

## vision

Through our innovation and growth we will be a powerful source of endless possibilities.

## mission

We create unrivalled value for all stakeholders of our diversified resources business through our processes, thinking and passion.



EXXARO BELIEVES IN CREATING  
LEADERS AT EVERY LEVEL,  
ALLOWING EVERY EMPLOYEE THE  
FREEDOM TO GROW AND DEVELOP.



Short-wall mining section at Matla mine, Mpumalanga

## values

### EMPOWERED TO GROW AND CONTRIBUTE



*Developing and deploying our knowledge and ingenuity to achieve our vision. We focus on people, create freedom to innovate and collaborate, respect individuality, have fun and rise to challenges.*

### TEAMWORK



*We succeed together through a climate of respect and equality.*

### COMMITTED TO EXCELLENCE



*We take ownership, provide visible leadership and encourage collaboration, commitment and creativity for the benefit of all.*

### HONEST RESPONSIBILITY



*We speak the truth and accept accountability for our actions.*

Exxaro produces an integrated annual report which details our economic, social and environmental performance. Feedback from consultation with stakeholders has determined the structure of this report, and cross-referencing guides readers to their particular areas of interest.

# FOURTH-LARGEST COAL PRODUCER IN SOUTH AFRICA

## business objectives

	Exxaro		Kumba			
	Target 2008	Actual 2007	Actual 2006	Actual 2005	Actual 2004	Actual 2003
<b>FINANCIAL TARGETS<sup>1</sup></b>						
• Return on equity (ROE) (%)	25	15		33	12	12
• Return on capital employed (ROCE) (%)	28	23		59	17	12
• EBITDA interest cover (times)	>4	10		20	7	6
<b>NON-FINANCIAL TARGETS</b>						
<b>• Safety</b>						
– fatalities	0	5 <sup>2</sup>	6	4	2	4
– lost-time injury frequency rate (LTIFR) (per 200 000 hours)	0,21	0,36	0,42	0,52	0,51	0,42
• Safety, health and environmental certification (number of operations)	12	9	10	10	8	2
<b>• Employment equity</b>						
– management (%)	40	36	35	32	28	20
– women (%)	12 <sup>3</sup>	12	11	13	12	10
• HIV/Aids voluntary testing and counselling at pilot sites (%)	95 <sup>4</sup>	30	41	54	40	
• Human resources development (% spend of payroll)	6,0	6,5	5,1	6,3	5,7	5,7
• Procurement from HDSA companies (%)	40	35	37	24	16	
<b>• HDSA ownership (%)</b>						
2008 (15%) <sup>5</sup>	56	56	56			
2014 (26%) <sup>5</sup>	56	56	56			

<sup>1</sup> Financial targets are set with reference to a peer group of companies while actual ratios reported are based on statutory financials that have not been restated for comparative purposes. Comparable key financial ratios appear on page 4. No financial ratios are reported for 2006 as the empowerment transaction leading to the creation of Exxaro in November 2006 results in the ratios not being meaningful.

<sup>2</sup> Includes one public road fatality.

<sup>3</sup> Requirement of the Mineral and Petroleum Resources Development Act and mining charter is 10%.

<sup>4</sup> Under review.

<sup>5</sup> Requirement of the Mineral and Petroleum Resources Development Act and mining charter.



Sample testing at KZN Sands, KwaZulu-Natal

## highlights

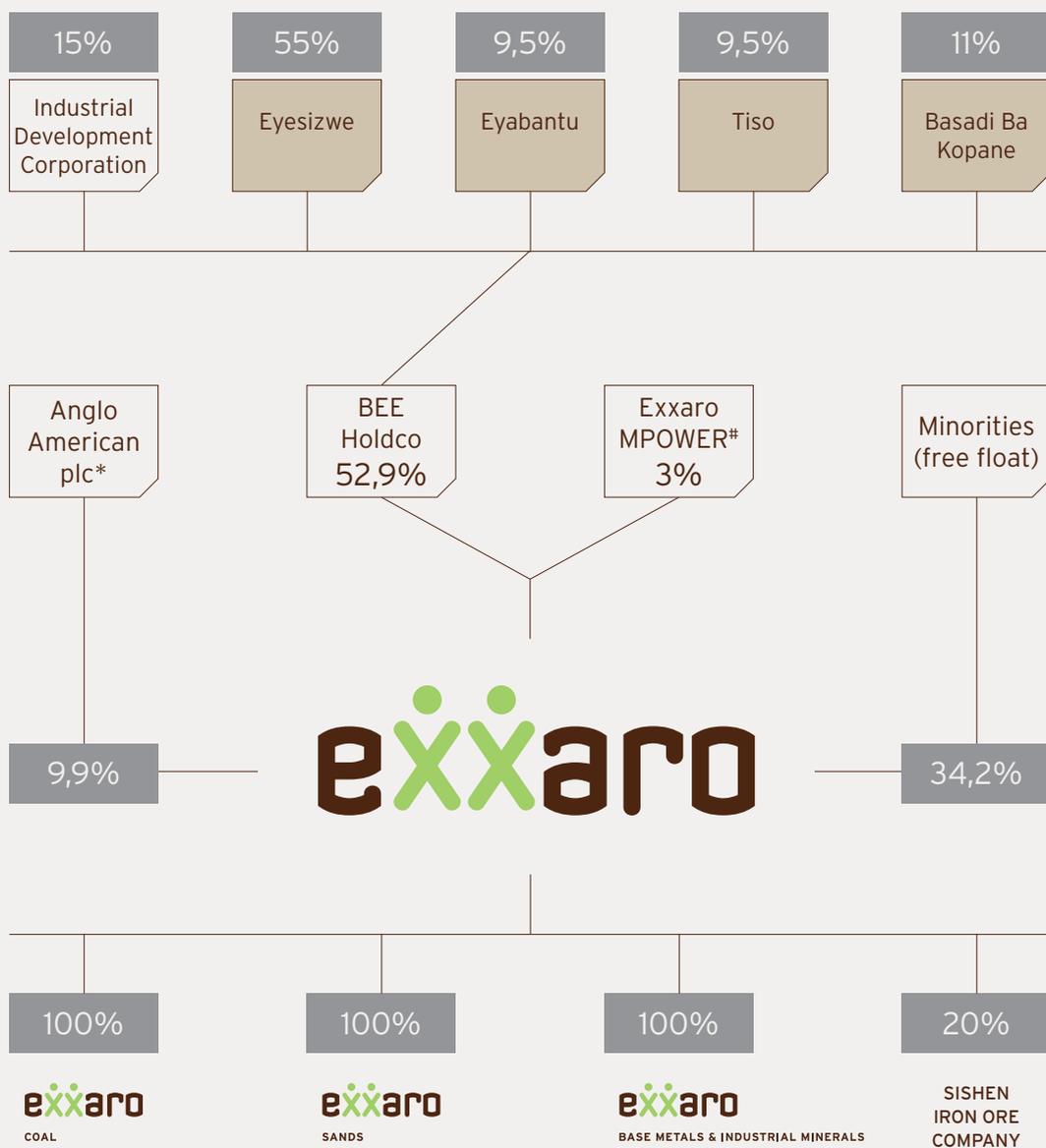
- Successful merger at operational and corporate levels of the former Kumba Resources and Eyesizwe Coal
- Revenue exceeds R10 billion
- Total dividend of R1,60 per share paid to shareholders, including R17 million to Exxaro's employee share incentive scheme, MPOWER
- Commissioning of the 1,5Mtpa export-dedicated Inyanda coal mine
- Conclusion of a 45-year agreement to supply 8,5Mtpa of power station coal to phase 1 of Eskom's new 2 400MW Medupi power station consisting of three generating units
- Acquisition through subscription or participation of 6,3Mtpa export entitlement in the Richards Bay Coal Terminal (RBCT) by 2009
- Socio-economic assessments completed for seven of 12 operations
- Clean energy policy approved, implementation under way
- Carbon footprint baseline assessments initiated at all operations and completed for head office
- Smooth transition to new chief executive officer, Sipho Nkosi, with a positive response from stakeholders
- Employee retention and succession strategies being implemented

## comparable key ratios

	12 months ended 31 December		
	2007	2006	2005
<b>RATIOS</b>			
<b>Profitability and asset management</b>			
Return on net assets (%)	23	28	34
Return on ordinary shareholders' equity			
– Attributable earnings (%)	15	14	21
– Headline earnings (%)	15	13	19
Return on invested capital (%)	19	18	14
Return on capital employed (%)	24	22	16
Operating margin (%)	14	14	14
<b>Solvency and liquidity</b>			
Net financing cost cover (times) – EBIT	7	4	6
Net financing cost cover (times) – EBITDA	10	6	8
Current ratio (times)	3	2	2
Net debt to equity (%)	5	5	1,5
Net debt to earnings before interest, tax, depreciation and amortisation (times)	0,2	0,3	3,3
Number of years to repay interest-bearing debt	1	4	3

*Key ratios for 2005 and 2006 have been restated to mirror the 2007 organisational configuration i.e. Eyesizwe Coal has been 100% consolidated; a 20% interest in Sishen Iron Ore Company has been equity accounted; all non-recurring accounting entries relating to the creation of Exxaro have been eliminated, and the impairment of the carrying value of the KZN Sands assets in 2006 has been excluded.*

## group shareholder structure



As at 31 December 2007

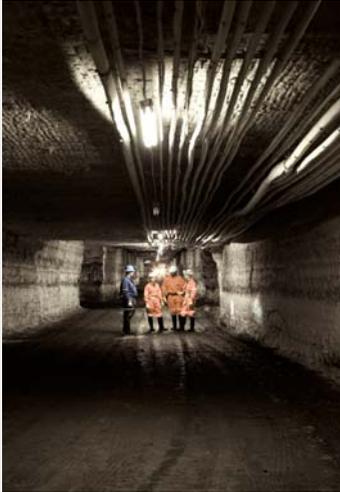
\* Held through Anglo South Africa Capital (Pty) Ltd.

■ These are special purpose vehicles for shareholders in our black-owned holding company.

# Employee share ownership programme.

# group at a glance

## BUSINESSES



**COAL**

Eight coal mines produce 41,3Mtpa of power station, steam and coking coal. All of the power station coal produced is supplied to the national power utility, Eskom. Grooteeluk is one of the lowest-cost and most efficient mining operations in the world, and operates the world's largest coal beneficiation complex. A strong pipeline of greenfield and expansion projects at various stages of development will result in Exxaro becoming one of the largest coal producers in South Africa.



**MINERAL SANDS**

Exxaro's mineral sands operations include KZN Sands in South Africa, and Australia Sands whose principal asset is a 50% share in the Tiwest joint venture with Tronox Inc. KZN Sands produced 176kt of slag while Australia Sands produced 100kt of synthetic rutile and 54kt of pigment in 2007. Once the acquisition of the Namakwa Sands operation on the west coast of South Africa is finalised, Exxaro will be one of the world's largest suppliers of titanium dioxide feedstock and zircon.



**BASE METALS & INDUSTRIAL MINERALS**

The Rosh Pinah zinc/lead mine in southern Namibia and the Zincor electrolytic refinery in Gauteng comprise one of the few integrated zinc mining and refinery operations in the world. Zincor is also a low-cost producer of zinc metal. Exxaro has an interest in the Chifeng zinc refinery in China. During the year, Rosh Pinah and Zincor produced 95kt of zinc concentrate and 101kt of zinc metal respectively. A dedicated plant in Pretoria manufactures high-quality, gas-atomised ferrosilicon, whilst the Glen Douglas dolomite quarry provides a range of products for the steel, construction and agricultural sectors.

**INVESTMENTS**

**IRON ORE**

Exxaro holds 20% of Sishen Iron Ore Company (Pty) Limited. The company operates the Sishen and Thabazimbi mines, producing some 32,4Mtpa of lumpy and fine iron ore, two-thirds of which is exported. Sishen is one of the largest single open-pit mines in the world, known for its high grade and consistent product quality.

OPERATION	REGIONAL LOCATION	OWNERSHIP	PRODUCTS	SALES 000 TONNES	% EXPORTS
Grootegeluk mine	Limpopo	Division of Exxaro Coal (Pty) Limited	Power station coal (Eskom) Semi-soft coking coal Steam coal	14 587 2 547 1 459	23 9
Leeuwpan mine	Mpumalanga	Division of Exxaro Coal (Pty) Limited	Power station coal (Eskom) Steam coal	965 1 348	20
Tshikondeni mine	Limpopo	Division of Exxaro Coal (Pty) Limited	Coking coal (ArcelorMittal)	449	
Arnot mine	Mpumalanga	Division of Eyesizwe Coal (Pty) Limited	Power station coal (Eskom)	3 702	
Matla mine	Mpumalanga	Division of Eyesizwe Coal (Pty) Limited	Power station coal (Eskom)	12 997	
New Clydesdale mine <sup>1</sup>	Mpumalanga	Division of Eyesizwe Coal (Pty) Limited	Power station coal (Eskom) Steam coal	120 862	96
North Block Complex	Mpumalanga	Division of Eyesizwe Coal (Pty) Limited	Power station coal (Eskom) Steam coal	1 855 393	
Mineral sands - South Africa	KwaZulu-Natal	Subsidiaries of Exxaro Resources Limited	Zircon Rutile Ilmenite Chloride slag Sulphate slag Low manganese pig iron (LMPI)	27 18 50 163 29 91	93 97 100 100 100 66
Mineral sands - Australia <sup>2</sup>	Western Australia	Subsidiary of Exxaro Resources Limited	Zircon Rutile Ilmenite Synthetic rutile Leucosene	29 16 20 57 17	100 100 100 100 100
Zincor refinery	Gauteng	Division of Exxaro Base Metals (Pty) Limited	Zinc metal Sulphuric acid	99 133	6 7
Rosh Pinah mine	Namibia	Subsidiary of Exxaro Base Metals (Namibia) (Pty) Limited (93,9%)	Zinc concentrate Lead concentrate	97 19	100 100
Chifeng refinery <sup>3</sup>	China	Associate (22%)	Zinc metal Sulphuric acid	23 14	100 100
Glen Douglas mine	Gauteng	Subsidiary of Exxaro Resources Limited	Dolomite Aggregate Lime	548 740 57	
FerroAlloys	Gauteng	Subsidiary of Exxaro Resources Limited	Atomised ferrosilicon	6	
Sishen mine	Northern Cape	Division of Sishen Iron Ore Company (Pty) Limited	Lump ore Fine ore	18 341 12 145	74 88
Thabazimbi mine	Limpopo	Division of Sishen Iron Ore Company (Pty) Limited	Lump ore Fine ore	1 077 1 339	

<sup>1</sup>Run-of-mine tonnage from Inyanda mine was beneficiated at New Clydesdale and is reported as part of this mine's total.

