outside LoMP)	206.4	34.4	42.5		206.4	34.4	42.5	
	Measured and Indicated (outside LoMP)	**313.4**	**34.5**	**42.2**		**313.4**	**34.5**	**42.2**	
	Inferred (considered in LoMP)	0.0	0.0	0.0		0.0	0.0	0.0	
	Inferred (outside LoMP)	162.7	34.5	38.1		162.7	34.5	38.1	
	Total Inferred	**162.7**	**34.5**	**38.1**		**162.7**	**34.5**	**38.1**	
	Grand total	**476.1**	**34.5**	**40.8**		**476.1**	**34.5**	**40.8**	
COMPANY									
Kumba Iron Ore – Mineral Resources in addition to Ore Reserves	Measured (outside LoMP)	360.0	50.2			295.1	49.7		
	Indicated (outside LoMP)	492.3	44.5			454.3	43.6		
	Measured and Indicated (outside LoMP)	**852.4**	**46.9**			**749.5**	**46.0**		
	Inferred (considered in LoMP)	44.9	59.0			81.4	62.7		
	Inferred (outside LoMP)	311.9	44.2			283.5	43.3		
	Total Inferred	**356.8**	**46.1**			**364.9**	**47.6**		
	Grand total	**1,209.2**	**46.7**			**1,114.4**	**46.5**		

[#] Ore type = magnetite and haematite; percentage owned by Kumba is 38.2%

3 The Zandriviersport Project Mineral Resources remained unchanged from 2016.
The reasonable prospects for eventual economic extraction of the Mineral Resource were reaffirmed in 2017 with the latest applicable business case evaluation.

ENHANCING THE VALUE

Kumba's exclusive Mineral Resources of 1,209.2 Mt at 46.7% Fe represent the potential future value that we aim to utilise in Horizon 2 of our full potential transformation project. We have identified the following opportunities to grow our core business:

– Investing in new technologies to process more material more efficiently at Sishen where there is significant beneficiation potential for in situ and stockpiled/discard materials through UHDMS technologies
– Realising various identified life-extension projects around both Kolomela and Sishen

STRATEGIC FOCUS AREAS

- Use technology to extract maximum value from our ore
- Extend life of current mines

CORPORATE GOVERNANCE

THE KUMBA BOARD

In keeping with the spirit of sound leadership, the Board promotes strong principles of integrity within the Company which aids in the entrenchment of sustained excellence in every facet of the business. The Board remains Kumba's overall custodian of good corporate governance.

The Board's primary responsibility remains playing a key role in setting the strategic direction of the Company. However, the Board also provides continuous oversight of material matters, acting as an independent check and balance to the executive management team, whose main responsibility remains to manage the business.

The directors are diverse in their academic qualifications, industry knowledge, experience, race and gender. This diversity enables them to provide the Company with the relevant judgement and guidance to work effectively when conducting and determining the business affairs of Kumba.

The Board considers nine out of the 11 non-executive directors to be independent. Three of the 13 directors are representatives of our majority shareholders and two of the 13 directors represent executive management.

Our Board charter

The Board charter regulates the parameters within which the Board operates and ensures the application of the principles of good corporate governance in all its dealings. Furthermore, the Board charter sets out the roles and responsibilities of the Board and individual directors, including the composition and relevant procedures of the Board. The Board charter is aligned with the provisions of all relevant statutory and regulatory requirements, including, among others, the Companies Act No 71 of 2008, as amended (the Companies Act), the JSE Listings Requirements, King IV and the Company's Memorandum of Incorporation (MoI).

The Board charter is reviewed annually, or as and when required during the year. Due to significant changes to the JSE Listings Requirements and King IV during the year under review, the charter was reviewed to ensure alignment with these amendments and the revised MoI. In addition to the regulatory framework provided by the charter and the terms of reference of the committees, Board members are encouraged to seek independent advice at the Company's expense, during the execution of their fiduciary duties and responsibilities, if so needed. Members also have direct access to Kumba's external and internal auditors, the Company secretary, and members of the executive management team, at all times.

STATEMENT OF COMPLIANCE

The JSE Listings Requirements currently require JSE-listed companies to report on the extent to which they apply the principles set out in King IV. The Company has applied the principles of King IV in all instances.

Our King IV application register is available on the Company's website:

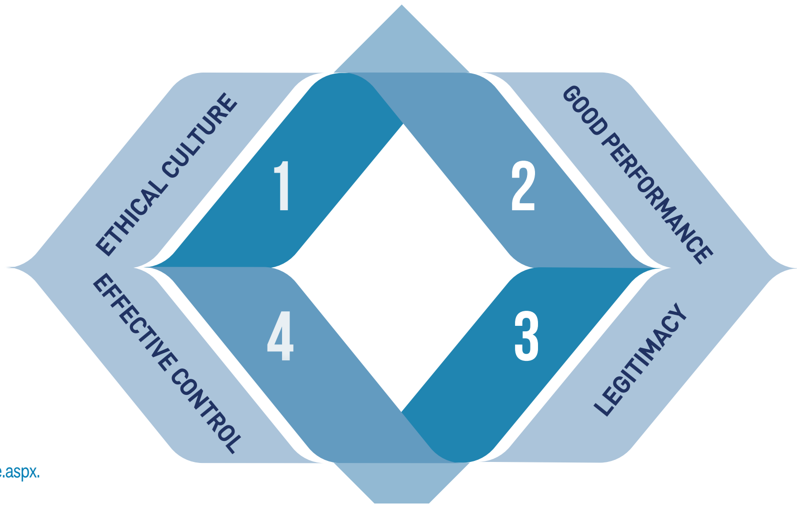
http://angloamericankumba.com/investors/corporategovernance.aspx.

APPLICATION OF KING IV

The Board is fully committed to the four governance outcomes as set out in King IV. A self-assessment was conducted against the 16 principles and the Board is satisfied that the group aligned with the principles and are mindfully overseeing the application of the relevant practices.

The application of the King IV principles and adoption of the various recommendations set out in King IV are more fully detailed in our King IV application register which is available on the Company's website:

http://angloamericankumba.com/investors/corporategovernance.aspx.



THE SISHEN IRON ORE COMPANY (PTY) LTD (SIOC) BOARD

Governance at Kumba must take cognisance of the fact that its main operating subsidiary, SIOC, has a shareholding structure that reflects the B-BBEE requirements of the Mining Charter and of the MPRDA. Our governance framework is structured in a manner that ensures that the two entities are legally independent and have fully operational but separate boards, with clearly defined responsibilities and authorities. The Company's Delegation of Authority Framework (DAF) regulates the approval levels of each separate board.

The SIOC Board comprises non-executive directors drawn from the entity's minority shareholders, executive directors drawn from the Kumba Exco, and an independent non-executive director. The SIOC board has full authority over matters pertaining to SIOC. It does, however, take into account recommendations and suggestions from SIOC's shareholders, including its majority shareholder, Kumba. In its governance of SIOC's operations, the SIOC board is supported by Kumba's Board committees and feedback on deliberations of Board committees' meetings is provided at each SIOC board meeting.

DIRECTORS' INDEPENDENCE

If a director has served for a period of more than nine years, best practice requires the Board to consider whether that director continues to be independent, in executing his/her fiduciary duties. The Board, upon recommendation from its Nominations and Governance Committee, has adopted the policy of annually reviewing directors' independence if their tenure has reached nine years or more.

The Board recommends to shareholders at the 2018 AGM that they be reappointed thereafter on an annual basis subject to a maximum tenure of 12 years.

Based on the results of the evaluation, the Board will consider whether there is any evidence of any circumstance and/or relationship that would impair their judgement, to the extent that their independence is compromised. The process to evaluate the independence of the two directors appointed to the Board in 2006 was undertaken in February 2017, prior to the annual general meeting (AGM) in May 2017. In order to ensure a balance of tenure, the Board elected to recommend the reappointment of Ms Dolly Mokgatle for another year notwithstanding her 12-year tenure on the Board. Mr Allen Morgan will retire at the AGM in May 2018.

CORPORATE GOVERNANCE CONTINUED

THE KUMBA BOARD

In respect of other directors, determination of independence is guided by King IV, the JSE Listings Requirements and other best practice. The Chairman of the Board is also subject to reappointment by the Board and an annual evaluation of his independence and performance is carried out during the annual Board evaluation process.

The lead independent director provides the Chairman with feedback from the annual evaluation process.

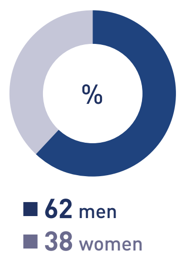
APPOINTMENT OF DIRECTORS

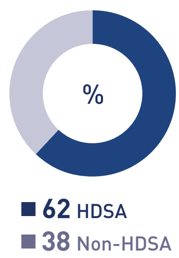
The Nominations and Governance Committee recommends the appointment of new directors for approval by the Board according to a strategy adopted by the Board. The Board charter details procedures for appointments to the Board. Such appointments are formal and transparent and a matter for the entire Board, assisted by the Nominations and Governance Committee. When appointing directors, the Board takes cognisance of its needs in terms of skills, experience, diversity, size and demographics. The Board approved a Board diversity policy which includes race and gender diversity in line with the requirements of the JSE Listings Requirements.

The Board agreed to a target of 50% female representation by 2019. The Board currently has female representation of close to 40%. All new appointments (refer table below) were considered in terms of the diversity policy and as a result three black males and two black females were appointed during 2017.

Details of all Board members can be found on page 14. The Board, with the support and guidance of the Nominations and Governance Committee, ensures that the promotion of gender diversity is given credence within the framework of the Board succession strategy.

BOARD COMPOSITION





CHANGES TO THE BOARD FOR THE YEAR UNDER REVIEW

The following directors tendered their resignations from the Board:

DIRECTOR	DESIGNATION	EFFECTIVE DATE
Mr Andile Sangqu	Non-executive director and shareholder representative of Anglo American	24 March 2017
Ms Natascha Viljoen	Non-executive director and shareholder representative of Anglo American	24 March 2017
Ms Zarina Bassa	Independent non-executive director and Chairman of the Audit Committee	11 May 2017
Mr Frikkie Kotzee	Executive director and Chief financial officer	11 May 2017
Mr Fani Titi	Independent non-executive director and Chairman of the Board	30 September 2017

The Board thanked all the directors for their contributions and guidance during their respective tenures and wishes them all the best in their future endeavours.

The following appointments to the Board were made:

DIRECTOR	DESIGNATION	EFFECTIVE DATE
Mr Terence Goodlace	Independent non-executive director and Chairman of the Risk and Opportunities Committee	24 March 2017
Mr Seamus French	Non-executive director and shareholder representative of Anglo American	24 March 2017
Mr Stephen Pearce	Non-executive director and shareholder representative of Anglo American	24 March 2017
Mr Sango Ntsaluba	Independent non-executive director and Chairman of the Audit Committee	5 June 2017
Dr Mandla Gantsho	Independent non-executive director and Chairman of the Board	1 August 2017
Mr Bothwell Mazarura	Executive director and Chief financial officer	1 September 2017
Ms Mary Bomela	Independent non-executive director	1 December 2017
Ms Ntombi Langa-Royds	Independent non-executive director	1 December 2017

APPOINTMENT OF COMPANY SECRETARY

Ms Avanthi Parboosing resigned as Company secretary with effect from 30 June 2017. The Board thanked her for her valued contribution to the Company. Ms Celeste Appollis was appointed Company secretary from 1 December 2017.

NON-EXECUTIVE DIRECTORS' FEES

Details regarding non-executive directors' remuneration are contained in the remuneration report on page 94. The 2018 AGM notice will contain further details of non-executive directors' remuneration.

RESPONSIBILITIES OF THE CHAIRMAN AND CHIEF EXECUTIVE

The responsibilities of the Chairman and Chief executive are clearly defined and separated, as set out in the Board charter. While the Board may delegate authority to the Chief executive in terms of the Board charter, the separation of responsibilities is designed to ensure that no single person or group can have unrestricted powers and that an appropriate balance of power and authority exist on the Board. The Chairman is responsible for leading the Board and for ensuring the integrity and effectiveness of the Board and its committees. In contrast, the Chief executive is responsible for the effective management and running of the Company's business in terms of the strategies and objectives approved by the Board.

ROTATION AND ELECTION OF DIRECTORS

Details regarding the rotation and election of directors are contained in the notice of the AGM of 2018.

BOARD AND COMMITTEE EVALUATIONS

Each year, the Board conducts an assessment of its own performance and of the appropriateness and effectiveness of its procedures and processes. In addition, an external assessment is performed every three years that includes personal interviews with individual directors. An external assessment was carried out in 2015 and will be carried out again in 2018.

STANDING BOARD COMMITTEES

The Board has established five standing committees through which it executes some of its duties, namely the Audit Committee, Risk and Opportunities Committee, Social, Ethics and Transformation Committee (Setco), Human Resources and Remuneration Committee (Remco) and Nominations and Governance Committee. Each committee consists of a minimum of three members, as contained in the terms of reference.

Each committee, including the Board promotes strong principles of integrity within the Company and the Board remains the overall custodian of good corporate governance. Sound corporate governance provides critical foundation, both for safeguarding stakeholder value and for achieving our key strategic focus areas. Independent Board oversight and guidance in relation to our operations and activities are key in driving compliance and embedding the highest levels of integrity and transparency throughout the Company. Through our governance structures and committees, decisions are made and responses are generated to ensure value is created for the Company and its stakeholders, the outcomes and results are as follows:

CORPORATE GOVERNANCE CONTINUED

Kumba Board

DR MANDLA GANTSHO

Chairman

The Board acts as the custodian of good corporate governance, setting the Company's strategic direction, providing continuous oversight of the Company's performance on material matters, and acts as an independent check and balance to the executive management team.