<sup>2</sup>Production tonnes disclosed reflect Exxaro Australia Sands' 50% interest in the Tiwest joint venture.

<sup>3</sup>Sales tonnes disclosed represent the effective interest in the physical information of the Chifeng (Hongye) refinery.

THE ONLY INTEGRATED **ZINC** PRODUCER IN SOUTH AFRICA

## geographical locations

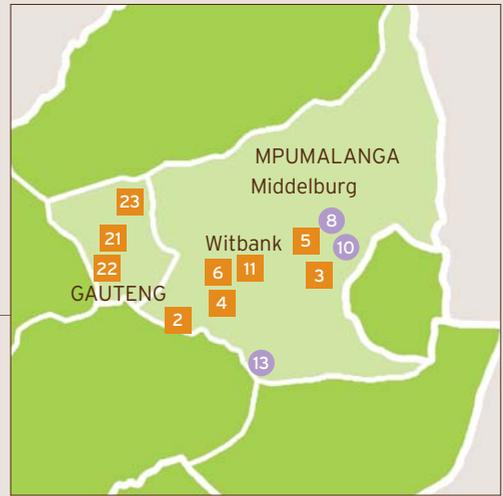


### COAL

- |   |                           |    |                    |
|---|---------------------------|----|--------------------|
| 1 | Grootegeluk               | 8  | Belfast            |
| 2 | Leeuwan                   | 9  | Mmamabula Central  |
| 3 | Arnot                     | 10 | Eerstelingsfontein |
| 4 | Matla                     | 11 | Inyanda            |
| 5 | North Block Complex (NBC) | 12 | Moranbah South     |
| 6 | New Clydesdale            | 13 | Mafube             |
| 7 | Tshikondeni               | 14 | RBCT Phase V       |



Beneficiation plant at Grootegeluk mine which produces power station, semi-soft coking and steam coal



Detailed maps on pages 62-64

■ Operations   ● Growth projects   ▲ Representative offices

**MINERAL SANDS**

- 15 KZN Sands
- 16 Toliara Sands
- 17 Namakwa Sands
- 18 Australia Sands

**BASE METALS AND INDUSTRIAL MINERALS**

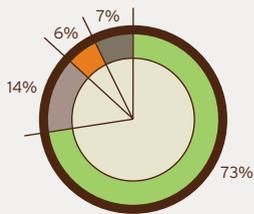
- 19 Chifeng Zinc Refinery
- 20 Rosh Pinah
- 21 Zincor
- 22 Glen Douglas
- 23 FerroAlloys
- 24 Black Mountain
- 25 Sishen Iron Ore Company



A conveyor carrying coal from Grootegeeluk mine to Eskom's Matimba power station near Lephalale, Limpopo

## we create value for all stakeholders

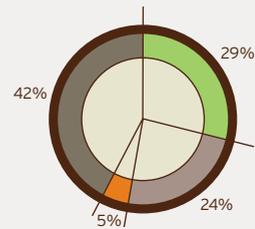
CASH DISBURSED AMONG STAKEHOLDERS 2007



- Remunerate employee for service
- Pay direct taxes to the state

*Comprehensive cash value-added statements on page 150*

CASH DISBURSED AMONG STAKEHOLDERS 2006



- Provide lenders with a return on borrowings
- Provide shareholders with cash dividends

- **We have a multi-stakeholder approach to business**
  - Track record of value release for shareholders
  - Proud to be an employer of choice

- Commitment to communities where we operate
- Supporting national initiatives

- **Exemplary corporate governance is a hallmark of our business philosophy**

 See page 80



Hydraulic mining at KZN Sands, KwaZulu-Natal. In 2007, it is estimated that Exxaro trained more than 10% of all South Africa's artisans and more than 26% of its mining engineers (Page 122)

## comparable group review at a glance

	12-months ended 31 December		
	2007 Audited Rm	2006 Unaudited Rm	2005 Unaudited Rm
<b>INCOME STATEMENTS</b>			
Revenue	10 157	8 814	7 248
Net operating profit	1 444	1 261	994
Net financing costs <sup>1</sup>	(215)	(315)	(173)
Investment and equity accounted income	730	638	417
Taxation <sup>2</sup>	(512)	(595)	(321)
Minority interest	(20)	(27)	(61)
Reconciling items to headline earnings	21	(69)	(76)
Headline earnings	1 448	893	780
Headline earnings per share (cents)	425	285	256
Average realised exchange rate on export sales (R/US\$)	7,26	6,76	6,36
<b>CASH FLOW STATEMENTS</b>			
Cash flows from operating activities	1 507	(1 003)	332
Cash flows from investing activities	(1 119)	(729)	(3 550)
Cash flows from financing activities	(453)	2 260	3 521
Net (decrease)/increase in cash and cash equivalents	(65)	528	303

<sup>1</sup> Split of net financing cost for 2005 and 2006 based on the assumption that Exxaro incurred the majority of external borrowings as SIOC was cash positive.

<sup>2</sup> Split of taxation charge for 2005 and 2006 based on the assumption that STC incurred on dividend declarations was borne by Exxaro.

	At 31 December		
	2007 Audited Rm	2006 Unaudited Rm	2005 Unaudited Rm
<b>GROUP BALANCE SHEETS</b>			
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	8 235	8 367	7 714
Biological assets	30	26	28
Intangible assets	76	69	61
Investments in associates and joint ventures	757	384	513
Deferred taxation	732	521	339
Financial assets	1 031	693	307
<i>Current assets</i>			
Cash and cash equivalents	850	1 367	889
Inventories, trade and other receivables	3 462	3 054	2 441
<i>Non-current assets classified as held-for-sale</i>	2	2	11
<b>Total assets</b>	<b>15 175</b>	<b>14 483</b>	<b>12 303</b>
<b>Equity and liabilities</b>			
<i>Capital and reserves</i>			
Equity attributable to equity holders of the parent	9 804	9 160	4 178
Minority interest	19	27	9
<b>Total equity</b>	<b>9 823</b>	<b>9 187</b>	<b>4 187</b>
<i>Non-current liabilities</i>			
Interest-bearing borrowings	1 259	1 214	5 139
<i>Other long-term payables</i>			
Non-current provisions	1 329	931	643
Deferred taxation	1 077	1 116	502
<i>Current liabilities</i>			
Interest-bearing borrowings	74	613	549
Trade and other payables and provisions	1 613	1 422	1 283
<b>Total equity and liabilities</b>	<b>15 175</b>	<b>14 483</b>	<b>12 303</b>
<b>Net debt</b>	<b>483</b>	<b>460</b>	<b>4 799</b>
<b>ANALYSIS PER SHARE</b>			
Number of shares in issue (million)	353	351	306
Weighted average number of shares in issue (million)	341	313	304
Earnings per ordinary share			
– Attributable earnings (cents)	418	307	282
– Headline earnings (cents)	425	285	256
Dividend declared per ordinary share (cents)	160	525	470
Dividend cover (times) – based on headline earnings	2,66	0,54	0,55
Net asset value per ordinary share (cents)	2 778	2 610	1 365
Attributable cash flow per ordinary share (cents)	440	(328)	107

Supplementary information is compiled using the following assumptions to achieve comparability:

- The empowerment transaction resulting in the creation of Exxaro was effective from 1 January 2005.
- Eyesizwe Coal was fully consolidated from 1 January 2005.
- The 20% equity interest in Sishen Iron Ore Company was equity accounted from 1 January 2005.
- All non-recurring accounting entries associated with the transaction that led to the creation of Exxaro have been eliminated.
- The impairment in 2006 of the carrying value of the KZN Sands assets, has been excluded.

## summary of business operations

000 tonnes	12 months ended 31 December				
	2007	2006	2005	2004	2003
<b>COAL</b>					
<b>Coking coal</b>					
<b>Production</b>					
Grootegeluk	2 499	2 133	1 859	1 972	1 781
Tshikondeni	463	363	414	437	381
Total	2 962	2 496	2 273	2 409	2 162
<b>Power station coal (Eskom)</b>					
<b>Production<sup>1</sup></b>					
Grootegeluk	14 510	14 268	14 060	14 017	13 869
Leeuwpán	956	921	513	366	
Matla <sup>1</sup>	13 030	13 613			
Arnot <sup>1</sup>	3 702	3 985			
New Clydesdale <sup>1</sup>	156	331			
North Block Complex <sup>1</sup>	1 892	1 481			
Total	34 246	34 599	14 573	14 383	13 869
<b>Steam coal</b>					
<b>Production</b>					
Grootegeluk	1 486	1 585	1 551	1 403	1 323
Leeuwpán	1 421	1 504	1 442	1 249	1 610
New Clydesdale <sup>1</sup>	814	1 107			
North Block Complex <sup>1</sup>	391	469			
Total coal production	41 320	41 760	19 839	19 444	18 964
<b>MINERAL SANDS - SOUTH AFRICA</b>					
<b>Production</b>					
- Ilmenite	367	319	356	262	176
- Zircon	34	50	47	49	50
- Rutile	17	25	23	20	17
- Pig iron	90	75	89	63	25
- Scrap pig iron	20	10	8	5	6
- Chloride slag	150	134	134	96	27
- Sulphate slag	26	36	30	40	20

000 tonnes	12 months ended 31 December				
	2007	2006	2005	2004	2003
<b>MINERAL SANDS – AUSTRALIA<sup>2</sup></b>					
<b>Production</b>					
– Ilmenite	216	227	220	236	217
– Zircon	36	36	35	38	40
– Rutile	17	18	16	18	17
– Synthetic rutile	100	98	111	112	97
– Leucoxene	16	14	12	11	16
– Pigment	54	54	53	53	48
<b>BASE METALS</b>					
<b>Production</b>					
Rosh Pinah (zinc concentrate)	95	104	126	124	108
Zincor (zinc metal)	101	90	102	104	111
Zincor (sulphuric acid)	147	142	168	169	173
Chifeng (zinc metal) <sup>3</sup>	23	16	15	12	3
Rosh Pinah (lead concentrate)	22	21	25	27	31
<b>INDUSTRIAL MINERALS</b>					
Glen Douglas					
<b>Production</b>					
Metallurgical dolomite	543	661	689	653	668
Aggregate	749	672	666	705	579
Lime	54	59	26	73	76
FerroAlloys					
<b>Production</b>					
Atomised ferrosilicon	6	6	6	6	5
<b>IRON ORE</b>					
<b>Production</b>					
Sishen <sup>4</sup>	5 946	5 738	28 458	27 609	27 110
Thabazimbi <sup>4</sup>	535	484	2 529	2 503	2 484
Total	6 481	6 222	30 987	30 112	29 594

<sup>1</sup> Physical information includes Eyesizwe Coal mines for 12 months in 2006 even though only acquired effective 1 November 2006.

<sup>2</sup> Physical information reflects Exxaro Australia Sands' 50% interest in the Tiwest joint venture with Tronox Incorporated, Western Australia.

<sup>3</sup> Physical information represents the effective interest in Chifeng (Hongye) refinery.

<sup>4</sup> Physical information for 2006 and 2007 reflects Exxaro's 20% interest in SIOC.



... innovation and  
collaboration

CREATING THE FREEDOM  
TO INNOVATE AND  
COLLABORATE, RISING  
TO CHALLENGES FOR THE  
BENEFIT OF ALL

Thomas Masango, shuttle car operator, loading coal  
at North Block Complex's underground operation



# approach to sustainable development

**Sustainability is defined as the capacity for continuance into the long-term future. By contrast, sustainable development is the process by which we move towards sustainability.**

## Philosophy

As a resources group, our challenge is to demonstrate that the way we approach our business contributes to sustainable development. This means finding that perfect balance between the opportunities for growth and development that responsible citizenship presents and ensuring that the social, environmental and economic impacts of mining - positive and negative - are managed in a transparent and accountable manner.

In Exxaro, sustainable development has been refined to support the group's strategy of consolidation, optimisation and innovation. Underpinned by an analysis of the business case for sustainable development and the triple bottom-line drivers in each area, our approach is determined by formal charters that define our goals and commitment to stakeholders. These charters are, in turn, guided by South African legislation, recommendations on corporate governance, the JSE Socially Responsible Investment index requirements and international benchmarks such as the Global Reporting Initiative (GRI) and its sectoral supplements, the United Nations Global Compact, and the International Council on Mining and Metals. In line with our commitment, sustainability is an integral performance indicator in the economic, social and environmental aspects of our business.

We believe that reporting on sustainable development is integral to our fiduciary duty to shareholders and, by extension, to stakeholders. In providing the assurance that Exxaro is a well-run and credible group, with sound longer-term prospects, our stakeholders need to understand the coherent process that underpins the way we do business: from the strategy that drives our group, to our understanding of the risks and issues that may impede that strategy and the commitment of our management teams to achieving our goals. In consolidating the elements relevant to Exxaro, we gave equal emphasis to strategy and sustainable development, acknowledging that our success rests on their interdependence.

Exxaro's approach is to incrementally move beyond reporting on legal compliance to comprehensive sustainability reporting. This requires an understanding of legislative requirements, international and other protocols and industry-specific targets (some of which are illustrated below) to ensure the necessary systems and processes are in place to facilitate meaningful reporting standards.

### GOOD CORPORATE CITIZENSHIP IMPERATIVE INCLUDES:

SOUTH AFRICAN LEGAL COMPLIANCE	PROTOCOLS
<ul style="list-style-type: none"> <li>• The constitution</li> <li>• Biodiversity management acts</li> <li>• Pollution and waste management acts</li> <li>• Mineral and Petroleum Resources Development Act</li> <li>• Various labour legislation</li> <li>• Employment Equity Act</li> <li>• Broad-based black economic empowerment</li> <li>• Skills Development Act</li> </ul>	<ul style="list-style-type: none"> <li>• International Council on Mining &amp; Metals (ICMM)</li> <li>• United Nations Global Compact</li> <li>• Global Reporting Initiative (GRI)                             <ul style="list-style-type: none"> <li>• FTSE 4 Good</li> <li>• JSE - SRI index</li> </ul> </li> <li>• King II report on corporate governance</li> </ul>

## Sustainability - based on strategy and national priorities

Several years ago - before Exxaro's formation but consistent with the philosophy that underpins this group - we initiated a process of understanding what sustainability meant for our business.

The exercise entailed one-on-one interviews with key decision makers, leading to a strategic framework of key elements, set out on page 19. This framework remains relevant to Exxaro and formed the basis of the implementation model shown on page 23. This model is reviewed regularly.

**Key elements of Exxaro's sustainability framework**

<b>AREA</b>	<b>KEY ISSUES</b>	<b>PROGRESS</b>
<b>Social impact management</b>	Direct and indirect effects on community and society (operations, social stability and influence on family life, housing and living conditions).	<i>Seven socio-economic assessments completed. In 2008, the focus will be on completing the outstanding five assessments and implementing management action plans in response to identified stakeholder issues.</i>
<b>Employment equity</b>	Equitable recruitment and employment practices to meet legislative targets for employing and developing individuals from designated groups.	<i>At the end of 2007, designated groups represented 36% of Exxaro's management and 14% of these positions were held by women. Exxaro is well on track to achieve its 2008 targets of 40% for management overall.</i>
<b>Natural environment</b>	Understanding our impact on the physical environment and conforming to nationally and internationally recognised standards, policies and measures to address detrimental environmental effects, and ensure sustainable development of our operations.	<i>Environmental impact assessments have been completed or are under way for the majority of operations. Results will be incorporated into site environmental management systems. We are consolidating data systems throughout the group, and will continue the process as we integrate Namakwa Sands in 2008. Key issues have been identified for major operations and this process will be rolled out to other operations in 2008. See pages 25 and 101 for elements to be managed.</i>
<b>Ownership and control by historically disadvantaged South Africans</b>	Managing the black economic empowerment imperative in South Africa through ownership control and management participation.	<i>With 56% of the group owned by black shareholders, including our own employees, Exxaro has exceeded this target. Previously disadvantaged Exxaro employees own 3% of the group, and 36% of management comprises HDSAs.</i>
<b>Stakeholder engagement</b>	Implementing effective and transparent engagement, communication and independently verified reporting arrangements with stakeholders.	<i>Stakeholder engagement plans were completed for every operation. Ongoing interaction will ensure the group remains abreast of changing stakeholder needs. Our stakeholder engagement has further been enhanced with the development of a stakeholder management system.</i>
<b>Natural resource management</b>	Responsible use of non-renewable mineral and other natural resources.	<i>Dedicated specialist unit established to intensify focus on addressing risks and impacts.</i>

## approach to sustainable development continued

AREA	KEY ISSUES	PROGRESS
<b>Business sustainability</b>	Ensuring our long-term financial viability; contributing value to all stakeholders; and accounting for the distribution of value created through business activities.	<i>The integration of former Kumba Resources and Eyesizwe Coal operations has been successful to date. The integration of systems, processes and policies will take a little longer, as anticipated in the business planning that preceded Exxaro's listing.</i>
<b>Mine closure</b>	Our aim is to leave self-sufficient communities after mine closure with appropriate infrastructure, skilled people and rehabilitated land.	<i>Results from the most recent closure plan to date - Durnacol mine in rural KwaZulu-Natal - have been excellent. The success in rehabilitating Hlobane mine has received worldwide recognition. Extensive consultation between all stakeholders has resulted in a sustainable community with the infrastructure, skills and determination to succeed. Closure plans for current operations are developed and reviewed against prevailing life-of-mine plans and current best practice.</i>
<b>Social development/ national social priorities</b>	In balancing our interests with those of our stakeholders, specific areas are guided by the social needs of the community, and by the national priorities of society at large, including: <ul style="list-style-type: none"> <li>• Education, training and skills development</li> <li>• Healthcare promotion, particularly HIV/ Aids programmes</li> <li>• Job creation</li> <li>• SMME (small, medium and micro enterprises) and other business opportunity development</li> <li>• Conservation of the environment, including awareness programmes</li> <li>• Infrastructure development, including schools, clinics, potable water, sanitation, etc.</li> </ul>	<i>Social and labour plans have been submitted to the authorities for most operations. Similar plans are being developed for the remaining operations, which will be submitted by April 2008. In 2007, 58 projects were completed at various operations at a cost of R22 million.</i>
<b>HIV/Aids</b>	Approaching the pandemic on two levels: as a workplace issue (specifically preventative, educational and clinical support practices including anti-retrovirals) and as a community issue.	<i>By the end of 2007, some 30% of the total workforce had participated in voluntary counselling and testing (VCT). In 2007, 1 889 people attended awareness sessions, 1 784 participated in VCT and 145 tested positive. Over 240 people are on anti-retroviral treatment (ART).</i>

AREA	KEY ISSUES	PROGRESS
<b>Health and safety in the work environment</b>	Exceeding legislative compliance on workplace conditions for employees to facilitate greater satisfaction, efficiency and productivity.	<i>Nine of the group's 12 operations have achieved OSHAS 18001 certification. In 2008, the focus will be on certifying our remaining operations.</i>
<b>Labour relations</b>	Managing the relationship with our employees and their representatives, to foster appropriate engagement, a climate of trust and widespread participation on issues of mutual interest.	<i>Some 60% of the Exxaro group's employees are members of five recognised unions.</i>
<b>Corporate governance</b>	The extent and sophistication of Exxaro's board, executive management and governance structures supporting our practice of triple bottom-line risk management.	<i>Exxaro subscribes to the spirit and principles of the King Report on Corporate Governance (King II) (page 80).</i>
<b>Human resource development</b>	The range and extent of training and skills development practices, moving beyond current job training requirements to include future and potential work orientation, personal skills development, and training in corporate citizenship and sustainable development.	<i>Exxaro spent 6,5% of total payroll on human resources development in 2007, above its own target of 6% and well above the mining industry average of 3,4%. This translated into 66% of our workforce receiving an average of 27 hours of training during the review period (page 121). In line with our commitment to encourage our people to become literate and numerate (NQF level 1 and higher qualification), 66% of Exxaro employees have at least an NQF level 1 qualification.</i>
<b>Shareholders' rights</b>	Equal treatment of all shareholders and protecting their rights <ul style="list-style-type: none"> <li>• specifically minority shareholders</li> <li>• through equal, accurate and timely disclosure.</li> </ul>	<i>The group has programmes and guidelines for providing detailed information to shareholders through formal and informal communication channels and media.</i>
<b>Supplier relations/developmental procurement</b>	Managing procurement processes and nurturing small enterprises and disadvantaged individuals, developing suppliers through preferential procurement.	<i>Small enterprises are exposed to a variety of opportunities in Exxaro to accelerate their diversification process along the commodity value chain.</i>

## approach to sustainable development continued

AREA	KEY ISSUES	PROGRESS
<b>Human rights</b>	Ensuring basic human rights are respected by all direct operations.	<i>Exxaro complies with all applicable labour legislation in South Africa and with International Labour Organisation guidelines. Accordingly the group encourages freedom of association and collective bargaining, and ensures that child labour and forced or compulsory labour are not tolerated. Induction programmes ensure employees are educated about their rights. Policies on discrimination, harassment and racism are in place, as are structures to protect employees' rights in the workplace.</i>
<b>Product stewardship</b>	Managing the impact of our products or services on the marketplace and society at large.	<i>Exxaro is developing policies to manage this element in line with accepted practice.</i>
<b>Supply chain compliance</b>	Ensuring business partners in our supply chain are themselves responsible corporate citizens.	<i>Exxaro's tender criteria include legislative compliance and good corporate citizenship standards by prospective suppliers and an integrated supplier engagement process is in place.</i>
<b>Leadership in sustainability</b>	Demonstrating our leading role in promoting and implementing corporate citizenship and sustainability as a business philosophy in our industry peer group, in our sector of operation, in our country and against international benchmarks and standards.	<i>Exxaro's manager of corporate sustainable development serves as the Africa business representative on the Global Reporting Initiative, on Unisa's Centre for Corporate Citizenship and on the African Institute for Corporate Citizenship. Exxaro is also sponsoring a chair in business and climate change at the University of South Africa.</i>

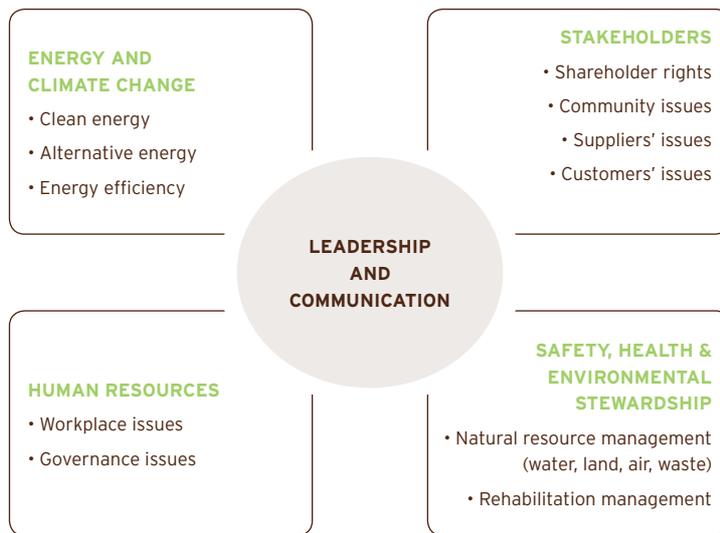
## STRUCTURE AND MODEL FOR IMPLEMENTING SUSTAINABLE DEVELOPMENT

### Managing sustainability into the future

Following the formation of Exxaro, a decision was taken to form a sustainable development steering committee of senior managers. The intention is to give impetus to efforts to manage all key impacts faced by the new group in a proactive and consistent manner.

Five task teams that support the work of the steering committee have been formed. These task teams (graphically represented below) are mandated to manage the major thrusts, namely energy and climate change; safety, health, and environmental stewardship; stakeholder relations; and human resources management and governance.

This structure will be replicated at each operation to ensure that all the aspects listed on page 24 and 25 are properly managed. In future reports, Exxaro intends to detail progress on these aspects.



**SUSTAINABLE DEVELOPMENT MODEL - MAJOR THRUSTS**

In implementing this model, which was formally approved after year end, workshops were held across the group's central support departments to identify key issues for triple bottom-line reporting in a process founded on the group strategy and closely aligned with risk identification and management. These workshops will be extended to our operations in 2008.

Practically, and in a top-down/bottom-up process, strategic direction is provided by the sustainable development steering committee, reporting to the executive committee and board. Teams at each operation and Exxaro's support departments implement and monitor initiatives, and report to the steering committee. This creates a virtual circle of development that is both sustainable and meaningful because it responds to identified needs.

Many of these aspects (listed overleaf) are already well developed. Equally, while some are limited to a specific area of the triple bottom-line, others span two or three areas and highlight the interaction between operations and support services. As Exxaro's sustainable development model is implemented and appropriate cross-departmental structures to manage each aspect entrenched, longer-term aspects will be incorporated.

## approach to sustainable development continued

### ASPECTS

#### Zero harm

Programme to ensure zero fatalities

Identify and set targets to reduce the number of significant environmental incidents

No transgressions of the principles embodied in the UN Universal Declaration of Human Rights

#### Legal compliance

Zero fines and prosecutions

#### Management systems

All operations to undertake annual self-assessments against Exxaro health, safety, environment and community management standards and develop plans and target dates to conform to standards

All operations to obtain and maintain International Standards Organisation 14001 and 18001 certification

All operations to have an effective stakeholder management system as per Accountability AA1000SES standard

#### Risk Management

Risk registers (finance and sustainable development risks) to be in place and maintained at all operations and at Exxaro corporate centre

#### Health

All operations to implement a baseline survey on occupational exposure hazards and establish occupational monitoring and health surveillance programmes

All operations to establish annual reduction in exposures above occupational exposure limits, expressed as percentage of workforce

All operations to establish targeted reduction in incidence of occupational disease and target dates

#### Safety

All operations to establish targeted reduction in LTIFR (excluding first aid treatments) by targeted date

#### Environment

##### Energy and greenhouse gas management

Identify and set targets for all operations with carbon dioxide (CO<sub>2</sub>) equivalent emissions above pre-determined level to have and maintain energy conservation plans and targets

Identify and set targets for all operations with CO<sub>2</sub> equivalent emissions above pre-determined level to have and maintain greenhouse gas management plans and targets

All operations to develop programmes and targets for alternative, cleaner energy

Aggregate group target for reduction in greenhouse gas emissions per unit of production to be developed

##### Water

Identify and set targets for all operations that consume fresh water in line with water management plans

Aggregate group target to reduce fresh water consumption per unit of production to be developed

All operations to establish level of water contamination

Aggregate group target to reduce water contamination to be developed

## ASPECTS

### Waste

All operations to develop and maintain waste minimisation programmes

Aggregate group target to reduce waste (excluding recycled and mining-related materials, such as waste rock, tailings, coal rejects and slag) per unit of production to be developed

### Land management

All operations to have and maintain land management plans to protect and enhance agreed beneficial uses

All operations to identify biodiversity risks and implement biodiversity management and closure plans

### Product stewardship

Life-cycle assessments prepared for all major Exxaro products (incorporating participation in industry programmes where appropriate)

### Community

All operations to prepare public sustainable development reports (including incidents, community complaints and operation-specific emissions) annually

All operations to conduct and maintain socio-economic and environmental impact survey with inputs from relevant stakeholders

All operations to have and maintain a stakeholder management database and plan, including community engagement plan

Aggregate contribution to community programmes, including in-kind support, of a target of at least 1% of net operating profit after tax

Aggregate contribution to enterprise development of a target of 3% of net operating profit after tax

Community health programmes to help local communities fight major diseases such as HIV/Aids and malaria

### Our people

All operations to have and maintain a talent management plan for all grading levels to increase and retain skilled people in the local community

All operations to set and achieve race, gender and disability targets as stipulated by the mining charter

All hostel employees to be accommodated in single or family units

All operations and corporate centre to have an approved workplace skills plan and submit an annual training report

All operations to roll-out an HIV/Aids management plan based on corporate strategy and targets

All operations to implement a wellness plan that includes nutrition, injury management, employee counselling and health promotion

### Procurement

Developmental procurement - all operations to set annual targets to increase local historically disadvantaged South African (HDSA) procurement services according to corporate policy

### Corporate governance

Company to have policy and procedures to satisfy King II

## approach to sustainable development continued

### Process to engage with stakeholders and apply international standards

For the review period, Exxaro reports against the revised GRI guidelines, issued in 2006 and referred to as G3 to differentiate them from GRI's 2002 guidelines. In addition to the revised scope of the G3 indicators, we are integrating the former Kumba Resources and Eyesizwe Coal operations, and in future Namakwa Sands. The focus therefore is on standardising data collection and analysis for meaningful reporting that complies with King II and the new GRI guidelines. As such, Exxaro has not declared a GRI application level for 2007, but will do so in the 2008 annual report.