Governance outcomes

SAFEGUARDING VALUE FOR OUR STAKEHOLDERS	Further actions to enhance governance outcomes
Considered and reviewed the strategy of the Company presented by management and the budgets necessary for the implementation of the approved strategy. Ensured proper management of the relationships between the Company and all its stakeholders to protect and, where possible, enhance the reputation of the Company. Monitored the performance of the Company against agreed objectives and reviewed the performance of the executive management against defined objectives and other applicable performance standards. Continuously monitored the solvency and liquidity of the Company at the end of each quarter. Approved and implemented a formal delegation of authority framework.	Assessment of King IV and ensuring updated requirements are complied with. Ensure that the governing body leads ethically and effectively. Continued oversight to ensure that the approved strategy is implemented and appropriately resourced and that any possible risks are identified and mitigating actions put in place. Ensure that the Board remains independent in discharging its duties. Adoption of a fair and responsible remuneration policy.

Audit Committee

SANGO NTSALUBA

Chairman

The Audit Committee is entrusted with ensuring the integrity and transparency of corporate reporting and during the year the Committee reviewed several key accounting issues to consider management's plans in respect of future changes in IFRS. The Committee executed its duties in terms of paragraph 3.84(g) of the JSE Listings Requirements as reported in the Audit Committee's report in the AFS (refer to pages 17 to 21 in the AFS).

Governance outcomes

Mandate

- Promoting and reporting upon the overall effectiveness of the Company's system of internal controls
- Overseeing the mandates of and ensuring coordination between the activities of internal and external audit
- Satisfying the Board that material financial risks have been identified and are being effectively managed and monitored
- Assessing the impact of the general control environment on the statutory audit, and reporting to executive management any areas of perceived control weaknesses
- Reviewing legal and regulatory matters that could have a significant impact on the Company's financial statements
- Monitoring the integrity of the Company's integrated reporting process
- Monitoring compliance with the Company's business integrity policy and overseeing the management of ethics within the organisation
- Annually reviewing the Company's finance function and to ensure that the Company has established appropriate financial reporting procedures and that those procedures are operating effectively
- Annually reviewing the appropriateness of the expertise and experience of the Chief financial officer
- Annually reviewing the Committee's terms of reference and making recommendations to the Board in terms of ensuring its continued effectiveness

SAFEGUARDING VALUE FOR OUR STAKEHOLDERS	Further actions to enhance governance outcomes
Reviewed the accounting policies and the AFS of the Company for the year ended 31 December 2017, and ensured that these were compliant with the provisions of the Companies Act, IFRS and the JSE Listings Requirements and recommended the approval thereof to the Board. Considered, analysed, reviewed and debated key judgements and significant accounting matters and recommended the approval thereof to the Board. Reviewed and discussed the following key audit matters as included in the external audit report (pages 22 to 24 of the AFS): – Impairment considerations – Valuation of work-in-progress (WIP) stockpiles Considered and assessed the independence and objectivity of Deloitte & Touche and Mr Sebastian Carter in the respective capacities as appointed audit firm and lead audit partner. Confirmed that the external auditor and lead audit partner are both accredited on the JSE's list of auditors and advisors and approved all non-audit-related services. Considered the effectiveness of the internal audit function and monitored adherence to the annual internal audit plan. Considered and reviewed the Company's combined assurance model for completeness and ensured that augmented assurance coverage is obtained from management, external and internal assurance providers. Evaluated the IR and assessed the consistency with operational and other information known to the Committee and that the report was prepared in line with the IIRC's International <IR> Framework. Assessed compliance with all other statutory duties in terms of section 94(7) of the Companies Act of 2008, King IV and the JSE Listings Requirements and any other applicable regulatory requirements. Considered the 2016 JSE's report on proactive monitoring of AFS and was satisfied that all such findings and focus areas are adequately addressed by the Company and that no further remedial action is necessary. For more detail please refer to the report of the Audit Committee in the AFS on pages 17 to 21.	Review and consider management's plans in respect of future changes to IFRS, most notably: – IFRS 9 *Financial Instruments* – IFRS 15 *Revenue from Contracts with Customers* – IFRS 16 *Leases* and assess key judgements made by management and the assessment of impacts on systems, processes and disclosure. Continued assessment of King IV and ensuring updated requirements are complied with. Ensuring systems are in place to enable the Company to comply with extensible business reporting language (iXBRL) reporting, from July 2018, as mandated by the Companies and Intellectual Property Commission (CIPC). Consider and assess the lead audit partner rotation to ensure continued independence and objectivity of the external audit provider and recommend to the Board the appointment of Ms Nita Ranchod as the new lead audit partner, to be proposed to the shareholders at the 2018 AGM.

CORPORATE GOVERNANCE CONTINUED

Risk and Opportunities Committee

TERENCE GOODLACE
Chairman

The Risk and Opportunities Committee provides risk governance guidance and oversight to support the organisation in setting and achieving its strategic objectives. This committee reviews the management of risks and monitors the effectiveness of compliance efforts in conjunction with the Audit Committee.

Governance outcomes

Mandate

- To ensure the effectiveness, quality, integrity and reliability of the group's risk management processes
- To monitor, develop, and communicate the processes for clarifying and managing risks across the group and to implement an effective policy and plan for risk management
- Provide guidance to the Board on how to determine what constitutes excessive risk taking and to set the level of risk appetite and tolerance
- To ensure the disclosure regarding risk is comprehensive, timely and relevant
- In identifying risks, consideration is given to the upside presented by such risks to ensure that possible opportunities are captured in a responsible manner and in the best interest of the organisation

Refer to page 28 for detail information on how the Company managed its risks and opportunities during 2017.

SAFEGUARDING VALUE FOR OUR STAKEHOLDERS	Further actions to enhance governance outcomes
Considered the assessment from internal audit on effectiveness of system of internal controls and risk management process. Considered the outcome of the annual assessment of performance of the Committee. Reviewed, considered and approved the risk tolerance and appetite levels of the Company. Reviewed and considered key emerging risks and mitigation strategies. Conducted a review of global, domestic, industry and the competitor risk environment. Identified new and current evolving risks as well as opportunities. Reviewed and updated the Company's risk profile. Reviewed the integrated risk management policy and framework. Reviewed IT governance framework. Reviewed the insurance programme and coverage.	Monitoring of risks on an ongoing basis to ensure that mitigating action plans are in place Enhance the process of identifying and assessing opportunities that can add value to the organisation Periodic facilitation and review of risk assessments to determine material risks to which the Company may be exposed to and to consider, note and if necessary comment on the strategy for managing risks: – Consider, note and if necessary, comment on management responses to significant risks; – Keep abreast of all changes to the risk management and control system and ensure that the risk profile is updated, as appropriate; – Monitor, approve and communicate the processes for managing risks and opportunities across the Group; – Provide guidance to the Board on how to determine what constitutes excessive risk taking and to set the level of risk appetite and tolerance.

Social, Ethics and Transformation Committee (Setco)

DOLLY MOKGATLE
Chairperson

Setco plays a key role in exercising oversight of organisational ethics, to ensure that both the governing body and the wider organisation are sufficiently equipped and on track to deliver on the goal of having an ethical culture.

The purpose of the Committee is to ensure a positive impact on the group's activities on its many stakeholders, employees, communities, members of the public and the environment and report on this to its shareholders on an annual basis.

Governance outcomes

Mandate

– To perform the functions described in regulation 43(5) of the Companies Regulations 2011 in respect of the Company and the group
– To recommend to the Board key policies and guidelines for the management of safety, sustainable development, health, environmental, social and ethics as well as transformation and stakeholder inclusivity issues in the Company and the group
– To implement and monitor compliance with the Code of Conduct to ensure that the Company remains true to its values and complies with policies and standards within the Code
– To review reports on the policies and performance of the group, the Company and its divisions and the progressive implementation of its safety, sustainable development, health, environmental, social, ethics and transformation policies and stakeholder inclusivity
– To consider the major findings of internal and external investigations into material safety, health and environment incidents, management's response thereto and where necessary, making recommendations to the Board in respect of same
– To review key indicators on accidents and incidents and, where appropriate, ensure that such information is communicated within the Company and with relevant stakeholders.

The Setco's report, namely the sustainability report 2017, is available on the Company's website at:
www.angloamericankumba.com/investors/annual-reporting/reports-archive/2017.aspx

SAFEGUARDING VALUE FOR OUR STAKEHOLDERS	Further actions to enhance governance outcomes
Considered, analysed, reviewed and deliberated quarterly reports on ethics, safety, health and environment, transformation, stakeholder engagement and community development reports. Reviewed and discussed key safety focus areas and safety improvement initiatives in support of the Elimination of Fatalities Framework. Assessed compliance with all statutory duties assigned to it in terms of section 72(4) of the Companies Act, 2008, King IV and any other applicable regulatory requirements.	Review and consider management's plans in respect of future changes to the Mining Charter. Continued assessment of King IV and ensuring updated requirements are complied with. Ensuring systems, procedures and policies are in place to enable the Company to comply with applicable statutory and regulatory requirements.

CORPORATE GOVERNANCE CONTINUED

Human Resources and Remuneration Committee (Remco)

ALLEN MORGAN

Chairman

The remuneration activities for this year were dominated by the wage negotiations with the three recognised labour unions and designing a replacement Employee Share Ownership Plan (ESOP). The continued volatility in the iron ore price still places significant pressure on the Company's business model and its employees, heightening the importance of having effective human resource and remuneration policies.

Governance outcomes

Mandate

Remco acts as an independent and objective body that makes recommendations on the remuneration policies and practices for the executive directors, senior management and the Company in general.

Approving:

- Annual performance targets for both the Chief executive and the executive management team aligned with the execution of the strategic objectives of the Company for the next financial year
- Performance conditions and measures, objectives and targets for all performance-related rewards, fixed, variable and long term
- Reward policies and programmes or amendments thereto
- Overall cost of remuneration increases awarded to employees, including annual inflation adjustments and the costs of short and long-term incentives
- Any conditional attraction or retention instruments awarded during the financial year

Reviewing and making recommendations to the Board on:

- Evaluation of the performance of executive directors against targets and business objectives
- Remuneration of executive directors and executive management, including short-term incentive payments and long-term share awards, directly linked to the achievement of Company and individual performance targets

SAFEGUARDING VALUE FOR OUR STAKEHOLDERS	Further actions to enhance governance outcomes
The following key decisions were made during 2017: Reviewed and approved the 2016 performance incentive payments for the executive directors, prescribed officers and the bargaining and non-bargaining category employees. Approved the vesting of the 2014 long-term incentive awards and the 2016 deferred bonus awards for middle and senior management. Reviewed and approved the 2017 share allocation awards under the deferred bonus arrangement (DBA) and long-term incentive plans (LTIPs) for the executive directors, prescribed officers and senior management. The volume of 2017 share allocation award is at 0.15% of issued shareholder capital. The approved aggregate limit for the DBA and LTIP share schemes is 10% of the issued share capital. Approved the 2017 performance conditions for the executive directors' LTIP award. Approved 2017 performance contracts of the Chief executive, the Chief financial officer as well as that of the prescribed officers. Approved additional package structuring flexibility on retirement fund contributions for the senior management category to accommodate the retirement tax reforms implemented in 2016 at no extra cost to the Company.	**2017 – 2020 multi-year wage agreement** The three-year bargaining category employee wage agreement concluded on 30 July 2014, expired on 30 June 2017. Negotiations on a new wage agreement between management and the three recognised labour unions with bargaining rights, being the National Union of Mineworkers (NUM), Solidarity and the Association of Mineworkers and Construction Union (AMCU) commenced on 15 May 2017, based on the multi-year salary mandate approved by the Committee during its 9 May 2017 quarterly meeting. The negotiations culminated in the conclusion of a three-year wage agreement on 25 August 2017. The agreement is effective from 1 July 2017 until 30 June 2020 and represents a differentiated annual salary increase of between 10% for the lower level categories and 7% for the higher level categories.

SAFEGUARDING VALUE FOR OUR STAKEHOLDERS	Further actions to enhance governance outcomes
Reviewed the remuneration disclosure in the IR to ensure that it was accurate and transparent and provided sufficient forward-looking information for the shareholders to assess the remuneration policy and for passing a resolution in terms of section 66(9) of the Companies Act 2008. Considered recommendations in relation to non-executive directors' remuneration for final recommendation by the Board to shareholders. The shareholders, on recommendation from the Remco and the Board, approved a 6.5% increase on the non-executive directors' fees effective as of May 2017. Approved the payment of a once-off, ex-gratia cash payment to the bargaining category employees in recognition of the Company's 2017 business performance in the absence of participation in a replacement ESOP scheme. Approved the supplementation of the Kumba Executive Committee structure with a Head of business development and strategy position to align with the Company's changing business needs and market environment. Reviewed and approved the emergency and succession plans for executive directors and other senior executives of the Company. Reviewed and approved the 2017 performance assessments for the executive directors and prescribed officers.	**Replacement ESOP scheme** The Envision phase II ESOP came to an end in November 2016 and has been unwound. The Committee commissioned the design of a replacement ESOP scheme and has reviewed management proposals during the course of 2017. The Committee will recommend a replacement ESOP proposal for final recommendation by the Board for a shareholder advisory vote at a special AGM later in 2018. **Executive directors' remuneration policy** Kumba will be putting its executive directors' remuneration policy to an advisory vote at the 2018 AGM and as such, the Committee has been considering appropriate incentive frameworks for the executive directors. Our year end results demonstrated our progress towards the transformation of Kumba into a more resilient business. However, Kumba continues to operate in a very challenging environment. The Committee is mindful of the complexities of setting remuneration in this context, and has taken feedback from our shareholders in respect of the 2017 AGM into consideration as well as the slight reduction in shareholder support received for the 2016 remuneration report and policy in comparison to previous years. This feedback indicated a strong desire for the executive management incentives to ensure suitable provision for safety performance, that the pay-out of incentives during the separation or intergroup transfers better reflect the interests of Kumba shareholders, and that the long-term incentives be suitably structured to provide for the most appropriate measures of sustainable performance, specifically in respect of the long-term incentive plan (LTIP). The emerging requirements of longer (five-year) total duration of share awards for members of executive management, and the introduction of clawback provisions, were also raised. For the proposed changes, please refer to the remuneration report on page 83.

CORPORATE GOVERNANCE CONTINUED

Nominations and Governance Committee

DR MANDLA GANTSHO
Chairman

The Committee has an independent role, operating as an overseer and a maker of recommendations to the Board for its consideration and final approval. The Committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management. The Committee comprises independent non-executive directors. The Committee plays a key role in the promotion of sound corporate governance as integral to running an organisation and delivering governance outcomes such as an ethical culture, good performance, effective control and legitimacy.

Governance outcomes

Mandate

The Committee assists the Board in ensuring that:
- The Board regularly reviews its composition to enable it to execute its duties effectively
- The directors are appointed through formal processes
- Induction and ongoing training and development of directors take place.

The Committee attends to the following:
- Creates governance policies and procedures that define the roles and responsibilities of the Board
- Develops processes to enhance corporate governance best practice in the Company
- Initiates and oversees the annual evaluation of the Board, the Chairman, the Company secretary and the Board committees and their chairmen

SAFEGUARDING VALUE FOR OUR STAKEHOLDERS	Further actions to enhance governance outcomes
Reviewed and discussed the following key matters: – Approved the notice of meeting and proxy for AGM in May 2017. – Discussed and approved the content for the integrated report (corporate governance section). – Noted and approved the re-election of retiring directors following a formal evaluation process. – Noted and considered the competency, qualifications and experience of the Company secretary following a formal evaluation process. – Reviewed the JSE Compliance Certificate. The Committee developed an action plan to addressing the outcomes of the Board evaluation. The Committee was mandated to attend to the filling of the following vacancies on the Board during 2017: – Chairman of the Board – Chairman of the Audit Committee – Chairman of the Risk and Opportunities Committee – Members for Remco and Setco The Committee reviewed the composition of Board committees and recommended to the Board the reconstitution of Board committees to ensure that the committees comprised members with the relevant knowledge and skills. Adopted a Board diversity policy to promote gender and race diversity at Board level in line with the requirements of the JSE Listings Requirements.	Continued assessment of King IV and ensuring updated requirements are complied with. Assess the diversity and competency of the Board in discharging its duties. Ensuring policies and procedures are in place to ensure the governing body leads ethically and effectively. Sought independent advice in respect of the constitution and mandate of the special sub-committee of the Board.

REMUNERATION REPORT

LETTER FROM THE CHAIRMAN OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE

ALLEN MORGAN

Chairman of the Human Resources and Remuneration Committee

This has been a year of excellent performance on all fronts, with the Company successfully delivering on the mine turnaround strategy, achieving very positive safety results, and delivering excellent operational and financial results. It has also been an active year for the Human Resources and Remuneration Committee (Remco), during which we have placed a particular emphasis on listening and responding to the interests of our key shareholders regarding our remuneration policy and practices.

ENSURING FAIR AND RESPONSIBLE REMUNERATION

The primary function of the Committee is to ensure that Kumba has the right policies and practices in place to attract, motivate and retain the best talent for the Company – especially at the executive and operational level – to ensure we remain competitive in an increasingly challenging market environment. As Chairman of the Remco, my overarching responsibilities are to ensure that we provide fair and responsible remuneration for our executive directors and prescribed officers in the context of overall employee remuneration, that the principles of accountability, transparency and good governance are followed on remuneration issues, and that a vital link is maintained between executives' remuneration and their individual performance in delivering on the Company's strategic objectives. It is also essential to ensure that if executives are rewarded well that this is reflected appropriately at all levels of the Company. All levels of the organisation have benefited from the excellent performance through the incentive schemes that were put in place during 2017 and employees across the Company, have responded positively to these schemes.

Given these functions and responsibilities, each year Remco reviews the skills profile of the Company and its leadership team, and when necessary we adjust the remuneration plans and policies accordingly. We undertake annual evaluations of the performance of Kumba's executive directors to ensure that their remuneration is linked to performance, and we participate in all decisions relating to senior appointments and promotions. In February each year, we agree the indicators used to assess the performance of each director, and in November we assess their performance against these identified measures. The role of these indicators, which informs executives' remuneration, is to incentivise and reward performance in delivering on the Company strategy over the short, medium and long term.

The Committee is also responsible for reviewing Kumba's remuneration disclosure in the Integrated Report to ensure that it is straightforward, accurate and complete, and aligned with best practice governance requirements. Through this disclosure, provided in the Remco report immediately following my letter, we seek to provide sufficient forward-looking information for shareholders to assess the remuneration policy and to approve a resolution in terms of section 66(9) of the Companies Act, 2008.

KEY DECISIONS AND ACTIVITIES THIS YEAR

Reflecting back on the year, there are four key developments that I wish to highlight:

- Our revisions to the executive directors' remuneration policy, informed by shareholder feedback
- The successful conclusion of the three-year employee wage agreement with unions
- Our approach to replacing the Employee Share Ownership Plan (ESOP)
- The appointment of a new Exco oversight position on business development and strategic direction

Revising the executive directors' remuneration policy

At Kumba's AGM in May 2018, we will be tabling changes to the executive directors' remuneration policy for an advisory vote. We have proposed these changes following the slight reduction in shareholder support for the 2016 remuneration report, and in response to the views expressed by shareholders at the 2017 AGM. This year, together with the manager reward, I have consulted with each of our major shareholders/proxies to solicit their feedback on these proposed changes, most of which were supported. Following is a summary of key issues raised during these consultations, which have informed the final policy that will be tabled at the AGM:

- Some concerns were expressed regarding direct management control relating to the relative total shareholder return (TSR) performance condition pertaining to the vesting of the long-term incentive plan (LTIP) awards for the executive directors.
- There is a general preference for cash awards over equity awards relating to the potential for windfall gains during commodity up cycles or down cycle depreciation.
- There was a call for a more balanced weighting between the LTIP vesting performance conditions under direct management control (balanced scorecard of metrics) and the relative TSR metric over which the executive directors have limited, if any, control. Various alternative or supplementary metrics were proposed by our shareholders and proxies,

REMUNERATION REPORT CONTINUED

focusing on the sustainability of the Company and the long-term return to shareholders and other stakeholders; these included:
- A unit cost (US$/tonne) margin improvement metric
- A life-of-mine (LoM) extension or additional resources metric
- A mine closure and rehabilitation provision metric.

Informed by the outcome of this consultation process, and the earlier feedback from shareholders, we will table the following change items to the remuneration policy for an advisory vote:
- Amending the manner in which performance against financial targets is measured for the calculation of short-term incentives (STI) outcomes, on the basis of 50% using actual foreign exchange rates and prices and 50% based on fixed (budgeted) foreign exchanges rates and prices.
- Introducing a safety modifier on the STI calculation, feeding through to the concomitant deferred bonus arrangement (DBA), with the Committee having the sole discretion to defer the payment of the STI and associated DBA for the period of one or more years in the event of unacceptable safety performance.
- Revising the STI and DBA payment principles related to intergroup transfers, with the receiving business unit being solely responsible for the award related to the performance year during which the transfer occurred.
- Rebalancing performance conditions for the LTIP awards, with a 70% weighing of relative TSR, and 30% on a balanced scorecard of measurable performance indicators to align with Anglo American plc, with provision for indicators relating (for example) to unit cost of production, LoM extension and ore reserves expansion, rehabilitation and mine closure measures, attributable ROCE, total recordable case frequency rate, and level 4 and 5 environmental incidents.
- Capping or limiting the value that can be derived from LTIP awards, to provide for instances when shares may be granted at an unusually low share price and vest when the price is exceptionally high.
- Introducing a two-year post plan-vesting holding period, combined with a clawback condition on the performance related LTIP shares, additional to the three-year performance vesting period.

While the Committee believes that the fundamental structure of the existing remuneration package is sound, the proposed changes are designed to address the issue of market volatility and its impact on the incentive awards, while also directly addressing the specific concerns raised by shareholders.

Successfully concluding a new three-year wage agreement

It is pleasing to report that in August this year we successfully concluded a new three-year wage agreement between management and the three recognised labour unions: the National Union of Mineworkers (NUM), Solidarity and the Association of Mineworkers and Construction Union (AMCU). The agreement is effective from 1 July 2017 until 30 June 2020, and represents a differentiated annual salary increase of between 10% for the lower level categories and 7% for the higher level categories. The negotiations, while robust and challenging, were once again conducted in a positive and constructive manner, reflecting the high levels of mutual trust and respect that I believe underpins the relationships between management and unions.

Identifying a replacement ESOP scheme

Kumba's Envision phase II Employee Share Ownership Plan (ESOP) terminated in November 2016 and has since been unwound. This year the Committee commissioned the design of a replacement ESOP scheme, and we reviewed various management proposals during the course of 2017. The Committee will recommend a replacement ESOP proposal for final recommendation by the Board for shareholder approval at a special AGM later in 2018.

Establishing a new Exco position on strategy and business development

Following the significant restructuring exercises that Kumba has been undertaken since 2015, aimed at maintaining the Company's resilience in a rapidly changing market environment, we agreed this year to supplement the Kumba Exco structure by establishing a new position: Executive head strategy and business development. The position has been created to ensure better alignment and coordination between Kumba's strategy and business development functions, which under the previous Exco structure had two separate reporting lines: strategy reporting to the office of the Chief executive, and business development to the Head of technical and projects. The newly created oversight position is expected to provide a significant contribution in determining the long-term strategic objectives of the business, aligning strategy formulation and execution across the other Kumba business functions to ensure sustained business growth.

APPRECIATION

I would like to thank my colleagues on the Committee for their assistance this year in delivering on our important responsibilities for ensuring progressive remuneration policies and practices. A special thanks to Fani Titi for his support during his tenure as Chairman of the Board. I also extend my thanks also to Mr Themba Mkhwanazi and his executive team for their dedication and hard work over the year, as well as to the various shareholders and proxies who gave us very constructive and frank feedback on our remuneration policies and practices.

This is my last full year on the Kumba Board, as I shall be stepping down at the Kumba AGM on 11 May 2018. I have immensely enjoyed these past 12 years serving on the Kumba Board, and wish my colleagues and successors on the Board and Committee the very best for the years ahead.

Allen Morgan
Chairman of the Human Resources and Remuneration Committee

8 March 2018

The following are some of the key developments and activities of Remco during 2017.

CHANGES TO THE MEMBERSHIP OF REMCO

- Ms Zarina Bassa, independent non-executive director and member of the Remco, decided to step down with effect from 11 May 2017. Zarina served on the Committee for one and a half years, since 11 November 2015.
- Mr Fani Titi, Chairman of the Kumba Board and member of the Remco, decided to step down with effect from 30 September 2017. Fani served on the Committee for four years and seven months, since 4 February 2013.
- Mr Stephen Pearce, Anglo American plc's Finance director, joined the Kumba Board as non-executive director on 24 March 2017 and as a member of the Remco on 6 June 2017.
- Dr Mandla Gantsho joined the Company as an independent, non-executive director on 1 August 2017 and as Chairman of the Kumba Board and member of the Remco on 1 October 2017.
- Mrs Dolly Mokgatle, an independent non-executive director of the Kumba Board since 7 April 2006, joined as member of the Remco on 6 June 2017.

KEY MANAGEMENT CHANGES DURING 2017

- Mr Frikkie Kotzee decided to step down as Chief financial officer and executive director of Kumba Iron Ore Limited after five years in the role, with effect from 11 May 2017.
- Mr Alex Mgadzah, the Executive head of safety, health and environment, decided to step down after six years with effect from 30 April 2017.
- Mr Billy Mawasha, the Executive head of operations and integration, decided to step down after five months in the position with effect from 30 June 2017. Mr Mawasha's overall tenure with the Company was three years and 10 months.
- Ms Avanthi Parboosing decided to step down as Company secretary after three years with the Company, with effect from 30 June 2017.
- Mr Bothwell Mazarura was appointed as Chief financial officer and executive director, with effect from 1 September 2017.
- Mr Philip Fourie was appointed as Executive head of safety, health and environment, with effect from 1 May 2017.
- Ms Celeste Appollis was appointed as Company secretary, with effect from 1 December 2017.

For all key decisions made by the Committee, please refer to page 78 and 79 of the governance section.