Exxaro qualified for inclusion in the JSE's reviewed SRI index in November 2007. This index assesses the performance of companies in relation to economic, environmental and social sustainability as well as corporate governance.

We initiated several innovative practices in preparing to report to stakeholders for the 2007 financial year - our first full year as Exxaro:

- To remain abreast of the changing needs of our stakeholders and the impact of our operations and initiatives, seven Exxaro operations completed comprehensive socio-economic assessments of their sustainable development footprints and management responses to identified impacts. The remaining five assessments are under way.
- Issues raised during the internal workshops were presented to a representative stakeholder panel (from government departments to analysts, community members and organised labour) convened by an independent third party, African Institute for Corporate Citizenship (AICC). The aim was to elicit stakeholder feedback on whether we are covering the issues of concern (or materiality of reporting) to individual panel members, and to obtain feedback on the completeness of this reporting. The AICC report appears on page 135. This approach is in line with the standard set by AA1000SES.

Where possible, additional issues raised by the panel have been incorporated in this report.

We believe this process will over time ensure that Exxaro reports provide a measurable indicator of progress and underscores our commitment to stakeholder engagement.

### Sustainable development assurance - broad-based verification

Exxaro has internal systems to record and monitor the quality (accuracy, fullness and consistency) of management information and any data gaps in the group. These are continually assessed and improved, aiming for best practice.

In line with our commitment to the triple bottom-line, an integral part of reporting to stakeholders is assurance on the quality of disclosure. Previous integrated annual reports have been externally assured, albeit on a limited range of elements. In this report, we have extended our approach to assurance by commissioning a more in-depth external assurance by KPMG (page 132). We have also initiated a more qualitative approach by including a range of stakeholders in a formal panel in the process of identifying issues for comprehensive coverage (page 135). The recommendations of both third parties have been noted and will form part of the implementation of our sustainable development model.

In addition, our previous integrated annual report (Kumba Resources 2005) was externally assessed by KPMG. Our report was compared to a basket of internationally and locally relevant triple bottom-line reporting guidelines, such as the GRI G3 reporting framework and report assessment methods.

### Scope of sustainable development elements of the report

In this report, we have concentrated on former Kumba Resources operations while we integrate reporting systems from former Eyesizwe Coal operations.

This report also excludes the following operations where we do not exercise management control:

- Australia Sands - Australia Sands' principal asset is its 50% ownership in the Tiwest joint venture with Tronox Incorporated.
- Chifeng Refinery - As a first step for potential investment in China, Exxaro established an equity joint venture with an existing refinery facility. Exxaro has a 38% shareholding in Phase 2, and a 25% interest in Phase 3 of this venture, resulting in an effective 22% economic interest in the expanded operation.

Exxaro has representatives at Chifeng and Australia operations to influence and advise on sustainable development matters.



... empowered  
to grow

IN BALANCING OUR  
INTERESTS WITH  
THOSE OF OUR  
STAKEHOLDERS, WE  
ARE GUIDED BY THE  
SOCIAL NEEDS OF  
OUR COMMUNITIES  
- FOREMOST AMONG  
THESE IS EDUCATION

Grade 2 learners at Sifundise Primary School in Mpumalanga,  
from left: June Masanga, Lungile Ngwenya and Samuel Zunguza



# corporate governance

## Introduction

As a new-era company, Exxaro understands that diversity, empowerment and development at every level can only be achieved through effective, transparent and accountable leadership.

Exxaro's leadership, in turn, recognises that good corporate governance practices are vital in maintaining high standards of integrity, professionalism and ethical behaviour. Exxaro's directors are fully committed to embedding the principles of transparency and accountability in the group's various business operations, ensuring the creation of value for all stakeholders.

In making good governance a hallmark of Exxaro, the directors are guided by established tenets in creating long-term value for all:

- Adhere to sound principles of direction and management
- Implement best practices on corporate management
- Keenly understand conceptual issues in corporate governance, including a review of recent developments in better understanding corporate governance systems and mechanisms
- Clarify the issues pertaining to the board of directors and management
- Recognise shareholder/stakeholder rights and responsibilities.

Best-practice corporate governance structures ensure a dynamic cycle of improvement where every individual is guided by a common set of values as we expand our quality portfolio of assets. At Exxaro, our values guide the way the organisation is managed and controlled. These values appear on page 1.

In compliance with the mining charter, Exxaro is currently one of the largest black-owned and managed resources companies listed on the JSE, comfortably exceeding charter requirements with a 56% black economic empowerment (BEE) shareholding.

## Compliance with King II

The Exxaro board, its committees and management believe compliance is key in maintaining the group's values. The group supports the provisions and principles of corporate governance as defined by the King II report and the Listing Requirements of the JSE. In the review period, the group complied in all material respects with the Code of Corporate Practices and Conduct published in King II and the Listing Requirements of the JSE.

To ensure that excellent corporate governance practices are entrenched in the Exxaro group, all entities are obliged to subscribe to the spirit and principles of King II. While the Exxaro board takes overall responsibility for compliance with King II, the directors of subsidiaries are required to continuously monitor compliance with these principles within their legal entities.

## Ethics

In line with Exxaro's value of honest responsibility, compliance with the group's code of ethics is monitored by an executive general manager, the group risk manager and the company secretary, and awareness of ethical behaviour is encouraged throughout the group by communicating regularly with employees.

During the year, all business units were assessed for risks related to corruption. Training in anti-corruption policies and procedures is integrated into the Exxaro induction programme for new employees and during annual competence update training for existing staff.

Formal disciplinary measures are in place to deal with any identified incidents of corruption. In addition to Exxaro's other compliance and enforcement activities, a reporting hotline ("whistle-blowing") has been established through which all stakeholders can report suspected corruption, other reportable irregularities, or contraventions of group values with guaranteed anonymity.

**Hotline:** 0800 20 35 79

**Hotmail:** Exxaro@tip-offs.com

Numerous alleged irregularities were reported on the hotline with one case of corruption resulting in criminal prosecution.

Exxaro regularly participates in industry initiatives focused on developing equitable public policies for the mining sector. However, the group does not directly or indirectly support political parties, individual politicians and related institutions through financial or in-kind contributions.

## Board of directors

### Functions

The board is the focal point of Exxaro's corporate governance system and remains ultimately accountable and responsible for the company's performance and affairs. The board charter clearly sets out the purpose and composition of the board, responsibilities of board members, requirements for board meetings and remuneration of directors. The charter was reviewed during the year to assess compliance with the current regulatory framework and changes made where necessary.

The primary responsibility of the board is to determine the company's purpose and values and provide strategic direction. It is also responsible for identifying key risk areas and performance indicators, monitoring performance against agreed objectives, advising on financial matters and reviewing the performance of executive management against defined objectives and industry standards.

### Composition

The board collectively contains the skills, experience, demographic diversity and combination of personalities appropriate to ensure effective leadership and sound governance within the organisation.

As a truly South African company that supports and actively drives transformation in everything we do, we are proud that the majority of our board members are historically disadvantaged South Africans.

Following the retirement of Dr Con Fauconnier and the appointment of Siphon Nkosi as chief executive officer (CEO) on 1 September 2007, the board currently comprises 13 directors:

- four independent non-executive directors
- three executive directors
- six non-executive directors.

In categorising the capacity of each director as executive, non-executive or independent, Exxaro has been guided by the provisions of King II.

### Independence

There is a clear distinction in Exxaro between the roles of chairman and CEO to ensure that no-one has unfettered powers of decision-making. Exxaro is in the process of identifying suitable candidates with the objective of appointing an independent chairman. In the year under review, an acting chairman was appointed to ensure continuity in the board's activities. The acting chairman of Exxaro's board is an independent director, responsible for the effective functioning of that body.

The CEO is in charge of the company as a whole and is directly responsible to the board. Among others, he is responsible for ensuring the company achieves its strategic and financial objectives, and for monitoring its day-to-day operational requirements.

### Appointments and succession planning

Within its powers, the entire board selects and appoints directors, including the CEO and executive directors, on the recommendations of the transformation, human resources, remuneration and nomination committee (TREMCO).

TREMCO considers non-executive director succession planning and makes appropriate recommendations to the board.

We have exceeded all key South African legislative requirements for transformation. Best practice corporate governance structures are in place and we will continue to set the standard in developing and training people – within and beyond the company – to address the critical skills shortage in South Africa.

## corporate governance continued

The group is currently engaged in a process to identify a suitable chairman. It is the group's intention to have a chairman appointed by mid-year 2008.

All appointments are in terms of a formal and transparent process. Candidates are selected against criteria deemed appropriate for Exxaro, given the nature of the company, the industry in which it operates and its transformation objectives.

The chairman is appointed for a term not exceeding one year and is nominated from the ranks of independent non-executive directors.

To ensure efficient staggering of director rotation, directors are subject to retirement and may be nominated for re-election every three years with the proviso that no director will hold office for more than three consecutive periods. The retirement age for non-executive directors is 70 years, effective at the annual general meeting after the date on which they turned 70.

### Accountability

Exxaro's directors are reputable, skilled and experienced and bring appropriate judgement to bear on the issues at hand. Non-executive directors understand Exxaro's mission, strategy and business and add specialist expertise to the group.

Exxaro regards open communication with its directors as a priority in ensuring their accountability. Therefore all material information is disseminated to them between board meetings.

The company secretary is responsible for the duties set out in section 268G of the Companies Act. In terms of Exxaro policy, directors have free access to the company secretary and to independent professional advisers, whether in legal, technical or accounting areas, at the company's expense.

### Remuneration

TREMCO considers and submits recommendations to the board on fees to be paid to each non-executive director. Any changes to fees are approved by the board and submitted to shareholders at the annual general meeting for approval prior to implementation and payment.

In line with generally accepted governance practices, independent non-executive directors do not have service contracts and are not members of the group's pension scheme.

Non-executive directors' remuneration is summarised below:

Name	Fees for services R	Benefits and allowances <sup>1</sup> R	Total R
PM Baum <sup>2</sup>	191 657		191 657
JJ Geldenhuys	240 659	3 676	244 335
U Khumalo <sup>2</sup>	154 562		154 562
Dr D Konar	253 481		253 481
VZ Mntambo	176 201		176 201
RP Mohring <sup>2</sup>	183 414	5 737	189 151
M Msimang <sup>3</sup>	23 852		23 852
PKV Ncetezo	176 201	7 383	183 584
NMC Nyembezi-Heita	197 840		197 840
NL Sowazi <sup>2</sup>	183 414		183 414
D Zihlangu	179 292	9 233	188 525
			1 986 602

<sup>1</sup> Includes travel allowances

<sup>2</sup> Fees paid to their respective employers and not to individuals

<sup>3</sup> Resigned on 28 May 2007

## ATTENDANCE

Board meetings	Appointed to board	Feb	May	June	Aug	*Oct	Nov
<b>Director</b>							
PM Baum	17 Feb 04	•	A	•	•	•	•
Dr CJ Fauconnier	1 June 01	•	•	•	•	n/a	n/a
JJ Geldenhuys	1 June 01	•	•	•	•	•	•
U Khumalo	28 Nov 06	A	•	•	•	A	•
MJ Kilbride	1 June 01	•	A	•	•	•	•
Dr D Konar (acting chairman)	1 June 01	•	•	•	•	•	•
VZ Mntambo	28 Nov 06	•	A	•	•	A	•
RP Mohring	28 Nov 06	•	•	A	•	•	•
PKV Ncetezo	28 Nov 06	•	•	•	•	•	•
SA Nkosi	18 Oct 01	•	•	•	•	A	•
NMC Nyembezi-Heita	28 Nov 06	•	A	•	•	A	•
NL Sowazi	28 Nov 06	•	A	•	•	•	•
DJ van Staden	1 June 01	•	•	•	•	•	•
D Zihlangu	28 Nov 06	•	•	A	•	•	•

\*Special

A Apologies      • Attended      n/a Retired on 31 August

## Board committees

The board has appointed three committees to assist in effectively discharging its responsibilities. All committees fulfil their responsibilities within clearly defined written terms of reference, which deal explicitly with their purpose and function, reporting procedures and written scope of authority.

To ascertain their performance and effectiveness, committees are subject to regular evaluation by the board.

The board believes these committees have effectively discharged their responsibilities for the year and that there was transparency and full disclosure from the committees to the board.

## Audit, risk and compliance committee

### Composition and meeting procedures

The committee consists of three members and the majority (including the chairman) are independent directors. Executive directors, the senior audit partner and head of the outsourced internal audit function also attend meetings and have unrestricted access to the chairman and committee members. Non-executive directors may also attend at the invitation of the committee.

When required, suitably qualified people may be co-opted to render specialist services.

The committee meets at least four times a year.