EXECUTIVE DIRECTORS' REMUNERATION POLICY

The Committee believes that the fundamental structure of the remuneration package is sound and so the incentive plans will remain broadly the same. However, the proposed changes are designed to address the issue of market volatility and its impact on the incentive awards, while also directly addressing the concerns raised by shareholders during our consultations with them. The change items tabled are as follows:

- **Amending the manner in which performance against financial targets is measured for the calculation of short-term incentives (STIs) outcomes:** It is proposed that the financial targets (EBIT, EPS and operating free cash flow) for the annual bonus be measured on the basis of 50% determined using actual foreign exchange rates and prices and 50% based on fixed (budgeted) foreign exchanges rates and prices. The Committee believes that this approach will help smooth potential volatility, and ensure that annual bonus pay-outs provide a fairer reflection of underlying performance.
- **Introducing a safety modifier on the STI calculation, feeding through to the concomitant deferred bonus arrangement (DBA):** It is proposed that the Committee will have the sole discretion to defer the payment of the STI and associated DBA for the period of one or more years in the event of unacceptable safety performance, including fatalities. This will be dependent on the underlying circumstances and contributing factors, in addition to the modifier penalty applying during the performance period.
- **Revision of the STI and DBA payment principles related to inter-group transfers:** It has been the policy and practice at Kumba, and within the Anglo American plc group, that both the receiving and departing business unit pay a pro-rated bonus (STI) based on the period of service and related performance delivered at each particular business unit. The Committee proposes this practice be maintained and that with regard to the DBA, as a forward-looking retention mechanism, the receiving business unit be solely responsible for the award related to the performance year during which the transfer occurred, based on the combined STI value for the performance year between the receiving and departing business units.
- **Quantum of the executive directors' LTIP award:** Based on a total reward comparator group benchmark, and under the guidance of an external service provider, the Committee was unanimous that the maximum annual face value quantum for the Chief executive at 150% of annual basic employment cost (BEC), and 100% of annual BEC for the Chief financial officer, remained appropriate.

REMUNERATION REPORT CONTINUED

SECTION ONE: KEY REMUNERATION DEVELOPMENTS AND ACTIVITIES OF REMCO continued

- **Rebalancing performance conditions for the LTIP awards:** The current LTIP performance conditions are equally distributed (50%/50%) between ROCE and relative TSR performance, with TSR being further apportioned (25%/25%) between the JSE/FTSE Mining Index and the Global Iron Ore peer group performance. The Committee has deemed it prudent to review these performance conditions to ensure better alignment between shareholder interests – in terms of market competitiveness, safety, sustainability and long-term growth of the Company. It is proposed that from 2018, LTIP awards will be subject to performance metrics with a 70% weighting of relative TSR, and 30% on a balanced scorecard of measurable performance indicators, including the current ROCE condition, but at a reduced weighting of 10% out of the total weighting. The typical performance conditions that could comprise the balanced scorecard portion of the LTIP vesting conditions, at the discretion of the Committee, would include:
  - Unit cost of production (US$/tonne), linked to the Kumba full value potential programme Horizon 1
  - Life-of-mine (LoM) extension and ore reserves expansion related to Horizons 2 and 3 of the Kumba full value potential programme
  - Appropriate provisioning for the rehabilitation and mine closure for operations when they reach their end-of-life as part of our social and environmental commitments
  - Return on capital employed (attributable ROCE) relating to the astute application of capital in the business and the long-term sustainability of the business
  - Cumulative, attributable free cash flow, also relating to the financial liquidity and sustainability of the business
  - Total recordable case frequency rate (TRCFR)
  - Level 4 and 5 environmental incidents
- **Capping or limiting the value that can be derived from LTIP awards:** In the current volatile market environment the Committee considered capping or limiting excessive gains from the executive directors' share plans when shares are granted at an unusually low share price and vest when the price is exceptionally high. The typical South African market practice is to limit the issue of shares linked to incentive schemes as follows:
  - *Company limit:* An overall limit over the life of the plan of up to 5% of issued share capital; this limit excludes awards that are settled through a market purchase of shares, and awards that lapse due to the vesting conditions not being met or termination of employment
  - *Individual limit:* Up to 0.5% to 1% of the Company's issued share capital.
- In addition to the limits above, from 2018 onwards the Committee will introduce an annual dilution limitation. The Committee proposes an annual dilution limitation on LTIP allocations of between 0.3% and 0.5% of issued share capital per annum, applied at the discretion of the Committee. This will mitigate against an excessive number of shares being awarded in circumstances where the share price is abnormally low. This is conservative in comparison to the market practice which has been applied by several large mining companies, which is to limit the annual number of share awards to between 1% and 1.25% of shares in issue.
- **LTIP holding period and clawback provision**. The Committee proposes a two-year post plan-vesting holding period, combined with a clawback condition on the performance-related LTIP shares, additional to the three-year performance vesting period. The performance vested shares will be held in escrow during the additional two-year holding period, but qualify for full shareholder benefits during this period. A clawback condition will be introduced in the form of a forfeiture of these shares, subject to the discretion of the Committee, in the case of any of the following trigger events:
  - Unacceptable safety performance, including any fatalities during the holding period
  - A material misstatement of the financial results of the Company
  - Gross misconduct, incompetence or negligence
  - Harm to the Company's reputation
  - A material failing in risk management processes that has resulted, or is likely to result, in significant and lasting value destruction for the company during the holding period.

THE HUMAN RESOURCES AND REMUNERATION COMMITTEE OF THE BOARD (REMCO)

Role of Remco and terms of reference

The Remco assists the Board with remuneration policies and programmes in line with Company strategy and objectives, with a specific focus on executive director and prescribed officer remuneration. For terms of reference of the Committee, please refer to page 78 of the governance section. The full Remco terms of reference are also available on Kumba's website:

http://angloamericankumba.com/investors/corporate-governance.aspx.

Membership of Remco

The Committee comprises the following non-executive directors:

- Allen Morgan (Chairman) – independent non-executive director
- Dr Mandla Gantsho – independent non-executive director
- Dolly Mokgatle – independent non-executive director
- Stephen Pearce – non executive director

Frequency and attendance of committee meetings

In addition to committee members, the Chief executive, Executive head of human resources and the Anglo American plc Group head of reward attend meetings of the Committee. Directors are not involved in any decisions regarding their own remuneration and are recused from such discussions and deliberations. The Remco met four times during the year and attendance is presented on page 14. Abridged biographies for the members of the Remco are available on the Company website:

http://angloamericankumba.com/about-us/leadership-teams/our-board.aspx.

REMUNERATION PHILOSOPHY

Our remuneration philosophy underpins our strategy

Our remuneration philosophy forms an integral part of our employment ethos and supports Company strategy.
Our reward strategy aims to:

- Motivate and engage employees to increase their level of commitment resulting in high levels of performance of individuals and teams
- Facilitate the attraction and retention of top talent and those employees with critical skills
- Maintain Kumba as an employer of choice
- Target the market median in respect of fixed pay, with variable performance-related pay, both short and long term, included in the total reward offering to ensure market competitiveness
- Ensure the fair, equitable and consistent application of our remuneration principles and policies guided by the King IV principles relating to fair and responsible remuneration
- Allow employees to share in the performance of the business

The Remco has the overarching responsibility to ensure that the principles of accountability, transparency, sustainability and good governance are enacted in all remuneration-related matters. This includes the critical link between executive remuneration and performance against strategy, with the ultimate aim of creating executive engagement and shareholder value.

In the event that the remuneration policy or the implementation report, or both, have been voted against by 25% or more of the voting rights exercised by shareholders in the non-binding advisory vote, the Board will delegate representatives to actively engage with the majority shareholders to address and conciliate the substantiating objections and concerns and to ameliorate the policy and/or report as appropriate, taking cognisance of the shareholder feedback and proposals resulting from the engagement and as approved by the Board.

Fair and responsible remuneration

The following section sets out the manner in which our remuneration policy addresses fair and responsible remuneration for our executive directors and prescribed officers in the context of overall employee remuneration.

Some of the implemented principles driving fair and responsible remuneration are:

- Driving compliance to all legislative requirements and prescriptions pertaining to remuneration and benefits
- Annual, external benchmarking of remuneration package competitiveness across grading and job function/category as appropriate; review and adjustment as appropriate of any salary anomalies lying below the comparable market median within a predetermined threshold
- Applying well-defined policies on appointment and salary movement (promotions, demotions and lateral moves), linking salaries to functional peer group medians to address equal pay for equal work and any income disparities based on gender, race or other demographics
- All permanent and fixed-term employees in the Company participate in a short-term incentive scheme as appropriate
- HR strategic initiatives are executed to enhance the overall employee work experience and improve the EVP offering for our employees

REMUNERATION REPORT CONTINUED

Elements of remuneration

The key elements of our remuneration framework and structure, which guides payments to all employees, are shown below, with a focus on executive directors and prescribed officers. The following colour scheme is employed throughout the remuneration report to denote the following components pertaining to the composition of our remuneration framework:

Table A – remuneration framework composition

	Total guaranteed pay (TGP)		
	Base salary	Standard benefits	Conditional benefits
Strategic intent	– Attract people with the necessary competencies (knowledge, skill, experience and attitude) to add value and discretionary effort to our business – Retain competent, high-performing employees who are engaged and live the Company values – Ensure that our pay is competitive in the industry and market related – Comply with legislative provisions and negotiated contractual commitments – Support high-performing individuals and teams by aligning reward with performance – Reinforce and enhance the principle that employees are key assets of our company		
Delivery mechanism	Monthly payments	– Employer contribution to selected retirement funds – Subsidised medical aid – Life and disability insurance – Housing allowances and five-year mortgage subsidy plan (bargaining unit employees only) – Study assistance for formal education	– Seven-day production allowance – Shift allowance – Standby allowance – Call-out allowance – Government certificate of competency (GCC) allowance – Occupational medical practitioner (OMP) allowance – Position allowance – Artisan allowance – Acting allowance
Eligibility	All our employees		– Job-specific requirements – Scarce skills – Legislative requirements

Variable pay (VP)							
	Short-term incentives				Long-term incentives		
	Production bonus	Gain share bonus	Deferred bonus	Performance bonus	Employee Share Ownership Scheme (ESOP)	Forfeitable Share Plan (FSP)	Long-term Incentive Plan (LTIP)
	– Aimed to align the achievement of production, safety and productivity (OEE) targets at an operational level – Encourage the achievement of stretch targets at a company, business unit, functional and individual level – Align management and shareholder interest – Allow our employees to participate in the gains attributed to strong to exceptional Company performance during the financial year – Longer-term retention (deferred bonus component)				– Retention of skills and direct alignment with shareholder interest – Reward employees for their contribution to long-term, sustainable Company performance – Attract and retain key employees		
	Cash bonus paid on a quarterly or bi-annual basis, depending on the arrangement pertaining to each operation or site.	Top-up cash bonus paid out on an incremental scale to a maximum of one month's basic employment cost only on achieving and exceeding the Company's annual EBIT target. The bonus is paid out in March of the following year, following the announcement of the annual results.	The incentive is delivered in two parts: i. An annual cash incentive; and ii. A deferred cash bonus with a holding period of one year before vesting.	The incentive is delivered in two parts: i. An annual cash incentive; and ii. Deferred bonus shares (DBA scheme) with a holding period of three to five years (for the Chief executive) before vesting.	Units awarded in terms of the rules of the ownership plan.	Delivered in forfeitable shares with a holding period of three years before vesting.	Delivered in conditional shares with specific performance conditions attached to the vesting quantum after a period of three years.
	Bargaining unit employees.	Bargaining unit employees.	Middle management level employees (Global Banding Framework 6/12).	Senior management and above.	Bargaining unit employees and frontline management level employees.	Prescribed officers and selected senior managers, excluding executive directors.	Executive directors.

REMUNERATION REPORT CONTINUED

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

Executive directors and prescribed officers receive remuneration appropriate to their scope of responsibility and contribution to operating and financial performance, taking into account industry norms, external market and country benchmarks.

The remuneration of executive directors and prescribed officers consists of fixed and variable components that are designed to ensure a substantial portion of the remuneration package is linked to the achievement of the Company's strategic objectives, thereby aligning incentives awarded to the creation of sustainable shareholder value.

Fixed remuneration

The total package per role is compared to levels of pay at the market median in companies of comparable size and complexity within the industry sector. Annual salary benchmark reviews are conducted to ensure market competitiveness.

The Company contributes 12% of pensionable salary to approved retirement funds. Medical aid is subsidised at 60% of the contribution to a maximum amount determined by market comparisons. Risk insurance benefits include life cover and death-in-service benefits, subject to the rules of the approved Kumba retirement funds. The Company provides additional death and disability cover to employees through its insurance risk and compensation for occupational injuries and diseases (COID) underwriting policies.

Variable remuneration

The variable remuneration of the executive directors and prescribed officers consists of cash (annual performance bonus) and equity instruments (deferred bonus and long-term incentives) applied in combination and with the quantum and conditions appropriate to the scope of responsibility and contribution to operating and financial performance of the respective role.

The variable remuneration components of our remuneration framework can be summarised as follows for our executive directors and prescribed officers:

Variable pay component	Instrument type	Payment/vesting	Eligibility
Performance bonus	Cash	Annual cash payment in March	Executive directors, prescribed officers, senior and middle management employees
Deferred bonus arrangement (DBA)	Restricted equity	Unconditional vesting after three to five years (five years for the Chief executive officer only)	Executive directors, prescribed officers, senior and middle management employees
Forfeitable share plan (FSP)	Restricted equity	Unconditional vesting after three years	Prescribed officers and qualifying senior managers (general management level employees)
Long-term incentive plan (LTIP)	Restricted equity	Conditional vesting after three years	Executive directors

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' 2017 REMUNERATION POLICY

The following section provides a comprehensive overview of the executives directors and prescribed officers' remuneration policy applicable to the 2017 financial year.