### Role, purpose and principal functions

The committee reviews the principles, policies and practices adopted in preparing the financial statements of the company and its subsidiaries. It also ensures that interim and annual financial statements and any other formal announcements relating to the company's financial performance comply with the Companies Act, the JSE Listing Requirements and International Financial Reporting Standards.

The committee reviews the work of the group's external and internal auditors to ensure the adequacy and effectiveness of Exxaro's financial, operating, compliance and risk management controls.

## corporate governance continued

Exxaro's policy on non-audit services, which is annually reviewed by the committee, details which services may or may not be provided by Exxaro's external auditors and covers:

- basic accounting assistance
- payroll services
- tax services
- human resources services
- information technology services
- appraisal or valuation services
- legislative and administrative decision-making and corporate governance
- internal audit and risk management.

The above policy was complied with in the year under review.

### ATTENDANCE

Director	Appointed to committee	Feb	May	Aug	Nov
Dr D Konar (chairman)	11 Feb 02	•	•	•	•
RP Mohring	30 May 07	n/a	•	•	•
NL Sowazi	30 May 07	n/a	•	•	•

- Attended      n/a Not on committee

### Safety, health and environment committee (SHE)

#### Composition and meeting procedures

The committee consists of five members with an independent chairman. The CEO and chief operating officer (COO) attend meetings as ex officio members.

General managers of commodity businesses, safety/health/environment, human resources and technology management attend meetings by invitation. Suitably qualified people may be co-opted onto the committee when necessary to render specialist services.

The committee meets at least three times a year.

#### Role, purpose and principal functions

The purpose of the committee is to develop the framework, policies and guidelines for health, environmental and safety management group-wide.

The role of the committee is to:

- oversee the development of policies and guidelines for safety, health, environmental management
- review the policies and performance of the company as a whole on the progressive implementation of SHE policies
- encourage independently managed subsidiaries, associates and significant investments to develop their own SHE policies that are consistent with those of the group
- receive reports on substantive SHE risks and liabilities
- monitor key indicators on accidents and incidents and, where appropriate, ensure this information is communicated to other companies managed by or associated with the company
- consider for adoption substantive national and international regulatory and technical developments
- facilitate participation, co-operation and consultation on SHE matters with government, national and international organisations, supranational authorities, other companies and other SHE associations.

## ATTENDANCE

Director	Appointed to committee	April	July	Nov
JJ Geldenhuys (chairman)	11 April 02	•	•	•
Dr CJ Fauconnier	11 April 02	•	•	n/a
MJ Kilbride	11 April 02	•	•	•
SA Nkosi	23 May 03	•	•	A
D Zihlangu	18 April 07	•	•	•

- Attended    A Apologies    n/a Retired on 31 August

## TREMCO

During the year, the human resources, remuneration and nomination committee was merged with the transformation committee to form TREMCO. This was done to minimise duplicated responsibilities as transformation has a strong human element.

### Composition and meeting procedures

The committee consists of four members, with the chairman being an independent director. The CEO, chief financial officer (CFO), executive general manager: human resources, and compensation and benefits advisers may be invited to attend any meeting.

Suitably qualified people may be co-opted onto the committee to render the specialist services required to assist the committee in its deliberations on any particular matter.

The committee meets at least five times a year.

### Role, purpose and principal functions

The purpose of the committee is to:

- make recommendations on the composition of the board and board committees and to ensure that the board consists of individuals equipped to fulfil the role of director of the company
- guide, monitor, review and evaluate the company's progress on transformation, specifically the three primary pillars of employment equity, community involvement and preferential procurement
- ensure the company's remuneration strategies, packages and schemes are related to achieving business objectives and delivering shareholder value
- ensure compliance with statutory and best-practice requirements on labour and industrial relations management, and that appropriate human resources strategies, policies and practices are in place.

## ATTENDANCE

Director	Appointed to committee	Feb	May	July	*Nov	Nov
NMC Nyembezi-Heita (Chairman)	9 May 07	n/a	•	•	•	•
PM Baum	16 Mar 04	•	•	•	•	•
VZ Mntambo	9 May 07	n/a	•	•	A	•
PKV Ncetezo	9 May 07	n/a	•	•	•	•

\*Special

- Attended    A Apologies

## corporate governance continued

### Management committees

#### Executive committee

The executive committee (Exco) is chaired by the CEO and consists of 13 members. It meets formally each month and ad hoc when necessary.

Exco is mandated, empowered and held accountable for implementing the strategies, business plans and policies determined by the Exxaro board. It is also responsible for managing and monitoring the business affairs of the company in line with approved plans and budgets, prioritising the allocation of capital and other resources as approved by the board and establishing best management and operating practices.

Exxaro follows a structured process to ensure it invests in projects aligned with group strategy and which yield the required returns. In this process two forums are engaged: an initial assessment is completed by the strategic co-ordination forum and a comprehensive review is then undertaken by the investment review committee. The offshore review committee assists the board in financially co-ordinating Exxaro's portfolio of offshore investments and interests.

- **The strategic co-ordination forum**

The forum, chaired by the COO, meets every six weeks and its primary purpose is to ensure that all new initiatives are aligned with the Exxaro group strategy.

This forum has been mandated to:

- ensure alignment of strategy execution and new developments
- determine strategic priorities and co-ordinate, support and monitor strategic initiatives throughout the group
- allocate resources and accountabilities for investigations or studies.

- **Investment review committee**

The committee, chaired by the CFO, meets monthly and its primary responsibility is to undertake comprehensive investment reviews and assess the technical feasibility and financial viability of proposed capital projects or investments prior to these requests being presented to the executive committee and Exxaro board for approval.

In fulfilling these objectives, the committee ensures that:

- each project meets the strategic, technical and investment requirements defined by the board
- critical decisions, project parameters and potential risks are adequately addressed and researched prior to recommending the commitment of funds
- each project enhances the portfolio value of Exxaro.

- **Offshore review committee**

The committee meets quarterly, with more frequent meetings convened if required.

The primary responsibilities of this committee include:

- financial control and governance of Exxaro's offshore investments and multi-disciplinary interests
- efficient financial structuring
- providing for offshore investment funding and expenditure
- ensuring that financial reporting, auditing and tax-related issues are properly managed
- ensuring that the company's overseas offices are effectively staffed, managed and used.

- **Intellectual property committee**

Exxaro acknowledges the importance of intellectual property and its proper management. Chaired by the executive general manager: corporate services, an intellectual property committee has been established to ensure that possible innovations are exploited and, if appropriate, patented and properly maintained. Copyright, trademark and possible infringement issues are also addressed by this committee. The committee also comprises the company secretary, representatives of the finance and technology departments, and Exxaro's legal representatives.

## Sustainability

Sustainability is a cornerstone of the Exxaro group and our approach is embedded in the first of our corporate values which states “empowered to grow and contribute”. Our aim is to encourage entrepreneurship as far as possible to transform this value into reality for as many stakeholders as possible (page 127).

## Black economic empowerment codes of good practice

While we understand that companies need to verify the BEE status of suppliers in terms of the Codes of Good Practice, Exxaro confines its reporting to the requirements set out in the Mineral and Petroleum Resources Development Act and its associated mining charter scorecard.

Exxaro's approach to transformation and empowerment, however fits well with the requirements of the BEE codes and scorecard. In structuring the new group, we ensured that:

- the majority of voting rights are exercised by black people
- the majority of profits accrue to black people
- the majority of the board comprises black people.

## Disclosure policy

The board has adopted a formal continual disclosure of interests policy to ensure full and timely disclosure by directors.

## External communications

Exxaro believes that briefing analysts, investors and fund managers is an important element of maintaining investor relations. However, it will only provide “price-sensitive” information after disclosing that information to the market.

Broader stakeholder communication plans have been developed and are currently being implemented. The group believes in clear, transparent, concise and timely dissemination of relevant information to all stakeholders. This is achieved through a multitude of channels and media, including written, electronic and verbal presentations.

## shareholder information

### Market listings and other information

The principal market for Exxaro Resources Limited is the JSE. As a constituent of the All Share Top 40 index (ALSI 40 index), Exxaro shares trade through the STRATE system.

STRATE is the authorised central securities depository (CSD) for equities in South Africa that incorporates an electronic settlement system. STRATE achieves secure, electronic settlement of share transactions on the JSE and for off-market trades. Shares in companies listed on the JSE can no longer be bought or sold unless they have been dematerialised on to the STRATE system. This process involves submitting paper share certificates to a custodian bank or JSE member firm (broker) for conversion into an electronic record, an exercise referred to as dematerialisation.

The introduction of the Johannesburg Equity Trading (JET) system a few years ago highlighted deficiencies in the JSE's paper-based settlement system. Shares were no longer traded on a trading floor, and this contributed to a massive leap in the number of trades each day. Back-office support services were incapable of handling this increase in daily transactions efficiently in a paper-based environment. The transition to an efficient settlement system has increased market activity and will certainly improve the international perception of the South African market by reducing settlement and operational risk in the market, increasing efficiency and ultimately reducing costs. Accordingly, by heightening investor appeal, STRATE enables South Africa to compete effectively with other international markets, and not just those of emerging countries. For additional information please refer to the STRATE website: [www.strate.co.za](http://www.strate.co.za)

Closing JSE share prices are published in most national and regional SA newspapers and are available during the day on the Exxaro and other websites. Share prices are also available on I-Net Bridge, Reuters and Bloomberg. Exxaro has an over-the-counter (OTC) sponsored American depository receipt (ADR) facility with the Bank of New York (BoNY) under a deposit agreement. For additional information please refer to the BoNY website: [www.adrbony.com](http://www.adrbony.com)

### ADR holders

ADR holders may instruct BoNY on how shares represented by their ADRs should be voted. Registered holders of ADRs will have annual and interim reports mailed to them at their recorded address. Brokers or financial institutions that hold ADRs for shareholder clients are responsible for forwarding shareholder information to their clients and will be provided with copies of annual and interim reports for this purpose.

### Dividend determination

Dividends are determined in South African rand (ZAR) and are declared payable in the same currency by the group. ADR shareholders are paid in US dollars by the group's ADR bank, BoNY. BoNY effects the conversion of ZAR-determined dividends in US dollars on behalf of its US ADR shareholders. Contact Computershare or BoNY for further details.

### Shareholder communication

#### General shareholder enquiries

Computershare is the registrar for Exxaro. All general enquiries and correspondence concerning shareholders (other than shares held in ADR form) should be directed to the registrar. Computershare's contact details are on the inside back cover. Shareholders must notify Computershare promptly in writing of any change of address.

All enquiries concerning shares held in ADR form should be directed to BoNY, whose contact details are given on the inside back cover or visit its website at: [www.adrbny.com](http://www.adrbny.com)

Shareholders can obtain details about their own shareholding on the internet. Full details, including how to gain secure access to this personalised enquiry facility, are provided on the Computershare website: [www.computershare.com](http://www.computershare.com)

#### **Publication of financial statements**

Shareholders wishing to view the annual report and/or interim report in electronic rather than paper form can access it on the Exxaro website: [www.exxaro.com](http://www.exxaro.com)

#### **Shareholder information**

##### **Major shareholders**

As of 31 December 2007, the one entity known to Exxaro as owning more than 10% of its shares is Main Street 333 (Pty) Limited with 186 550 873 shares representing 52,86% of the number of shares in issue. This entity is commonly referred to as BEE Holdco (refer to page 5).

As of 31 December 2007, the total number of voting securities owned by directors of Exxaro was 2 319 ordinary shares.

## shareholders' analysis

<b>Registered shareholder spread</b>				
<b>Shareholder spread</b>	<b>Number of shareholders</b>	<b>% of total shareholders</b>	<b>Number of shares</b>	<b>% of issued capital</b>
1 – 1 000 shares	14 137	83,73	4 058 715	1,15
1 001 – 10 000 shares	2 181	12,92	6 424 465	1,82
10 001 – 100 000 shares	465	2,75	14 537 861	4,12
100 001 – 1 000 000 shares	120	0,71	38 668 743	10,96
1 000 001 shares and over	24	0,14	289 217 416	81,95
<b>Total</b>	<b>16 884</b>	<b>100,00</b>	<b>352 907 400</b>	<b>100,00</b>

<b>Beneficial shareholder categories</b>		
<b>Category</b>	<b>Total shareholding</b>	<b>% of issued capital</b>
Black economic empowerment	186 550 873	52,86
Unit trusts/Mutual funds	37 302 988	10,57
Corporate holdings	35 330 282	10,01
Pension funds	27 461 535	7,78
Insurance companies	14 581 631	4,13
Private investors	11 900 761	3,37
Employees	10 618 974	3,01
Other managed funds	10 001 763	2,83
Custodians	2 602 205	0,74
Hedge fund	2 447 470	0,69
Investment trusts	2 300 000	0,65
Foreign government	770 132	0,22
Charity	378 100	0,11
American Depositary Receipts	151 472	0,04
Remainder	10 509 214	2,98
<b>Total</b>	<b>352 907 400</b>	<b>100,00</b>

<b>Public and non-public shareholdings</b>				
<b>Shareholder type</b>	<b>Number of shareholders</b>	<b>% of total shareholders</b>	<b>Number of shares</b>	<b>% of issued capital</b>
Public shareholders	16 874	99,93	118 269 524	33,50
Non-public shareholders	11	0,07	234 637 876	66,50
– Directors and associates	4	0,01	2 319	0,01
– Main Street 333 (Pty) Ltd	1	0,01	186 550 873	52,86
– Anglo American Corporation of SA Ltd	1	0,01	34 730 282	9,84
– Exxaro Employee Empowerment Trust	1	0,01	10 618 974	3,01
– Assore Ltd	1	0,01	600 000	0,17
– Kumba Management Share Trust	1	0,01	1 970 984	0,56
– Kumba Bestuursaandele Trust	1	0,01	164 444	0,05
<b>Total</b>	<b>16 884</b>	<b>100,00</b>	<b>352 907 400</b>	<b>100,00</b>

<b>Beneficial shareholdings of 3% or more</b>		
	<b>Total shareholding</b>	<b>% of issued capital</b>
Main Street 333 (Pty) Ltd	186 550 873	52,86
Anglo American Corporation of SA Ltd	34 730 282	9,84
Public Investment Corporation	13 515 993	3,83
Exxaro Employee Empowerment Trust	10 618 974	3,01
<b>Total</b>	<b>245 416 122</b>	<b>69,54</b>

### Geographic split of beneficial shareholders

<b>Region</b>		
South Africa	311 887 937	88,38
United States of America and Canada	22 469 378	6,37
United Kingdom	4 325 608	1,23
Rest of Europe	9 198 685	2,61
Rest of the World <sup>1</sup>	5 025 792	1,42
<b>Total</b>	<b>352 907 400</b>	<b>100,00</b>

<sup>1</sup> Represents all shareholdings except those in the above regions

### Investment management shareholdings of 3% or more

#### Investment manager

Main Street 333 (Pty) Ltd  
 Anglo American Corporation of SA Ltd  
 STANLIB Asset Management  
 Exxaro Employee Empowerment Trust

Total shareholding	% of issued capital
186 550 873	52,86
34 730 282	9,84
15 224 323	4,31
10 618 974	3,01
<b>Total</b>	<b>70,03</b>

### Geographic split of investment managers and company-related holdings

#### Region

South Africa  
 United States of America and Canada  
 United Kingdom  
 Rest of Europe  
 Rest of the World<sup>1</sup>

305 640 107	86,61
18 981 962	5,38
11 158 591	3,16
5 755 839	1,63
11 370 901	3,22
<b>Total</b>	<b>100,00</b>

<sup>1</sup> Represents all shareholdings except those in the above regions

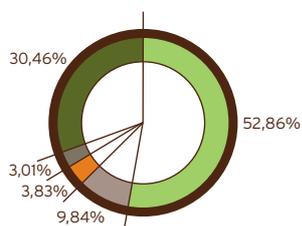
### Breakdown of non-public holdings

#### Directors and associates

Nyembezi-Heita, NMC  
 Kilbride, MJ  
 van Staden, DJ  
 Konar, D

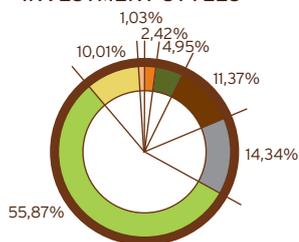
Number of shares	% of shares
1 000	0,00
586	0,00
565	0,00
168	0,00
<b>Total</b>	<b>0,00</b>

### BENEFICIAL SHAREHOLDERS OF 3% OR MORE



- Main Street 333 (Pty) Ltd
- Anglo American Corporation of SA Ltd
- Public Investment Corporation
- Exxaro Employee Empowerment Trust
- Other

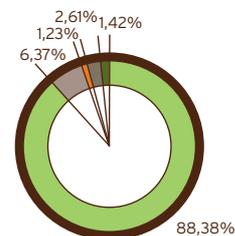
### ANALYSIS OF INVESTMENT STYLES<sup>1</sup>



- Private client
- Value
- Remainder
- Growth
- Black economic empowerment
- Corporate
- Index

<sup>1</sup> Includes categories above 1% only

### GEOGRAPHIC SPLIT OF BENEFICIAL SHAREHOLDERS



- South Africa
- United States of America and Canada
- United Kingdom
- Rest of Europe
- Rest of the World

## managing risk, issues and opportunities

### RISK MANAGEMENT

#### Risk philosophy

Investors are more willing to invest in a company with a well-defined risk philosophy and an integrated enterprise-wide risk management (ERM) programme. The philosophy and ERM programme are underpinned by a risk-appetite strategy to assess high-level risks which are then applied consistently in resource-allocation decisions to mitigate risks that might impact on the company's ability to increase stakeholder value.

In line with its vision, Exxaro maintains an integrated ERM programme to guide individual business units in their risk management endeavours to prevent or reduce the adverse impacts of operational losses, earnings surprises and reputational damage. The board-approved methodology followed throughout the group ensures a better understanding of the trade-off between risk and reward which, in turn, enhances strategic decisions relating to improved capital allocation to address strategic risks.

The effectiveness of the ERM process is measured by how well it aligns the key fundamentals of governance, business objectives, ethics, policies, standards, strategies and compliance.

In Exxaro, the focus is on bringing these fundamental components ever closer to the operational risk management processes.

Our ERM approach is aimed at:

- minimising losses caused by adverse events
- reducing earnings surprises and reputational damage
- contributing to the protection of shareholder value.

#### Risk appetite

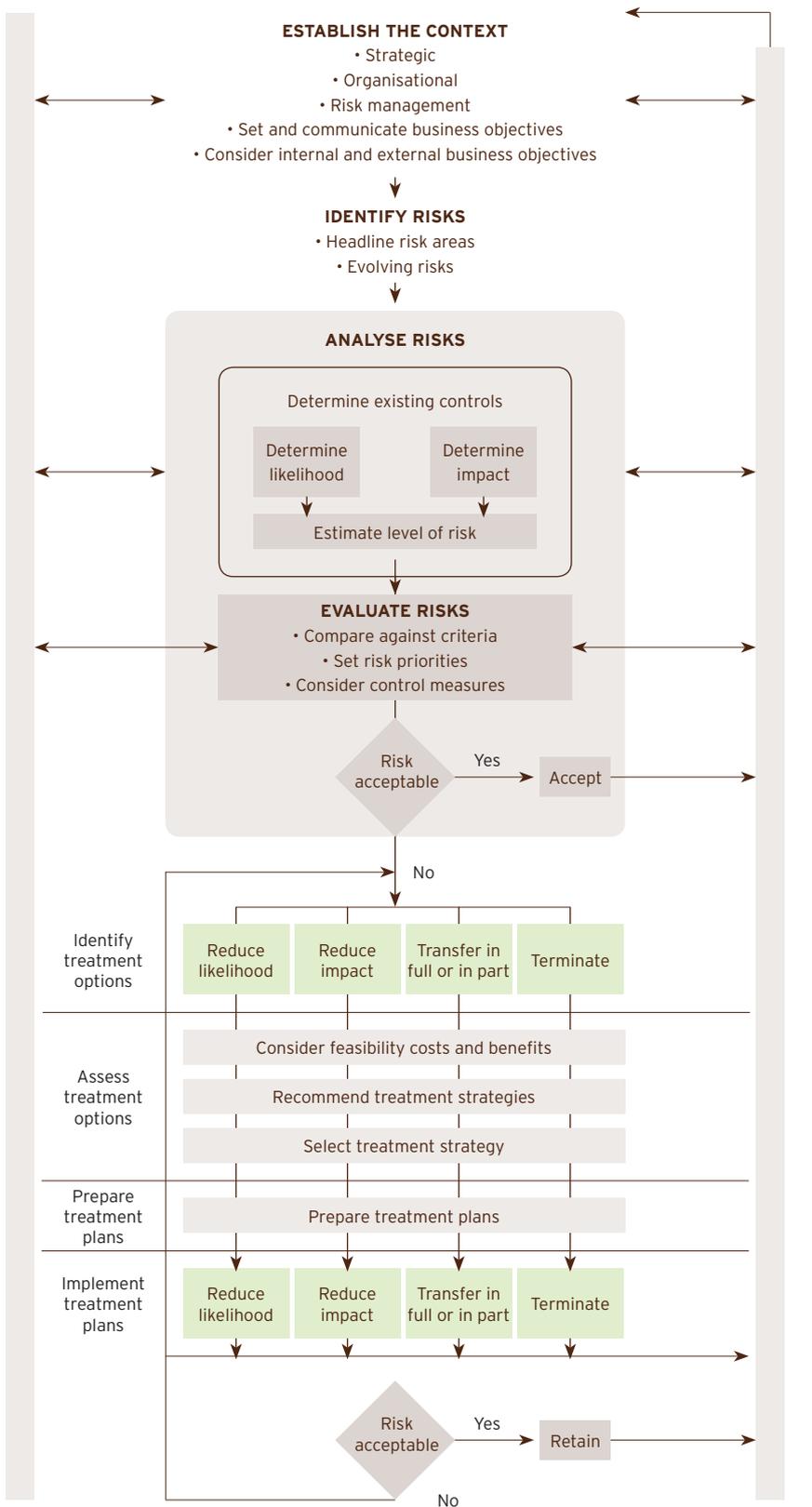
The board, guided and assisted by the audit, risk and compliance committee, defines and approves Exxaro's risk appetite. Exxaro's risk-bearing capacity is a function of its ability to withstand unexpected losses and the effect such losses may have on the company's ability to continue operating as a going concern.

In Exxaro, the embedded nature of the ERM programme is reflected in a centralised ERM hub dedicated to strategic direction and policy development, and risk committees operating at business unit level to implement this policy.

#### Risk culture

Exxaro has a policy of zero tolerance for compliance failures and its aim is to speedily identify and rectify any deviation.

Promoting a risk-conscious culture is a constant focus throughout the company. All risk owners are responsible for continually monitoring the existing and ever-changing risk profile of the environment in which they conduct their business.



## managing risk, issues and opportunities

Divisional and business-unit risk committees play an important role in identifying operational risk and in the development and application of generic mitigating strategies. They also have a risk oversight function by virtue of being closer to activities that could have adverse results. Each committee is chaired by the head of the business centre and meets quarterly. The group risk manager attends all meetings.

### Risk management objectives

The risk management process is continual, with well-defined steps. When taken in sequence, these support better decision making by contributing greater insight into risks and their impacts. Risks from all sources are identified and once they pass the materiality threshold, a formal process begins in which causal factors and consequences are identified and the correlation with other risks and the current risk-mitigating strategy is reviewed. One of the challenges is to ensure that mitigating strategies are geared to deliver reliable and timely risk information to minimise adverse impacts of risks that might materialise.

The top business risks based on impact, likelihood or the probability of occurrence, together with the mitigating control measures, are disclosed in descending order.

## Top risks

Risk	Severity	Probability	Control measures
<ul style="list-style-type: none"> <li><b>Operational</b></li> </ul> Granting of new mining rights or conversion of old rights	High	High	Ensure compliance with mining charter requirements. Continuous engagement with the Department of Minerals and Energy (DME).
<ul style="list-style-type: none"> <li><b>Operational</b></li> </ul> KZN Sands - furnace production capacity	High	High	Pursuing optimisation initiatives and projects that can positively influence achieving nameplate capacity, including investigation into alternative hearth technology.
<ul style="list-style-type: none"> <li><b>Profitability</b></li> </ul> Impact of buoyant construction and engineering market on the cost of capital projects	High	High	Maintaining a database on escalation of major commodity items based on industry trends and own experience to ensure comprehensive provision for escalation on project costing and timing of long lead-time items.
<ul style="list-style-type: none"> <li><b>Human resources</b></li> </ul> Retention and availability of skills base impacting on current production and future growth	High	High	Implementation of effective retention strategy for key disciplines.  Remain an employer of choice due to: <ul style="list-style-type: none"> <li>- regularly benchmarked market-related remuneration</li> <li>- comprehensive training</li> <li>- growth opportunities.</li> </ul> Focus on innovative recruitment initiatives and succession planning. Continuous rotation and exposure of own talent in multidisciplinary project teams.

## managing risk, issues and opportunities continued

Risk	Severity	Probability	Control measures
<ul style="list-style-type: none"> <li>• <b>Strategic</b></li> </ul> <p>KZN mineral sands business feedstock resources</p>	High	Medium	Finalise feedstock reserve prioritisation feasibility studies. Obtain DME approval of mining rights for Fairbreeze C extension and Braeburn as delays are already affecting operational activities.
<ul style="list-style-type: none"> <li>• <b>Strategic</b></li> </ul> <p>Funding value-added growth within balance sheet and equity-raising constraints</p>	High	Medium	Ranking value-adding opportunities in an aligned growth strategy and in terms of a strategic investment framework. Optimising dedicated project finance facilities.
<ul style="list-style-type: none"> <li>• <b>Profitability</b></li> </ul> <p>Impact of continued rand and Australian dollar strength combined with forecast macro-economic parameters and commodity prices, on operating margins and returns on investment</p>	High	Medium	Judicious hedging policy. Continuous business improvement initiatives with rigorous tracking. Optimised use of operating assets to leverage benefits of higher throughput. Investigate downstream integration opportunities.
<ul style="list-style-type: none"> <li>• <b>Profitability</b></li> </ul> <p>Anticipated significant price increases for electricity</p>	High	Medium	Participation in industry forums that engage with Eskom and National Energy Regulator of South Africa (Nersa). Investigation into co-generation.
<ul style="list-style-type: none"> <li>• <b>Operational</b></li> </ul> <p>Power supply certainty and the impact of interruptions on safety, production and profitability</p>	Medium	High	KZN Sands and Zincor have load-sharing agreements with the electricity utility. Commitment to assist Eskom with additional coal supply required to achieve stability in the power plant feed and transmission grid. Examination of alternatives with regard to the conservation and use of electricity throughout operations.
<ul style="list-style-type: none"> <li>• <b>Environmental</b></li> </ul> <p>Risks posed by continuously changing and onerous environmental legislation</p>	High	Low	Rehabilitation strategy developed with continuous monitoring of work performed in line with strategy. Ongoing rehabilitation is managed out of operational budgets while the Exxaro Environmental Rehabilitation Fund provides for final closure costs. Continuous engagement with authorities.

## SUSTAINABLE DEVELOPMENT

### Performance

Exxaro's sustainable development reporting is guided by the Global Reporting Initiative (GRI) and its sectoral supplements (page 18). As such, we have subdivided our sustainable development performance and progress into:

- safety, health and environment
- economic
- social

### SAFETY, HEALTH AND ENVIRONMENT PERFORMANCE

Managing safety, health and environment (SHE) is central to the success of our business and, accordingly, the potential for SHE risks and establishing suitable mitigation measures are integral to our journey towards zero harm. As part of the recent merger process, a SHE integration project was launched at the beginning of 2007, resulting in a new vision and strategy.

Our SHE vision, *leading the way to zero harm*, is underpinned by six key principles (figure A) and an evolving strategy for the next five years. To ensure that all aspects of SHE are implemented equitably, the new strategy has focused plans for safety, health and hygiene and environment, each with clear goals and timelines.