Elements of remuneration

The key elements of our remuneration framework and structure, which guides payments to all employees, are shown below, with a focus on executive directors and prescribed officers. The following colour scheme is employed throughout the remuneration report to denote the following components pertaining to the composition of our remuneration framework:

Table B – remuneration framework composition

	Fixed remuneration		Variable remuneration			
	Total guaranteed pay (TGP)		Short-term incentives		Long-term incentives	
	Base salary	Standard benefits	Annual performance bonus	Deferred Bonus Arrangement (DBA)	Forfeitable Share Plan (FSP)	Long-term Incentive Plan (LTIP)
Purpose and link to remuneration strategy	Market-related level of remuneration differentiated on the specific requirements of the role, level of complexity and span of control.	Benefits appropriate to the market and contributing to the health and wellbeing of employees in support of our employee value proposition (EVP).	The incentive is designed to reward and motivate the achievement of agreed Company financial, strategic and operational objectives, linked to key performance areas within cited employees' respective portfolios. Through the deferred bonus arrangement, long-term sustained performance is encouraged.		Retention and motivation of employees who are key to the delivery of the Company's long-term strategy.	Motivate executive directors to achieve the three-year strategic objectives of the Company pertaining to relative total shareholder return (TSR) and return on capital employed (ROCE) and thus aligning executive and shareholder interests.
Methodology	Base salary, as part of total guaranteed pay, is reviewed annually to ensure market competitiveness within the mining industry as well as nationally. Kumba applies annual salary adjustment differentiation linked to individual performance (as per the Anglo American plc performance standard methodology) during the preceding performance year and is under no obligation to increase base salary.	The standard benefits, as part of the total guaranteed pay fixed component of remuneration, are as follows: – Monthly employer retirement fund contribution to selected retirement funds equal to 12% of pensionable earnings – Disability cover included in the monthly employer retirement fund contribution – Personal accident, life and disability cover as well as travel cover – Monthly medical aid subsidy equivalent to the littlest of 60% of the monthly contribution or an annually reviewed subsidy cap – Study assistance for position-related formal, further education for qualifying employees	An annual cash incentive, determined in accordance with the Anglo American plc performance standard methodology, payable at the end of March of the year following the end of the financial year. The quantum of the annual incentive is determined as the multiple of the grading specific on-target bonus percentage (between 20% and 30% of annual basic employment cost), the business multiplier (determined by the overall Company performance within the Anglo American plc group during the performance year) and the individual performance modifier (IPM) linked to individual performance against a set performance contract for the performance year under review. The IPM is also calibrated against peer performance and individual behaviour against the group values.	A deferred bonus arrangement in which a proportion of the cash incentive is matched and awarded as: i. 140% (150% for the Chief executive) of the cash incentive in deferred shares, which is awarded after the end of the relevant financial year. These bonus shares are linked to performance during the financial year in the same manner as the annual cash incentive, and are subject to a three to five-year (only for the Chief executive) holding period before vesting, during which it remains restricted. This is applicable to executive directors, prescribed officers and senior management. ii. Participants earn dividends on shares awarded under the DBA	Forfeitable shares are awarded annually to qualifying prescribed officers and senior management (general management level employees) based on achieving an individual performance rating of 3 (having satisfactorily met all performance objectives for the year under review) or above on a 5 point ascending performance scale. The quantum of the award (face value) is 40% of annual basic employment cost for all qualifying employees and 50% for the Chief operating officer position. The restricted share award vests after a period of three years. Forfeitable share awards will be forfeited if the participant leaves employment during the restricted period (except if the participant is a 'good leaver' under the scheme rules). Participants earn dividends on shares awarded under the FSP.	The LTIP consists of conditional awards of shares vesting after three years, subject to the achievement of stretched performance conditions. Full voting and dividend rights will only accrue from the vesting date. Two equally weighted performance metrics measured over a three-year period apply to each award being: – 50% attributable ROCE; and – 50% relative TSR.

REMUNERATION REPORT CONTINUED

Table B – remuneration framework composition continued

	Fixed remuneration		Variable remuneration			
	Total guaranteed pay (TGP)		Short-term incentives		Long-term incentives	
	Base salary	Standard benefits	Annual performance bonus	Deferred Bonus Arrangement (DBA)	Forfeitable Share Plan (FSP)	Long-term Incentive Plan (LTIP)
Methodology continued				iii. 70% of the cash incentive in deferred cash, which is awarded after the end of the relevant financial year. The deferred cash is linked to performance during the financial year in the same manner as the annual cash incentive, and is subject to a one-year holding period before vesting, during which it remains restricted. This is applicable to middle management level employees. The deferred bonus shares as well as deferred cash will be forfeited if the participant leaves employment during the restricted period (except if the participant is a 'good leaver' under the DBA scheme rules). Participants earn dividends on the deferred bonus shares.		The relative TSR is further split into a 25% weighted JSE/FTSE mining index (this index is compiled by the FTSE but consists of JSE mining companies only) and 25% global iron ore peer group. The global iron ore companies comparator group comprises IRC Limited (Hong Kong), Hengshi Mining Investments Limited (Cayman Islands), Shougang Hierro Peru S.a.a. (Peru), Honbridge Holdings Limited (Cayman Islands), Ferrexpo plc (United Kingdom), EVRAZ plc (United Kingdom), Companhia Siderúrgica Nacional (Brazil), NMDC Limited (India), Fortescue Metals Group Limited (Australia) and Vale S.A. (Brazil). Targets are approved by Remco for each allocation and no re-testing of performance conditions is allowed. Shares that do not vest after three years in terms of the performance conditions will lapse. Details of the 2017 performance targets and vesting schedule are presented in the accompanying **Table C.**

Table B – remuneration framework composition continued

	Fixed remuneration		Variable remuneration			
	Total guaranteed pay (TGP)		Short-term incentives		Long-term incentives	
	Base salary	Standard benefits	Annual performance bonus	Deferred Bonus Arrangement (DBA)	Forfeitable Share Plan (FSP)	Long-term Incentive Plan (LTIP)
Opportunity and maximum limit	Base salary is linked to the annual benchmarking of the total reward package against the market median of companies of comparable size and complexity within the industry. Annual differentiated performance adjustments can range from 0% for non-performing individuals to 1.3% above average inflation (CPI) for exceptional value creation/performance.	The benefits have been designed to support the Company's employee value proposition to further supplement a competitive remuneration framework in the market.	The values of the annual performance incentive for executive directors and prescribed officers are: **Chief executive:** The Chief executive's annual incentive is determined by measuring performance against overall company targets (75%) and specific, individual key performance measures (25%) approved by the Board. The cash element of the incentive is capped at 70% of base salary. **Chief financial officer:** The Chief financial officer participates in the Anglo American plc group performance management standard. This is based on a maximum on-target cash bonus percentage of 30%, an individual performance modifier (IPM) and a business multiplier (BM) that is determined at the end of the year, taking into account Kumba business performance against the targets set for the year. **Prescribed officers:** As with the case of the Chief financial officer, prescribed officers participate in the Anglo American plc group performance management standard. This is based on a maximum on-target cash bonus percentage of 25% or 30% of base salary, an IPM and a BM that is determined at the end of the year taking into account Kumba business performance against the targets set for the year.	**Executive directors, prescribed officers and senior management:** 140% (150% for the Chief executive) of the cash incentive in deferred shares, which is awarded after the end of the relevant financial year. **Middle management:** 70% of the cash incentive in deferred cash, which is awarded after the end of the relevant financial year.	The FSP award quantum is fixed at 40% of the participant's annual base salary (face value of share award) for qualifying prescribed officers and senior managers. The only exception is for the Chief operating officer position for which the quantum is fixed at 50% of annual base salary.	The maximum annual face value of the LTIP award is 150% of base salary for the Chief executive and 100% of base salary for the Chief financial officer.

Governance

REMUNERATION REPORT CONTINUED

Table B – remuneration framework composition continued

	Fixed remuneration		Variable remuneration			
	Total guaranteed pay (TGP)		Short-term incentives		Long-term incentives	
	Base salary	Standard benefits	Annual performance bonus	Deferred Bonus Arrangement (DBA)	Forfeitable Share Plan (FSP)	Long-term Incentive Plan (LTIP)
Performance conditions	Linked to the individual performance objectives or key performance indicators contracted for the performance year, aligned with the business strategy and operational objectives as approved by the Board and cascaded through the business.	N/A	Managers within Kumba are measured on business-specific strategic value drivers aligned to operational and/or mine-specific strategic priorities as approved by the Board. In 2017 emphasis was placed on the following: – Leading and lagging safety indicators including safety leadership – Total production and compliance to mine plan – Cost optimisation (unit cost) – Financial performance – EBIT, operating free cash flow, earnings per share Key performance areas for 2018: – Leading and lagging safety indicators including safety leadership – Total production and compliance to mine plan – Cost optimisation (unit cost) – Financial performance – EBIT, operating free cash flow, earnings per share		The participant needs to achieve an individual performance rating of 3 (having satisfactorily met all performance objectives for the year under review) or above on a 5 point ascending performance scale to qualify for an award pertaining to the prior performance year.	Two equally weighted performance metrics measured over a three-year period apply to each award being: – 50% attributable ROCE; and – 50% relative TSR. The relative TSR is further split into a 25% weighted JSE/FTSE mining index (this index is compiled by the FTSE but consists of JSE mining companies only) and 25% global iron ore peer group. The threshold and stretched targets for the 2017 LTIP award as approved by the Remco is presented in the accompanying **Table C**.
Eligible participants	Executive directors, prescribed officers, senior and middle management employees.		Executive directors, prescribed officers, senior and middle management employees.		Prescribed officers and qualifying senior managers (general management level employees).	Executive directors.
Company limits on equity awards	N/A		N/A	The aggregate limit for the DBA, FSP and LTIP is 10% of the issued share capital. Shares are purchased in the market and not issued for the purpose of settlement of the DBA, FSP or LTIP. The current level of outstanding shares is equal to 0.894% of total issued share capital.	The aggregate limit for the DBA, FSP and LTIP is 10% of the issued share capital. Shares are purchased in the market and not issued for the purpose of settlement of the DBA, FSP or LTIP. The current level of outstanding shares is equal to 0.894% of total issued share capital.	

Table B – remuneration framework composition continued

	Fixed remuneration		Variable remuneration			
	Total guaranteed pay (TGP)		Short-term incentives		Long-term incentives	
	Base salary	Standard benefits	Annual performance bonus	Deferred Bonus Arrangement (DBA)	Forfeitable Share Plan (FSP)	Long-term Incentive Plan (LTIP)
Policy changes in 2017	None	None	None		None	The threshold vesting quantum of the LTIP conditional share award of 30% has been aligned with the Anglo American plc group practice of 25% vesting at threshold and was agreed by the Remco and Nominations Committees for the 2017 awards onward. The threshold and stretched targets on the attributable ROCE performance indicator of respectively 11% and 31% was agreed by the Remco in 2017. The targets were previously 3% and 13% for threshold and stretch respectively. The increase in threshold and stretch ROCE targets for 2017 can be attributed to an improved ROCE realisation potential anticipated over the performance period (2017 to 2019), based for the most part on the improvement of the iron ore market conditions combined with a number of business improvement initiatives initiated over the past two years. The global iron ore comparator group was reviewed for 2017 to maintain suitability under dynamic market conditions. Three additional companies were added to the comparator (10 companies in total) and Atlas Iron (Australia), Mount Gibson (Australia), China Vanadium (China) and Rio Tinto Ltd (Australia) have been replaced.

REMUNERATION REPORT CONTINUED

Table C – 2017 LTIP award performance conditions, targets and vesting schedule

Performance indicator	Sub-indicator	Percentage of allocation subject to indicator	Below threshold	Threshold target	Stretch target
Return on capital employed (ROCE) achieved	N/A	50%	< 11%	11%	31%
Relative total shareholder return (TSR) achieved	Global iron ore peer group	25%	Below the median TSR of the peer group	Median TSR of the peer group	Upper quartile TSR of the peer group
	JSE/FTSE Index	25%	Below the performance index	Performance at the index	Performance at 9% and above the index
Vesting schedule with linear vesting between threshold and stretch targets			0%	25%	100%

Executive directors and prescribed officers' contracts of employment

Executive directors and prescribed officers are not employed on fixed-term contracts but have standard employment contracts with notice periods of up to six months. The Chief executive officer's (Mr Themba Mkhwanazi) contract has restraint of trade provisions for a period of 12 months after the termination of his employment. There are no additional payments for any of the restraint obligations as the Chief executive officer's remuneration is deemed fair and reasonable compensation inclusive of the restraint obligations. No restraint of trade provisions apply to the Chief financial officer and prescribed officers. No restraint payments have been made during the year. There are no change of control provisions or any provisions relating to payment on termination of employment.

Appointments of executive directors and prescribed officers

Appointments are subject to approval by the Board and are governed by the business integrity policy.

NON-EXECUTIVE DIRECTORS' FEES

Non-executive directors do not have employment contracts with the Company or participate in any of the Company's incentive plans. Non-executive directors are subject to retirement by rotation and re-election by shareholders in accordance with the Memorandum of Incorporation of the Company.

The Remco recommends the level of fees payable to non-executive directors to the Board for approval by the shareholders. Non-executive directors' remuneration is determined through the benchmarking of market data, based on a survey of a representative comparator group of JSE-listed companies, as conducted by an independent external service provider. Fees are not dependent on meeting attendance, and no other supplementary fees are payable.

Annual fees payable to non-executive directors were approved by shareholders at the AGM on 11 May 2017. The fees are as follows:

2017 fees per annum (Rand)

Capacity	Chairman	Member
Board of directors	1,322,890	222,867
Audit Committee	297,455	147,944
Risk and Opportunities Committee	297,455	147,944
Social, Ethics and Transformation Committee	297,455	147,944
Human Resources and Remuneration Committee	297,455	147,944
Nominations and Governance Committee	N/A*	147,944

* The Nominations and Governance Committee is chaired by the Chairman of the Board and there are no additional fees paid for this responsibility.

GUARANTEED PAY ADJUSTMENTS

Average rate of increase for 2017

A market adjustment mandate of 6.5% on the cost to company (CTC – base salary plus employer retirement fund contribution) was approved by the Remco for the non-bargaining category employees, in line with mining peer and national benchmarks conducted by an external, third-party service provider. The approved mandate was further differentiated based on individual performance ranging from a 0% adjustment for non-performing employees to 7.8% for individuals with exceptional value delivery and performance during the prior performance year (2016). An additional discretionary 1% mandate was approved to address individuals notably below the market median, taking cognisance of their performance (performance rating of 3 and above) during the prior two performance years.

In line with the market adjustment mandate applicable to the non-bargaining employees for 2017, a CTC adjustment of 6.5% has been effected for the Chief executive as of 1 January 2017, in line with the Company's annual salary inflation adjustment cycle. Due to limited tenure of the Chief executive officer at the time (1 September 2016 to 31 December 2016), no performance differentiation was applied to the 1 January 2017 adjustment, with the Committee deferring a total reward remuneration review for the Chief executive to the anniversary of his appointment (1 September 2017).

The previous Chief financial officer, Mr Frikkie Kotzee, received an inflation adjustment of 7.3% effective as of 1 January 2017, in line with the Company's annual salary inflation adjustment cycle and adjustment quantum differentiation based on performance.

The total reward remuneration of the executive directors are benchmarked against a comparator peer group of JSE-listed companies of similar size and nature of operations, of which the data for the executive directors of the comparator group has been collected and compared to the Kumba incumbents by a third-party external service provider. The criteria utilised in the determination of an appropriate peer group were total assets under control, annual turnover and number of employees. The comparator group of companies utilised for the September 2017 Chief executive's salary review benchmarking purposes comprised African Rainbow Minerals Limited, Anglo American Platinum Limited, Exxaro Resources Limited, Gold Fields Limited, Harmony Gold Mining Company Limited, Impala Platinum Holdings Limited and Sibanye Gold Limited.

Based on the outcome of the benchmark review, the Committee adjusted the CTC of the Chief executive by 7.98%, effective 1 September 2017, to better align his total reward with the peer group median used as reference. The effective date coincides with the anniversary of the Chief executive's appointment and is aligned with the Committee's intent to review the Chief executive's salary on the anniversary of his appointment. Based on the 2017 performance assessment outcome of the Chief executive, an inflation adjustment of 6.5% has been effective as of 1 January 2018, in line with the Company's annual salary inflation adjustment cycle and adjustment quantum differentiation based on performance.

As the incumbent Chief financial officer, Mr Bothwell Mazarura, was appointed on 1 September 2017 with a brief tenure of only four months for the 2017 performance year, the Anglo American performance standard practice of a 'too soon' rating and a default individual performance modifier of 1.0 has been applied for 2018. Mr Mazarura has received an inflation adjustment of 5.5% effective as of 1 January 2018, in line with the Company's annual salary inflation adjustment cycle and adjustment quantum differentiation based on performance.

During 2014, Kumba and the representative trade unions signed a multi-year collective bargaining agreement for the period 1 July 2014 to 30 June 2017. The third and last year of the agreement was implemented on 1 July 2016. A total increase of 8% was granted in line with the agreement. In anticipation of the expiration of the 2014 multi-year wage agreement on 30 June 2017, Management engaged in negotiations with our three recognised trade unions, being the National Union of Mineworkers (NUM), Solidarity and the Association of Mineworkers and Construction Union (AMCU) during the second quarter of 2017 on a new wage agreement. A new, multi-year wage agreement ranging between a 10% increase on the lowest level and 7% on the highest level of the bargaining category, effective from 1 July 2017 until 30 June 2020 was agreed and signed on 12 September 2017. The overall mandate of the agreement ranges between 7.8% for 2017 and 7.1% for the 2018 and 2019 adjustments.

REMUNERATION REPORT CONTINUED

ANNUAL PERFORMANCE INCENTIVE OUTCOMES

Safety

- **The focus on safety remains a key priority for the group.** The continuous effort in our safety performance included a focus on fatality elimination with an emphasis on leadership, operational risk management, implementation of critical controls and learning from incidents. This has resulted in encouraging improvements reflected in our leading indicator reporting. **No fatalities were recorded during 2017. High-potential incidents, which are those that could have resulted in a fatal accident, have reduced by 46% in 2017. On the lagging indicators, the total recordable case frequency rate, which is a measure of frequency of injuries, dropped 17% to 0.65 (2016: 0.78) and the lost-time injury frequency rate (LTIFR) decreased 39% to 0.17 (2016: 0.28).**

Production

- Total tonnes mined at Sishen increased by 12% to 199.5 Mt (2016: 178.3 Mt) with 39% fewer trucks. Consistent with the mine plan, the stripping ratio increased to 4.3 compared to 3.3 in 2016. **Consequently, the amount of waste mined also increased, as planned, to 162 Mt (2016: 137 Mt). Sishen's production increased by 10% to 31.1 Mt (2016: 28.4 Mt) due to increased plant throughput and higher plant yields.**
- Total tonnes mined increased by 12% to 71.8 Mt (2016: 64 Mt). **Waste mined was 55.6 Mt (2016: 50.2 Mt), an increase of 11%, supporting higher production levels. Kolomela's production was 9% higher at 13.9 Mt (2016: 12.7 Mt), reflecting productivity improvements.** Productivity and efficiencies of the Kolomela drill fleet increased by 20% with the introduction of automated drilling technology. The Kolomela modular plant delivered 0.5 Mt, although performance was affected by delays in the ramp-up of the crushing plant.
- **Kumba mined total tonnes of 271.3 Mt during 2017, an increase of 12%. Total production increased to 45 Mt due to significant productivity improvements at Sishen, which achieved 31.1 Mt, and a continued solid performance at Kolomela, delivering 13.9 Mt.** Total export sales volumes increased by 7% to 41.6 Mt (2016: 39.1 Mt) due to higher production, while total sales volumes increased by 6% to 44.9 Mt (2016: 42.5 Mt).

Costs

- Kumba's average cash breakeven price for the year increased to US$40/tonne from US$29/tonne in 2016, in line with the guided range of US$32 to US$40/tonne. The increase of US$11/tonne is mainly due to controllable costs increasing by US$1/tonne and an increase of US$10/tonne in uncontrollable costs.

Operating Model

- **The Operating Model ensures more stable operations, reduced variability and enhanced capability and efficiency, providing a structured approach for continuous improvement**. Implementation at Sishen during 2017 focused on support and services work, which enables a fully integrated view of all activities in the pit. **The most visible and immediate impact was the reduction of unscheduled work by up to 40% in some areas. This has a direct impact on safety, planned work, productivity, elimination of waste and improvement in efficiencies**. Scheduled compliance and scheduled work are two of the important leading indicators of stability in the process. **At Kolomela a 7.6% improvement in direct shipping ore plant throughput was achieved while Sishen has achieved an 84% improvement in mine to plan compliance since 2015**. The stabilised roll-outs at the Kolomela plant and Sishen shovel maintenance areas continue to demonstrate benefits.

Financial

- Headline earnings increased by 12% to R9.7 billion (2016: R8.7 billion), mainly as a result of an 11% increase in the average realised iron ore export price to US$71/tonne (2016: US$64/tonne), and 6% higher total sales volumes. **Attributable and headline earnings for the year were R38.63 and R30.47 per share respectively (2016: R26.98 and R27.30)**.
- Expansion capital expenditure comprises mainly the expenditure on the Dingleton relocation project and Sishen's second modular plant. SIB capital expenditure to maintain operations was principally related to infrastructure to support mining and plant operations. The increase in the deferred stripping costs is mainly attributable to the increase in the actual stripping ratio at Sishen mine. **Capital expenditure of R3.1 billion was incurred: R1.3 billion on stay-in-business (SIB) activities, R1.2 billion on deferred stripping, and R0.6 billion on expansions, which comprised R0.3 billion on the Dingleton project and R0.3 billion on the Sishen modular plant**. The relocation of the remaining households in Dingleton is expected to be completed during 2018.

CHIEF EXECUTIVE PERFORMANCE – TM MKHWANAZI – 1 JANUARY TO 31 DECEMBER 2017

2017 key result area	KPI weighting	Performance level achieved: Below threshold	Threshold	On-target	Above target	Stretch	Linking 2017 performance to reward: Commentary on key performance outcome
Anglo American group performance (15%)							
EPS at actual prices/exchange rates (cps)	5%					●	Exceeded stretch target (5% rating)
EPS at fixed (budget) prices/exchange rates (cps)	5%				●		Above target but below stretch target (4.7% rating)
Attributable free cash flow (US$m)	5%					●	Exceeded stretch target (5% rating)
Kumba Iron Ore performance (60%)							
Production (Mt)	10%					●	Exceeded stretch target (10% rating)
Sishen waste (Mt)	10%				●		Above target but below stretch (6.6% rating)
Kolomela waste (Mt)	10%					●	Exceeded stretch target (10% rating)
EBITDA (US$m)	20%					●	Exceeded stretch target (20% rating)
Sishen unit cash cost (R/tonne)	5%					●	Exceeded stretch target (5% rating)
Kolomela unit cash cost (R/tonne)	5%				●		Above target but below stretch (4% rating)

Kumba, under the strategic direction and leadership of the Chief executive, had a sterling performance year across all of its operational key result areas with the following synopsis across the respective performance areas:

Financial indicators – Exceeding stretch target on both EBITDA and unit cash cost for Sishen mine, with Kolomela mine unit cash cost above target. Significantly contributed to the achievement of the Anglo American plc financial objectives with all results either exceeding target or stretch target.

Production indicators – Exceeded stretch targets on both production (Sishen and Kolomela) and on Kolomela waste stripping. Exceeded target on the Sishen waste stripping but missed stretched target.

2017 key result area	KPI weighting	Below threshold	Threshold	On-target	Above target	Stretch	Commentary on key performance outcome
Personal performance (25%)							
Safety	5%					●	Achieved stretch target (5% rating)
Business improvement	10%					●	Achieved stretch target (10% rating)
Stewardship	5%				●		Above target but below stretch (4% rating)
Strategic development	2.5%					●	Achieved stretch target (2.5% rating)
Culture and leadership	2.5%					●	Achieved stretch target (2.5% rating)

Safety – Outstanding safety performance with no fatalities, 17% reduction in TRCFR and 40% reduction in LTIFR. This was achieved firstly by a focus on leadership, driven personally by the Chief executive which commenced with a very personal clarification of his values and safety expectations to all Kumba managers and superintendents. This was firstly followed by a complete SLAD training down to Band 6 level. Secondly by implementing the elimination of fatalities (EOF) framework with emphasis on critical controls, embedding them in the daily work management processes and verifying their effectiveness. Thirdly by redesigning/modifying two high-risk areas – electrical substation management and mobile equipment interaction – by December 2017over 60% separation of heavy vehicles and light vehicles had been achieved.

REMUNERATION REPORT CONTINUED

CHIEF EXECUTIVE PERFORMANCE – TM MKHWANAZI – 1 JANUARY TO 31 DECEMBER 2017 continued

Business improvement – Outstanding operational performance with all sales and production targets met or exceeded. Highlight has been the shovel performance improvement, a 65% improvement compared to 2016, which allowed reduced use of contractors with cost savings. This was achieved through better mine design and equipment layout, use of the modular fleet management, increased direct operating hours (DOH) through better workforce management and tempo increases with application of double side loading. Plant improvements generated better yield and a shift to higher-quality lump product at a time of record lump premium. All Anglo American bulk commodities improvement processes have been implemented facilitating sharper performance focus in the business. The Operating Model implementation is in line with schedule, with post-implementation performance KPIs (reported weekly) at 50% to 85% level. Also completed the Kumba full value potential programme ground work to identify the step-change opportunities to reduce the CBEP.

Stewardship – Kumba market credibility significantly enhanced and resulted in Kumba's position as best performing stock on the JSE. New labour agreement successfully implemented without dispute or days lost. SARS negotiations successfully concluded at an acceptable level.

Strategic development – Mining rights conditions in compliance and replacement ESOP strategy approved by Board. Excellent progress both on exploration and tenement negotiations. Resource development plan (RDP) and life of mine (LoM) deferred by agreement to H1 2018 – scope signed off and project plan in place with fortnightly tracking. Both plant projects progressing to schedule.

Culture and leadership – Culture change programme under way, expectations clearly defined by the Chief executive and significant culture change noted with the performance step-ups. Executive Committee team refreshed with new Chief financial officer appointed and Chief operating officer pending, Head of business development and strategy in recruitment process. New general managers appointed at Kolomela and Sishen mines. Manager once removed (MOR) review process well established and good management of internal talent has allowed for promotion of Kolomela general manager as an example.

SSD* modifier (±10%)	KPI weighting	
Fatal injury frequency rate (FIFR)	-7.5%	Zero fatalities – no penalty applied
Levels 4 and 5 environmental incidents	-2.5%	Zero fatalities – no penalty applied
Total recordable case frequency rate	+5%	TRCFR target achieved – 5% incentive applied
Operational risk management implementation	+5%	Top 10 SSD risks under control and managed through the ORM process – 5% incentive applied

2017 performance rating after applying SSD* modifier: 100.0% (capped at maximum potential)
Resulting BSP award: Maximum cash bonus award of 70% on annual basic employment cost. Deferred shares are based on 150% of the cash award. The total award split is as follows: 40% payable as cash, 40% payable as shares deferred for three years and 20% as shares deferred for five years.

* SSD – safety and sustainable development.