The overall responsibility for monitoring safety, health and environmental performance rests with the Exxaro board, exercised through the SHE committee and representative consulting forums at corporate level and each division. A number of SHE-related internal and external audits are conducted annually to assure the board that policies, standards and procedures are implemented at operational level. To comply with all relevant SHE management standards and legislation, the group aims for high standards of safety, health and environmental performance. We aim to continuously improve SHE management systems in all operations as an integral part of our commitment to run a responsible business and accelerate sustainable development.

The integration project has also given us an opportunity to:

- Determine Exxaro's SHE risk profile
- Identify best practice from the SHE programmes of the former Kumba Resources and Eyesizwe Coal
- Integrate SHE programmes from these companies
- Develop supporting systems and procedures in line with our strategy
- Set common SHE standards and adapt systems and processes
- Provide appropriate skills, governance structures and resources for SHE functions
- Establish integrated monitoring and auditing protocols.

Developed in consultation with relevant stakeholders, the aim of the new SHE programme, standards and protocols is primarily to:

- Provide an integrated risk-based SHE management system consistent with national legislation
- Ensure the progressive development and implementation of more specific and detailed SHE management systems at all levels of Exxaro operations
- Provide a framework for the implementation of integrated safety, health and environmental compliance audits and reporting
- Provide performance criteria against which SHE management systems across Exxaro business units can be measured
- Provide a platform for continuous improvement.

Compliance management is central to good governance and in many ways gives us the 'licence' to continue to operate. Having noted the need to ensure that our compliance processes are under control, we have established a corporate SHE compliance management department which assists in:

- Implementing an ongoing assessment and review of the impact of existing and new legislation
- Formulating an Exxaro-wide compliance framework to manage SHE risks, ensure a strong compliance culture and integrate legal compliance requirements into business processes
- Coordinate integrated compliance monitoring and reporting.

## managing risk, issues and opportunities continued



**FIGURE A: SHE VISION “LEADING THE WAY TO ZERO HARM”**

This function complements the activities of corporate SHE technical advisers to provide management and the executive with confirmation that business units are aware of their SHE risks, are managing these risks and taking due consideration of risks when business decisions are made.

### Awareness

As part of our awareness and continuous improvement programme, in November 2007 we organised and sponsored a biennial industry-wide SHE conference. This was the fourth such conference where industry stakeholders, our management team and employees could interact to advance SHE objectives across our group, share experiences and examine best practices on particular challenges. The 2007 SHE conference focused particularly on environmental challenges and opportunities the company faces regularly.

### SAFETY

Exxaro believes achieving zero injuries is possible by applying our management protocols, programmes and systems.

Key risks to meeting this target are the high number of incidents relating to vehicle safety and energy and machinery isolation as well as general lack of risk awareness and discipline at all levels.

To address these risks, Exxaro has embarked on a number of initiatives. The *I Care Fatal Risk Controls* are being relaunched at all our sites to ensure special emphasis on the risks responsible for fatalities at Exxaro and the preventative measures in place to manage these risks better. Linking into this drive, Exxaro has also revised its HIRA (hazard identification and risk assessment) standard to ensure a higher level of risk identification and mitigation.

The vehicle safety standard at Exxaro has also been revised, setting a minimum standard with which all vehicles should comply to operate on company property or be used for company business.

Exxaro has also embarked on a formal 'visible felt leadership' programme at all business units to ensure improved communication and understanding of key safety risks between management and employees with the main aim of improving risk awareness and proactively addressing and mitigating safety risks on the floor before incidents occur.

Although the fatality frequency rate per million man-hours worked improved from 0.18 in 2006 to 0.14 in 2007 (figure B), it is still too high as any fatality is regarded as unacceptable. Regrettably, and despite excellent safety achievements at several mines, we lost five colleagues during the reporting period. Two fatalities occurred in separate incidents at Grootegeluk, one in January and the other in November. One fatality occurred at Rosh Pinah in March, another at Matla in May and the third at North Block Complex in December. Thorough investigations were conducted in all cases and lessons learned from each incident have been incorporated into our ongoing safety programmes focused on an injury-free work environment.

Although there has been constant improvement in the lost-time injury frequency rate (LTIFR) over recent years (figure C), improvements have fallen short of targets.

Exxaro has set a target of zero fatalities and an LTIFR of 0,21 for 2008, which is a reduction of 30% on the LTIFR target set for 2007. Although we have not met the target for 2007, we are confident that through renewed focus and committed management and employees, we will reach our goal. The safety of our people is a cornerstone of our business and, by making this target a collective responsibility, we will reach and sustain it sooner.

*Note: Exxaro is standardising reporting on man-hours and lost-time injuries across the group.*

## HEALTH AND HYGIENE

Exxaro is committed to reducing employee exposures to workplace health risks. Our group also continues to respond to the major challenge of HIV/Aids and has committed additional resources for managing this pandemic in the workplace.

### Key risks

The major occupational hygiene risks are noise, dust and thermal stress. Other risks include gases and illumination. The risks vary according to the different commodities and by type of operation such as underground mine, opencast pit, or plant.

Business units identify and rank their risks; and have a hygiene surveillance programme to quantify risks. Workplace exposures are linked to individuals, and medical surveillance is conducted on the basis of these exposures. For HIV/Aids, a disease management programme is in place.

During 2007, we began a process to revise our corporate standards to manage identified risks better. These include the hearing-conservation and dust-control programmes. We are also improving management standards for emergency response; hazardous chemicals; tuberculosis and reporting. The review of our management standard on reporting for the group includes the planned roll-out of an electronic system for ensuring the timely reporting of health and hygiene incidents; tracking outdated and outstanding medical certificates as well as referrals.

Figure B: Fatality-frequency rate per 100 000 man-hours: 2007

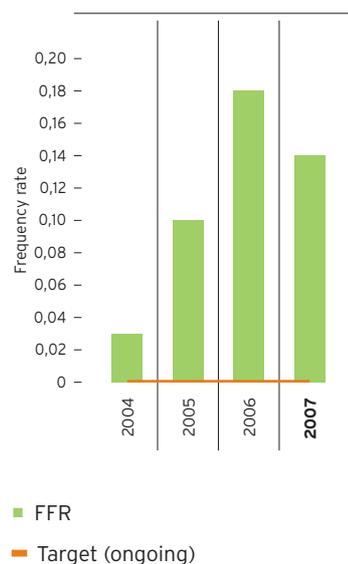
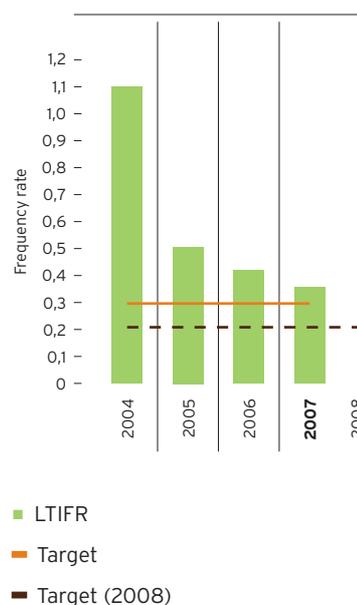
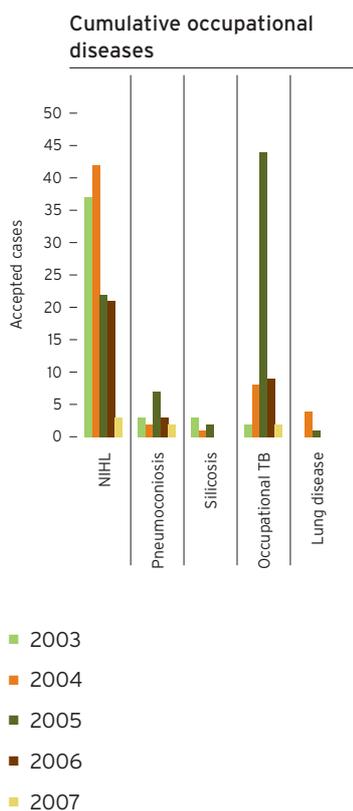


Figure C: Lost-time injury frequency rate per 200 000 man-hours: 2007



## managing risk, issues and opportunities continued

Figure D: Accepted cases of occupational diseases.



### Occupational diseases

Figure D shows the number of occupational diseases accepted for compensation over the last five years: 125 cases of noise-induced hearing loss (NIHL), 65 cases of occupational tuberculosis (TB) and 17 of pneumoconiosis. In 2007, there were seven cases of occupational diseases accepted for compensation: three cases of NIHL; two of pneumoconiosis and two of occupational TB. This was a decrease on the total number of accepted occupational diseases from 2006. The most significant decrease was in NIHL from 21 accepted cases in 2006 to three in 2007, suggesting that the implementation of the hearing conservation programme is beginning to have a positive impact.

Monitoring the reporting process to ensure that all incidents have been dealt with will be the major focus during 2008.

### Meeting mining sector targets

Exxaro is a signatory to a letter of commitment for meeting industry health and safety targets by 2013. The targets for occupational health and hygiene are to eliminate NIHL and silicosis by 2013, and Exxaro is committed to achieving these goals.

Noise areas have been identified and zoned as have the nature of operations and activities that pose the greatest exposure to noise. Baseline audiograms of employees were conducted by 2005 as per legislative requirements and training and awareness programmes are in place. Control measures include substitution, engineering, administration, the use of personal protective equipment (PPE), and personal exposure monitoring. Similarly, areas where there is dust exposure have been demarcated; dust suppression measures put in place; PPE provided; dust levels and employee exposure monitored. In addition, employees undergo periodic medical examinations to monitor their health.

During 2007, an initial assessment to determine health and hygiene performance against mining sector targets was undertaken. This was a company-wide review of the implementation of the hearing-conservation and dust-control programmes to identify any areas of non-compliance. A company strategy to meet sector targets was developed. This includes correction of identified gaps; compliance monitoring of business units' noise and dust control programmes; and communicating awareness messages to employees on the importance of complying with these targets. Each business unit has developed its own implementation commitments and these will be tracked within the group to ensure Exxaro meets these targets.

### HIV/Aids

Exxaro has allocated specific resources aimed at minimising the impact of HIV/Aids on its workforce. The programme includes:

- Confidential testing and voluntary counselling
- Access to a 24-hour helpline for information
- Prophylactic treatment for employees who suspect they may have been exposed to HIV/Aids
- Information for HIV/Aids patients on remaining healthy for as long as possible
- Access to antiretroviral medication
- Fair treatment and no discrimination
- Peer educators at business units to inform and educate colleagues.

During 2007, 1 889 individuals in the group were trained at awareness sessions. Of these, 1 784 people participated in voluntary counselling and testing (VCT) and the 145 individuals who tested positive were enrolled on the disease management programme.

The cumulative number of individuals tested through the VCT programme since inception is 3 542 or 30% of our employees. Of these, 498 are on the disease management programme. Figure E shows the number of people on ART and those who have not yet started treatment as well as those who have left the programme due to retirement, incapacitation or death.

During 2008, the focus will be to:

- Encourage employees who have never tested for HIV to test; and those who have already tested to continue participating in VCT.
- Focus on employee knowledge of HIV/Aids and destigmatisation.

### ENVIRONMENTAL MANAGEMENT

Exxaro is committed to conserving natural resources and reducing the environmental burden of pollutants to the natural environment by:

- Complying with all applicable environmental legislation
- Developing innovative policies and programmes for addressing environmental impacts.

One of the measures employed has been the use of a dedicated in-house environmental management specialist unit which was created as part of the SHE organisational structure to address environmental risks and impacts to enhance environmental legal compliance. This unit's members include an air-quality specialist, hydrologist, ecologist, environmental resource accountant, environmental compliance specialist, environmental impact assessment specialist and a geohydrologist.

### Key risk areas and management activities

Key environmental risks emanating from our mining activities are:

- Water and waste management
- Air quality and climate change
- Biodiversity and land management
- Rehabilitation environmental liability management.

### Water and waste management

Exxaro's approach to water management is guided by South African environmental legislation (National Environmental Management Act, Minerals and Petroleum Resources Management Act, National Water Management Act). It is primarily focused on sustainable use of water, pollution control and avoidance.

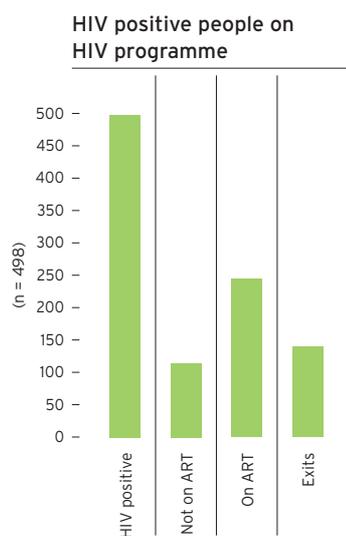
Exxaro's policy is to use appropriate measures at all operations to meet the intent of the law through site-specific water management plans. Our water treatment facilities ensure that water used in our operations meets legislated quality standards for all receiving environments or discharge areas.

Exxaro is also actively participating in industry investigations that will inform the overall direction of a water-management master plan and future water treatment plant

Figure E: HIV positive people on disease management programme.

30% of employees have tested at least once. 14% of employees who participated in VCT (or 498 people) tested positive.

\*Exits refer to people who exited due to retirement, incapacitation or death.



## managing risk, issues and opportunities continued

investments. These include plants treating discharged mine water to meet industrial and potable water standards. A portion of the treatment costs will be recouped from benefiting municipalities that in turn supply this water to general users.

As Exxaro's business activities are spread over several commodities requiring various different mining, beneficiation and disposal activities, the associated risks are diverse. The key challenges at present in this field are:

- Post-closure water management
- Identification, separation and management of clean and dirty water areas
- Potential of excessive recharge to mine workings
- Groundwater contamination from various waste sources.

To manage these risks the following actions were taken:

- Development and communication of a dedicated integrated water management policy
- Baseline assessments
- Integrated water and waste management plans completed for New Clydesdale and Leeuwpán. Plans in progress for Matla, char plant and Glen Douglas. Grootegeluk, Zincor, Tshikondeni and Inyanda already have plans in place.