CHIEF FINANCIAL OFFICER PERFORMANCE

The previous Chief financial officer's (Mr Frikkie Kotzee) service with the Company terminated on 11 May 2017. The details pertaining to his severance payment, approved as part of a voluntary separation agreement, is reflected in the following table. The following key conditions were agreed by the Remco, aligned as far as practicable to the normal 'good leaver'* principles and rules as applied by the Company:

Severance package component	Quantum agreed and principle applied	Cash value KITSA	Cash value Kumba
Separation and notice payment	A once-off cash payment equivalent to six months' CTC (based on both on and offshore package) as separation payment and notice payment respectively. The severance payment equates to approximately five weeks' remuneration for each year of service completed as agreed with the Committee. The notice payment is in lieu of a six-month notice period as per the Chief financial officer's contract of employment.	€80,186	R3,578,215
STI and DBA awards (2017 and 2018) and restricted DBA portfolio vesting (2014 to 2016)	An STI cash payment as per normal practice and cash in lieu of the deferred bonus (DBA) share award face value quantum. The STI and DBA award quantum has been aligned with the Anglo American performance standard methodology for the 2017 and 2018 awards and pro-rated based on the Chief financial officer's tenure during the 2017 performance year. All unvested shares (62,670) pertaining to previous DBA awards (2014 to 2016) released and encashed based on the VWAP on 14 February 2017 (coinciding with the 2016 annual results presentation to the market) as aligned with the standard 'good leaver' practice of the Company.	€106,982	R17,529,008
LTIP awards (2014 to 2017)	There has been no vesting of the 2014 LTIP award as the threshold vesting performance conditions were not met for the 2016 performance year. The 2015 and 2016 LTIP award combined share volume is equal to 111,737 shares and subject to conditional vesting respectively in 2018 and 2019, as per standard practice. The Remco approved a cash payment in lieu of the 2017 LTIP award, based on 50% of the award face value on the probability that at least one of the two vesting performance conditions (attributable ROCE and relative TSR) would be met.	€40,093	R1,675,535
		€227,261	R22,782,758
Total value of separation agreement *Cash payments were based on an indicative ZAR/EUR exchange rate of 14.4949*			**R26,076,878**

* 'Good leaver' status relates to the termination of an employee's services by the Company which does not relate to resignation by the employee or dismissal by the employer. Examples of 'good leaver' status is retirement, death while in service, ill health, retrenchment due to operational requirement or any other Company initiated agreement of separation.

As the incumbent Chief financial officer (Mr Bothwell Mazarura) was appointed on 1 September 2017 with a brief tenure of only four months for the 2017 performance year, the Anglo American performance standard practice of a 'too soon' rating and a default individual performance modifier of 1.0 has been applied for the 2018 STI and DBA award calculation.

REMUNERATION REPORT CONTINUED

LTIP VESTING OUTCOMES AND AWARDS FOR THE EXECUTIVE DIRECTORS

Conditional LTIP awards made during 2015 in terms of the LTIP rules were subject to the following performance measures:
– Attributable return on capital employed (ROCE) – 50%
– Relative total shareholder return (TSR) – 50%

The 2015 conditional LTIP award was made to our former Chief executive (Mr Norman Mbazima) and former Chief financial officer (Mr Frikkie Kotzee) who both qualify for the 2018 conditional vesting, as further expounded in this section of the report. The incumbent Chief executive (Mr Themba Mkhwanazi) received his first LTIP award in 2017 (2016 conditional target setting base year) with conditional vesting in 2020. The newly appointed Chief financial officer (1 September 2017) (Mr Bothwell Mazarura) will receive his first LTIP award in 2018 (2017 conditional target setting base year) with conditional vesting in 2021.

% of LTIP vesting	Performance target level	ROCE target for 2015 award (2018 vesting)	2017 attributable ROCE achieved
30%	Threshold	24%	**46.34%**
100%	Stretch	30%	

As a result of the 2017 actual ROCE performance exceeding the stretch target of 30%, 100% of the conditional shares subject to the ROCE performance condition will vest in 2018.

TSR performance and vesting conditions

Half of the conditional shares (25% of overall) that are subject to the relative TSR performance condition that will vest are determined by assessing the Company's relative performance to a global iron ore peer group in terms of TSR. The threshold target is the median of the comparator peer group with a stretch target of the upper quartile TSR ranking on the comparator peer group.

Kumba's 2017 relative TSR performance was between the median and the upper quartile of the comparator peer group, resulting in 50.15% of the conditional shares subject to this performance criterion vesting.

The remaining half of the conditional shares (25% of overall) that are subject to the relative TSR performance condition that will vest is determined by assessing the Company's relative performance against the JSE/FTSE Mining Index. The threshold target is performance at the index with a stretch target of the index plus 9%. Kumba's 2017 relative TSR performance was above the stretch target, therefore 100% of the conditional shares subject to this performance criterion will vest. The conditional share vesting percentage subject to the combined relative TSR conditions is 75.07%.

Overall LTIP vesting based on the combined attributable ROCE and relative TSR performance conditions

The overall vesting of the 2015 LTIP conditional share award based on both the attributable ROCE (50%) and the relative TSR (50%) performance measures for 2017 is 87.54%. All unvested shares will lapse.

2017 EMOLUMENTS

	Guaranteed pay			Additional benefits and payments		Short-term incentive	Long-term incentive		Fees		Total emoluments	
R'000	Base salary	Benefits (retirement)	Total guaranteed pay	Additional benefits (medical aid)	Ad hoc (leave encashment) and termination payments	Cash bonus based on 2017 performance (paid March 2018)	Face value of BSP shares awarded in respect of 2017 performance (awarded March 2018)	LTIP – value earned in respect of performance period 2015 – 2017 (vesting 2018)	Directors' fees	Committee fees	2017	2016
Executive directors												
NB Mbazima[21]	–	–	–	–	–	–	–	16,689			16,689	11,368
TM Mkhwanazi[22,23]	6,924	233	7,157	36	–	4,439	6,659	2,866			21,157	5,329
FT Kotzee[1]	1,218	83	1,301	15	620	–		5,139			7,075	9,526
BA Mazarura[2,22]	1,158	75	1,233	12	–	408	571				2,224	–
Sub-total	**9,300**	**391**	**9,691**	**63**	**620**	**4,847**	**7,230**	**24,694**			**47,145**	**26,223**
Non-executive directors												
F Titi[9]									952	–	952	1,242
ZBM Bassa[20]									108	432	540	870
MS Bomela[10]									19	25	44	–
N Dlamini									219	74	293	52
S French[11]									167	74	241	–
MSV Gantsho[12]									–	551	551	–
TP Goodlace[13]									167	414	581	–
NB Langa-Royds[19]									–	–	–	–
DD Mokgatle									219	810	1,029	1,007
AJ Morgan									219	889	1,108	1,156
LM Nyhonyha[14]									–	–	–	870
SS Ntsaluba[15]									130	346	476	–
S Pearce[16]									167	74	241	–
BP Sonjica									219	291	510	487
AH Sangqu[17]									52	69	121	487
N Viljoen[18]									52	–	52	209
Sub-total									**2,690**	**4,049**	**6,739**	**6,380**
Prescribed officers												
B Mawasha[3]	2,184	216	2,400	16	2,492	785	–	–			5,693	8,811
GM Mc Gavigan[22]	2,695	247	2,942	36	80	1,293	1,810	–			6,161	3,756
Y Mfolo[22]	2,259	226	2,485	36	–	887	1,242	–			4,650	4,305
LLA Mgadzah[4]	613	38	651	6	3,272	101	–	–			4,030	3,226
PJP Fourie[5,22,23]	1,539	198	1,737	24	119	819	1,146	1,170			5,015	–
A Parboosing[6]	1,023	94	1,117	18	1,151	304	–	–			2,590	4,011
CD Appollis[7,22]	146	19	165	3	–	46	64	–			278	–
TS Smit[8,22]	5,844	2,947	8,791	201	–	2,735	3,829	4,599			20,155	17,300
SV Tyobeka[22]	2,546	236	2,782	36	–	1,223	1,712	–			5,753	4,774
Sub-total	**18,849**	**4,221**	**23,070**	**376**	**7,114**	**8,193**	**9,803**	**5,769**			**54,325**	**46,183**
Total	**28,149**	**4,612**	**32,761**	**439**	**7,734**	**13,040**	**17,033**	**30,463**	**2,690**	**4,049**	**108,209**	**78,786**

Notes

[1] Resigned 11 May 2017.
[2] Appointed 1 September 2017.
[3] Resigned 30 June 2017.
[4] Resigned 28 February 2017. Cash bonus includes cash payment in lieu of 2017 BSP share award.
[5] Internal transfer from Anglo American Coal SA on 1 May 2017.
[6] Resigned 30 June 2017. Cash bonus includes cash payment in lieu of 2017 BSP share award.
[7] Appointed 1 December 2017.
[8] Employed by Kumba Singapore Pte and emoluments are paid in Singapore Dollars. Included in benefits are cost of living-related allowances. The LTIP value and BSP shares awarded is settled in Anglo American plc shares.
[9] Resigned 30 September 2017.
[10] Appointed 1 December 2017. No payment for 2017 as first payment due in February 2018.
[11] Appointed 24 March 2017.
[12] Appointed 1 August 2017.
[13] Appointed 24 March 2017.
[14] Resigned 31 December 2016.
[15] Appointed 1 June 2017.
[16] Appointed 24 March 2017.
[17] Resigned 24 March 2017.
[18] Resigned 24 March 2017.
[19] Appointed 1 December 2017. No payment for 2017 as first payment is due in February 2018.
[20] Resigned 11 May 2017.
[21] Estimated LTIP value – 1 March 2018 vesting is delayed due to employee being subject to a closed period.
[22] Award delayed due to employees being under embargo.
[23] LTIP value earned relates to an award made in Anglo American plc shares, while employed at Anglo American Coal SA.

REMUNERATION REPORT CONTINUED

INTERESTS OF EXECUTIVE DIRECTORS AND THE PRESCRIBED OFFICERS

The interests of the executive directors and of prescribed officers in shares of the Company granted in terms of the various long-term incentive schemes are shown below.

		Granted awards			Forfeited	Vested awards			Outstanding awards		
Capacity and name	Number of awards at 1 January 2017	Granted during 2017	Date of grant	Market value on grant date R'000	Number of shares forfeited during 2017	Number of shares vested during 2017	Vesting date	Notional value at date of vesting R'000	Number of awards at 31 December 2017	Notional value of outstanding awards R'000	Earliest date of vesting of outstanding awards
Executive directors											
Bonus share plan											
NB Mbazima[6]	178,509	–			–	11,674	1-Mar-17	2,492	166,835	63,252	1-Mar-18
TM Mkhwanazi	–	7,287	1-Mar-17	1,619	–	–			15,043	5,703	1-Mar-20
		7,756	1-Jun-17	1,136							
FT Kotzee[1]	62,670	–			62,670	–		–	–	–	
LTIP											
NB Mbazima[5,6,7]	399,912	–			31,523	–		–	368,389	117,687	1-Mar-18
TM Mkhwanazi	23,774	43,748	1-Jun-17	6,409	–	–		–	67,522	21,976	1-Mar-19
FT Kotzee[5,7]	121,578	–			9,841	–		–	111,737	35,683	1-Mar-18
BA Mazarura[2]	–	15,496	1-Sep-17	3,407	–	–			15,496	5,043	1-Mar-20
Sub-total	**786,443**	**74,287**		**12,571**	**104,034**	**11,674**		**2,492**	**745,022**	**249,345**	
Prescribed officers											
Bonus share plan											
PJP Fourie[4]	–	5,281	1-May-17	919	–	–			5,281	2,002	1-May-20
VF Malie	3,577	–			–	3,577	1-Mar-17	763	–		
B Mawasha[3]	113,683	22,002	1-Mar-17	4,888	–	5,437	1-Mar-17	1,160	–		
						130,248	25-Jul-17	22,390			
GM Mc Gavigan[6]	47,685	8,803	1-Mar-17	1,956	–	2,831	1-Mar-17	604	53,657	20,343	1-Mar-18
Y Mfolo[6]	52,605	9,618	1-Mar-17	2,137	–	3,426	1-Mar-17	731	58,797	22,292	1-Mar-18
LLA Mgadzah[3]	38,244	–			–	38,244	28-Feb-17	8,162	–	–	
A Parboosing[3]	21,944	–				21,944	23-Feb-17	4,835	–		
SV Tyobeka[6]	58,968	10,816	1-Mar-17	2,403	–	3,814	1-Mar-17	814	65,970	25,011	1-Mar-18
Sub-total	**336,706**	**56,520**		**12,302**	**–**	**209,521**		**39,461**	**183,705**	**69,648**	
Total	**1,123,149**	**130,807**		**24,873**	**104,034**	**221,195**		**41,952**	**928,727**	**318,992**	

[1] Refer separate table for full disclosure on separation agreement payments (page 99).
[2] Share award allocated in terms of appointment agreement.
[3] All bonus shares vested in terms of separation agreement.
[4] Share award made based on individual performance and contribution to the business performance at Anglo American Coal SA.
[5] Shares forfeited are due to performance conditions of the 2014 award not having being met.
[6] 1 March 2018 vesting delayed due to employees being under embargo.
[7] Shares forfeited are due to performance conditions of the 2014 award not being met.

DIRECTORS' BENEFICIAL INTEREST IN KUMBA

The aggregate beneficial interest in Kumba at 31 December 2017 of the directors of the Company and their immediate families (none of whom has a holding greater than 1%) in the issued shares of the Company are detailed below. There have been no material changes to the shareholding since 2017 and the date of approval of the annual financial statements.

	2017			2016		
Capacity and name	Number of shares	Long-term incentive scheme shares	Total beneficial interest	Number of shares	Long-term incentive scheme shares	Total beneficial interest
Executive directors						
NB Mbazima[1]	–	535,224	535,224	–	578,421	578,421
TM Mkhwanazi[1]	–	82,565	82,565	–	23,774	23,774
F Kotzee[1]	–	111,737	111,737	–	184,248	184,248
BA Mazarura[1]	–	15,496	15,496	–	–	–
Sub-total	**–**	**745,022**	**745,022**	–	786,443	786,443
Non-executive directors						
DD Mokgatle[2]	428	–	428	428	–	428
Sub-total	**428**	**–**	**428**	**428**	**–**	**428**
Total	**428**	**745,022**	**745,450**	**428**	**786,443**	**786,871**

[1] Granted under the BSP as well as the LTIP and disclosed in the tables above.

[2] Total indirect interest held by spouse.

Governance

SALIENT FEATURES

SALIENT FEATURES FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016	2015	2014	2013
Group safety					
Fatalities	**0**	2	0	1	0
Total recordable case frequency rate (TRCFR)	**0.65**	0.78	0.90	0.87	0.82
Fatal-injury frequency rate (FIFR)	**0**	0.016	0	0.005	0
Lost-time injury frequency rate (LTIFR)	**0.17**	0.28	0.23	0.23	0.18
Production (Mt)					
Sishen mine	**31.1**	28.4	31.4	35.5	30.9
Kolomela mine	**13.9**	12.7	12.1	11.6	10.8
Thabazimbi mine (Thabazimbi production ceased in March 2016)	**N/A**	0.4	1.4	1.1	0.6
Sishen mine free-on-rail (FOR) unit cost					
Unit cost (R/tonne)/(US$/tonne)	**375.4/28.7**	412.0/28.1	403.5/31.6	331.6/30.6	325.3/33.8
Cash cost (R/tonne)/(US$/tonne)	**287.3/22.0**	296.2/20.2	310.8/24.4	271.8/25.1	266.9/27.8
Kolomela mine FOR unit cost					
Unit cost (R/tonne)/(US$/tonne)	**336.7/25.8**	283.4/19.3	245.7/19.3	269.1/24.8	240.9/25.1
Cash cost (R/tonne)/(US$/tonne)	**236.7/18.1**	201.1/13.7	177.7/13.9	207.6/19.2	181.8/18.9
Stripping ratio					
Sishen mine	**4.3**	3.3	5.7	4.4	4.1
Kolomela mine	**3.4**	3.7	3.1	3.7	3.5
Thabazimbi mine	**–**	–	–	25.5	29.4
Logistics (Mt)					
Total volumes railed to port of Saldanha Bay (including Saldanha Steel)	**42.0**	39.8	42.4	42.2	39.7
Total volumes loaded at port	**41.6**	38.7	43.5	40.1	39.3
Sales volumes (Mt)					
Export sales	**41.6**	39.1	43.5	40.5	39.1
Domestic sales	**3.3**	3.4	4.3	4.8	4.6
Reserve life (years) (including inferred resources) (Mt)					
Sishen mine	**13**	17	15	16	19
Kolomela mine	**14**	18	21	21	25
Thabazimbi mine	**–**	–	–	9	10
CED expenditure (Rm)					
Sishen mine	**13.0**	11.4	70.9	81.3	105.3
Kolomela mine	**21.6**	16.1	31.4	48.1	51.7
Thabazimbi mine	**0.7**	6.7	10.1	9.5	8.9
Transformation					
HDSAs in management (%)	**66**	62	59	58	55
Women in core mining (%)	**17**	16	14	13	13
Environmental performance					
Number of level 3, 4 or 5 environmental incidents	**–**	–	1 (Level 3)	1 (Level 3)	–
Total water withdrawals (million m^3)	**33.2**	24.1	33.1	15.5	11.2
Total energy consumed (million GJ)	**8.94**	8.45	11.1	10.8	9.3

EMPLOYEES (excluding head office, logistics and learnerships)

	2017		2016		2015		2014		2013	
	Full time	**Contractors**	Full time	Contractors	Full time	Contractors	Full time	Contractors	Full time	Contractors
Operation										
Sishen mine	**4,194**	**3,112**	4,040	1,426	5,575	2,269	5,736	2,582	5,104	3,099
Kolomela mine	**1,324**	**1,178**	1,178	932	1,143	1,091	1,205	1,955	1,065	1,649
Thabazimbi mine	**61**	**38**	63	25	408	107	829	437	791	269

GLOSSARY OF ICONS

Icons throughout this report

OUR CAPITALS

- People
- Financial capital
- Relationships
- Manufactured assets
- Natural resources
- Our innovation

OUR OPERATING CONTEXT

- Continuing volatility in the iron ore price
- Further flattening of the producer cost curve globally
- Increased impact of external non-controllable costs
- A challenging regulatory and policy environment
- Heightened stakeholder expectations
- Strong sector-wide drive on zero harm and the elimination of fatalities
- Sustained focus on operational excellence
- Quality of iron ore reserves and life of asset

STRATEGIC FOCUS AREAS

- Focus on Northern Cape
- Elimination of fatalities through a culture of zero harm
- Use technology to extract maximum value
- Implement the Operating Model
- Reinforce our reputation for product quality and consistency
- Proactively engage with stakeholders
- Align marketing and operational activities
- Provide leadership through responsible citizenship
- Extend life of current mines
- Unlock full infrastructure potential
- Provide extensive support to our employees
- Sustainably operate at lower unit costs through world-class operating efficiencies
- Compete through premium products
- Maintain optionality to grow in West and Central Africa

STAKEHOLDERS

- Shareholders and investors
- Employees and trade unions
- Suppliers
- Government and political groups
- Communities, business and development partners, media and civil society (e.g. NGOs)
- Industry bodies (e.g. CoM and ICMM)

GOVERNANCE

- Ethical culture
- Effective control
- Good performance
- Legitimacy

Appendices

GLOSSARY OF TERMS AND ACRONYMS

AASAF	Anglo American SA Finance Limited
AFS	Annual financial statements
AGM	Annual general meeting
AMCU	Association of Mineworkers and Construction Union
APC	Advanced process control
Attributable free cash flow	The cash flow generated from operations less total capital expenditure, cash tax paid, net interest, dividends paid to minority interests and dividends received from associates and joint ventures. The metric also excludes the receipt of disposal proceeds and the payment of Kumba dividend
BEC	Basic employment cost
BEE	Black economic empowerment
B-BBEE	Broad-based black economic empowerment
BM	Business modifier
BU	Business unit
CBEP	Community-based employment programme
CED spend	The sum of donations for charitable purposes and community investment (which include cash and in-kind donations and staff time) as well as investment in commercial initiatives with public benefit (such as enterprise development)
CFR	Cost and freight
CIPC	Companies and Intellectual Property Commission
COID	Compensation for occupational injuries and diseases
CTC	Cost to company
DAF	Delegation of Authority Framework
DBA	Deferred bonus arrangement
DM	District municipalities
DMR	Department of Mineral Resources
DMS	Dense media separation
DMT	Dry metric tonne
DOH	Direct operating hours
DSO	Direct shipping ore
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EOF	Elimination of fatalities
EPS	Earnings per share
ESOP	Employee share ownership scheme
EVP	Employee value proposition
Exco	Executive Committee
FIFR	Fatal injury frequency rate is the number of employee or contractor fatal injuries due to all causes per 200,000 hours worked
FOB	Free-on-board
FOR	Free-on-rail
FSP	Forfeitable share plan

FTSE	Financial Times Stock Exchange
GCC	Government certificate of competency
GRI	Formerly Global Reporting Initiative – now known as GRI
HDSA	Historically disadvantaged South Africans
HIV	Human immunodeficiency virus
HPI	High-potential incident
HR	Human resources
IDC	Industrial Development Corporation
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IOEC	Iron ore export channel
IPM	Individual performance modifier
IR	Integrated report
ISO	International Organisation for Standardisation
IT	Information technology
iXBRL	Extensible business reporting language
JSE	Johannesburg Stock Exchange
KING IV	King Code on Corporate Governance 2016
KPI	Key performance indicators
Level 3 – 5 environmental incidents	Those environmental incidents that we consider to have prolonged impacts on the local environments
LM	Local municipalities
LoM	Life of mine
LoMP	Life-of-mine plan
LTI	Lost-time injury
LTIFR	Lost-time injury frequency rate – the number of lost-time incidents per 100 employees (LTI *200,000/total hours)
LTIP	Long-term incentive plan
MC III	Mining Charter III
MENA	Middle East and North Africa region
MoI	Memorandum of Incorporation
MOR	Manager once removed
MPRDA	Mineral and Petroleum Resources Development Act
MRC	Management Risk Committee
Mt	Million tonnes
New cases of occupational diseases (NCOD)	Number of new cases of occupational disease diagnosed among employees during the reporting period
NGO	Non-governmental organisation
NIHL	Noise-induced hearing loss
NUM	National Union of Mineworkers
OEE	Operational equipment efficiency

GLOSSARY OF TERMS AND ACRONYMS CONTINUED

OHSAS	Occupational Health and Safety Assessment Series
OMP	Occupational medical practitioner
ORMR	Ore Reserves and Mineral Resources Report
PIC	Public Investment Corporation
PLATTS IODEX	Platts iron ore index
PwC	PricewaterhouseCoopers
RDP	Resource Development Plan
Remco	Human Resources and Remuneration Committee
Return on capital employed (ROCE)	The return on adjusted capital employed and calculated as annualised EBIT divided by adjusted average capital employed
RoM	Run of mine
SAMREC Code	The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves – SAMREC Code 2016 edition
SARS	South African Revenue Service
SEAT	Socio-Economic Assessment Toolbox
Setco	Social, Ethics and Transformation Committee
SIB	Stay in business
SIOC	Sishen Iron Ore Company Proprietary Limited
SIOC CDT	SIOC Community Development Trust
SLAD	Safety Leadership Alignment Day
SMME	Small, medium and micro-sized enterprise
SR	Sustainability report
Social way implementation	Our social way implementation defines Anglo American's governing framework for social performance. Each operation's compliance is assessed annually. Every operation is required to implement an improvement plan for those relevant requirements that are not met in full
SSD	Safety and sustainable development
STI	Short-term incentive
TB	Tuberculosis
TGP	Total guaranteed pay
Total water withdrawals	Total water withdrawals by source, reported in line with the International Council on Metals and Mining (ICMM) guidance, includes: surface water, ground water, third-party potable water and third-party non-potable water
TRCFR	Total recordable case frequency rate is the number of fatal injuries, lost time injuries and medical treatment cases for both employees and contractors per 200,000 hours worked
TSR	Total shareholder return
UASA	United Association of South Africa
UGM	Ulysses Gogi Modise (wellness clinics)
UHDMS	Ultra-high density media separation
UIF	Unemployment Insurance Fund
VFL	Visible felt leadership
Voluntary labour turnover	Number of permanent employee resignations as a percentage of total permanent employees
WIP	Work in progress

ADMINISTRATION

COMPANY REGISTRATION NUMBER
2005/015852/06

JSE share code: KIO
ISIN code: ZAE000085346

COMPANY SECRETARY AND REGISTERED OFFICE
Celeste Appollis
Centurion Gate – Building 2B
124 Akkerboom Road
Centurion, Pretoria, 0157
South Africa
Tel: +27 (0) 12 683 7000
Fax: +27 (0) 12 683 7009
celeste.appollis@angloamerican.com

AUDITORS
Deloitte & Touche
Chartered Accountants (SA)
Registered Auditors
Deloitte Place, The Woodlands Office Park
20 Woodlands Drive, Woodmead, 2146
South Africa
Private Bag X46, Gallo Manor, 2052

ASSURANCE PROVIDERS
PricewaterhouseCoopers
Registered Auditors
4 Lisbon Lane
Waterfall City, 2090
South Africa
Private Bag X36, Sunninghill, 2157
Tel: +27 (0) 11 797 4000
Fax: +27 (0) 11 797 5800

SPONSOR
RAND MERCHANT BANK
(A division of FirstRand Bank Limited)
Registration number: 1929/001225/06
1 Merchant Place, corner Rivonia Road and Fredman Drive
Sandton, 2146, South Africa
PO Box 786273, Sandton, 2146

UNITED STATES ADR DEPOSITORY
BNY Mellon
Depositary Receipts Division
101 Barclay Street, 22nd Floor
New York, New York, 10286
Tel: +1 (0) 212 815 2732
Fax: +1 (0) 212 571 3050/1/2
www.adrbny.com

TRANSFER SECRETARIES
Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue
Rosebank, 2196, South Africa
PO Box 61051, Marshalltown, 2107

INVESTOR RELATIONS
Penny Himlok
Investor relations manager
Tel: +27 (0) 12 683 7000
penny.himlok@angloamerican.com

FORWARD-LOOKING STATEMENTS
Certain statements made in this report constitute forward-looking statements. Forward-looking statements are typically identified by the use of forward-looking terminology such as 'believes', 'expects', 'may', 'will', 'could', 'should', 'intends', 'estimates', 'plans', 'assumes' or 'anticipates' or the negative thereof, or other variations thereon, or comparable terminology, or by discussions of, for example, future plans, present or future events, or strategy that involves risks and uncertainties. Such forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control and all of which are based on the Company's current beliefs and expectations about future events. Such statements are based on current expectations and, by their nature, are subject to a number of risks and uncertainties that could cause actual results and performance to differ materially from any expected future results or performance, expressed or implied, by the forward-looking statement. No assurance can be given that future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Company and its subsidiaries. The forward-looking statements contained in this report speak only as of the date of this report and the Company undertakes no duty to update any of them and will not necessarily do so, in light of new information or future events, except to the extent required by applicable law or regulation.

Kumba Iron Ore
Centurion Gate – Building 2B
124 Akkerboom Road
Centurion
0157

www.angloamericankumba.com

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