Business operation	Revised water balance 2007
Matla	In progress
Grootegeluk	In place
Arnot	No
New Clydesdale	Yes
Leeuwpán	Yes
Zincor	In place
Char plant	In progress
KZN Sands - Hillendale	No
North Block Complex - Strathrae	No
Glen Douglas	In progress
Tshikondeni	In place
Rosh Pinah	Yes
Inyanda	In place
North Block Complex - Glisa	Yes (Eerstelingsfontein)
KZN Sands - Central processing complex	No

Actual data are set out on page 114.

Developing and updating water and salt balances at operational units is a fundamental water management tool to ensure the correct strategies and decisions throughout the integrated water and waste management plans.

## Case study

### Tshikondeni co-disposal facility

The basis of the approach used at Exxaro on integrated water and waste management at mines is the Department of Water Affairs and Forestry (DWAF) resource protection and waste management hierarchy of decision-taking. This in turn is based on a precautionary principle and sets the following order of priority for mine water and waste management decisions or actions:

- Prevent or minimise pollution/contamination of water used by implementing necessary management measures or strategies
- Reuse or reclaim contaminated water in cases where complete pollution prevention was not possible
- Treat water that cannot be reused or reclaimed
- Reuse treated water
- Discharge or dispose of excess water.

From a conservation perspective, reuse and reclamation ensure effective and beneficial use of scarce water resources and overall environmental protection. Reuse of waste water on a mine is preferred to potentially costly treatment schemes prior to discharge of effluent in a water resource. For example, the new tailings disposal facility at Tshikondeni mine is contained within the discard dump which is continuously raised during construction to ensure adequate containment of the tailings discharge. The discard is transported mechanically using vehicles and compacted in 150mm layers to reduce the risk of spontaneous combustion. The tailings material is pumped into the tailings facility (containment area) via HDPE pipes from the plant in slurry form and allowed to consolidate.

The new facility was formally designed and constructed according to accepted practice and in line with the industry norm, and allowance made for an internal drainage system with effluent return infrastructure. The design was approved by all the necessary authorities and the final closure elevation of the facility was agreed. By re-using the seepage, the mine is able to reduce the intake of raw (river) water, in turn decreasing water supply stress in this area.

## Air quality management

Legal compliance and natural ecosystem protection are the focus of Exxaro's air quality management activities. Due to the nature of Exxaro's business practices, certain activities present challenges in terms of adequate air quality management, for example, emissions generated from:

- Blasting coal seams
- Spontaneous combustion of discard dumps
- Ore processing activities
- Wind erosion of exposed operational areas
- Vehicular dust from unpaved operational roads.

Return water dam - Tshikondeni co-disposal facility



## managing risk, issues and opportunities *continued*

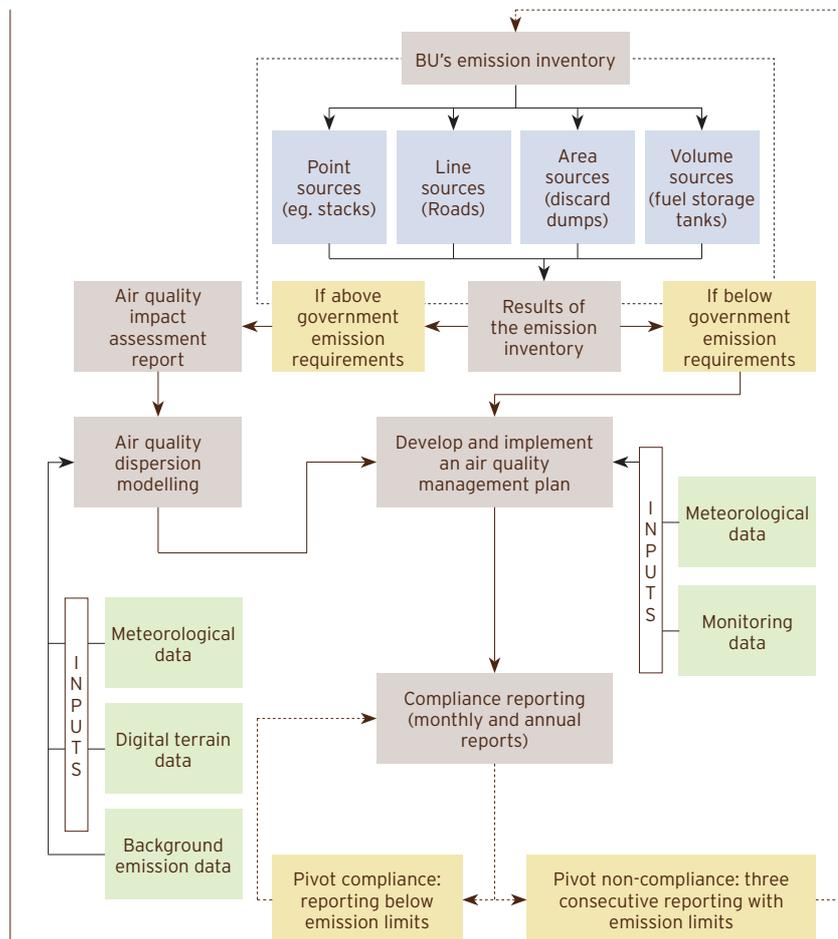


Figure F: Air quality management system

Air quality management activities in Exxaro aim to ensure that:

- all business units and subsidiaries protect the environment through reasonable measures to prevent the emission of criteria air pollutants
- the quality of ambient air in the immediate receiving environment is not adversely affected by emission of air pollutants directly from operations.

To minimise the risks posed by our mining processes, Exxaro has adopted an air quality management framework which is informed by the South African National Environmental Management Air Quality Act and guidelines recommended by the World Health Organisation. Figure F illustrates a systematic approach used by business operations to identify key risk areas in terms of air emissions.

Based on the Exxaro air quality management framework, in 2007 more than 50% of business operations completed a detailed emissions inventory and accompanying dispersion models, with 90% of business operations monitoring ambient concentration of fallout dust from mining activities. Monitoring activities at business operations, where relevant, will be expanded to include smaller particle matter suspended in air.

Actual data are presented on page 114.

### Case study

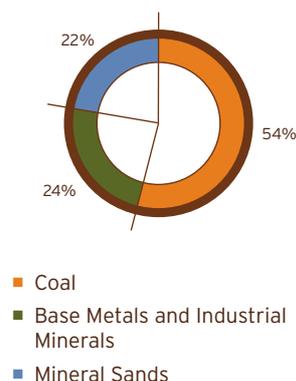
#### Grootegeluk spontaneous combustion monitoring

Exxaro has investigated the atmospheric emission from most of its operations to identify those with significant impact. Spontaneous combustion of discard dumps was identified as a significant source of air quality risk given its dual effect on both ambient air quality and climate change.

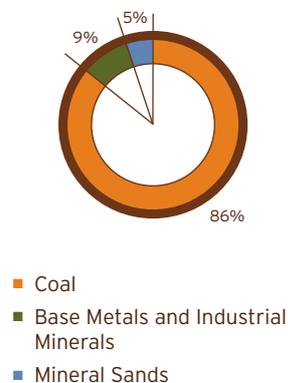
Grootegeluk was identified as the pilot site to develop the methodology that can be applied across the group to quantify emissions from spontaneous combustion. A three-month monitoring campaign was initiated at Grootegeluk where data on air quality were collected to monitor pollutant concentrations near the dumps.

Given the results of the pilot study, we decided a more detailed assessment is required to determine the emission factors for spontaneous combustion. For 2008, budget has been allocated to conduct more complex emission flux measurements on known dumps at Grootegeluk. The proposed project will be a collaborative initiative between Exxaro and University of Johannesburg.

TOTAL ENERGY USED FROM ELECTRICITY CONSUMPTION

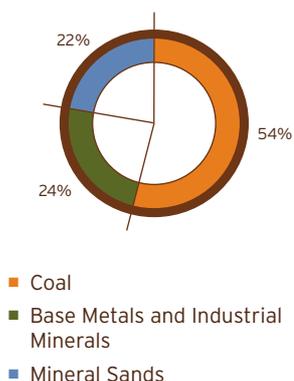


TOTAL ENERGY USAGE FROM DIESEL CONSUMPTION

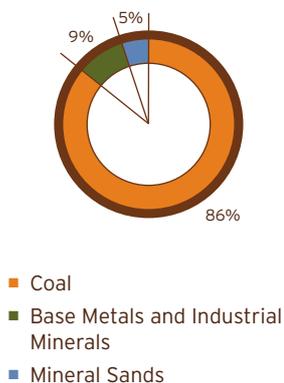


## managing risk, issues and opportunities continued

**CARBON DIOXIDE EMISSION  
RESULTS OF ELECTRICITY CONSUMPTION**



**CARBON DIOXIDE EMISSION  
RESULTS OF DIESEL CONSUMPTION**



### Climate change, energy and greenhouse gases

Exxaro recognises that a commitment to clean energy is essential to remain competitive while dealing effectively with:

- potential energy shortages
- climate change
- related environmental concerns
- rising costs of energy.

Exxaro commits itself to both national and international protocols aimed at encouraging countries and industries to adopt more responsible energy use programmes.

In particular, Exxaro has committed to optimising energy use by improving energy efficiency by 15% by 2015 as outlined in the national energy efficiency accord of the Department of Minerals and Energy for the industrial and mining sectors. As part of fulfilling this commitment, Exxaro has initiated an independent verification of baseline energy use, using prior-year diesel and electricity figures.

The 2007 energy consumption baseline assessment showed that the coal business commodity is the largest consumer of both electricity and diesel energy, mainly from operational activities.

From this baseline data, it was possible to derive our greenhouse gases exposure profile from primary energy use and express the results as carbon dioxide equivalent (CO<sub>2</sub>-e). For 2007, Exxaro produced 237kt of CO<sub>2</sub>-e from primary energy use, ie the consumption of electricity and diesel. As expected, our coal business commodity accounts for the largest share of CO<sub>2</sub>-e emissions.

### Clean energy policy

Exxaro has established a clean energy forum that aims to reduce the company's carbon footprint by becoming more energy efficient and by using cleaner technologies. The forum - made up of key members of senior management - has compiled a clean energy policy which states that Exxaro will:

- improve energy efficiency by 15% within the next seven years
- minimise energy consumption and costs
- promote the use of energy-efficient equipment and designs
- understand and reduce our carbon footprint
- use and develop cleaner technologies, ie co-generation and renewable energy
- reduce emissions and participate in the carbon trading market.

Specific timelines have been drawn up:

- By the first quarter of 2008 we will have assessed and quantified the total carbon footprint for Exxaro
- Within the second quarter of 2008, targets and timeframes will be in place for all business units, and activities will begin
- By end May 2008 we will have submitted our co-generation proposal to Eskom, and can expect feedback by mid August
- By March 2008 we will start assessing energy efficiency levels throughout the group, as well as set goals and target dates.

Our vision is to become a zero carbon footprint company and we will benchmark this footprint against other companies in South Africa and globally.

## Case study

### Renewable energy project in Namibia

Street lights in Tutungeni township, near Rosh Pinah, look ordinary. But their source of power is extraordinary. These lights are run off zinc air fuel cells – an affordable renewable energy technology recently developed through an Exxaro-sponsored research project.

The fuel cells use zinc to generate safe, environmentally friendly electricity. They can also be used to power appliances such as televisions, radios, small refrigerators and even certain computers.

Developed by the Alternative Energy Development Corporation after six years of research and development, the technology was successfully trialled in December 2006 when it was installed in 18 homes in Tutungeni.

In addition, zinc air fuel cells create opportunities for small businesses in areas off the power grid as they can be used to power cellphone batteries, sewing machines, haircutters and other small appliances. Capitalising on this, service centres are already planned for Tutungeni which will create sustainable employment for an increasing number of people. We plan to broaden the scope of this successful project by rolling it out to other operations within the group in 2008.

Quantifying Exxaro's carbon footprint began in 2007 using globally accepted standards such as ISO 14064-1. The exercise for our head office revealed that 80% of emissions stemmed from electricity use. Various initiatives are under way to reduce our footprint and we will report on progress annually.

Actual data are presented on page 114.

### Biodiversity management

The focus on conserving biodiversity becomes more important as the effect of global warming starts to impact on habitats and richness of global biodiversity. The National Environmental Management: Biodiversity Act (Act 20 of 2004) mainly provides for:

- Management and conservation of South Africa's biodiversity
- Protection of species and ecosystems that warrant national protection
- Sustainable use of our indigenous biological resources.

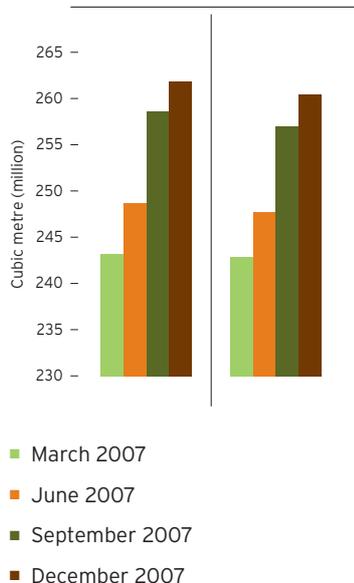
Exxaro owned and managed land has significant biodiversity due to the wide geographical distribution of its operations (table 1 overleaf).

The Rosh Pinah mine in southern Namibia

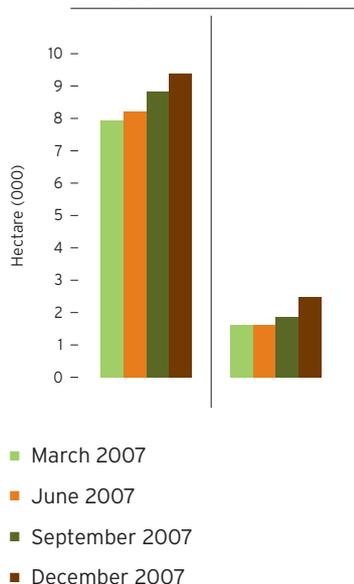


## managing risk, issues and opportunities continued

**DISCARD PRODUCT VERSUS PLACED IN FINAL POSITION**



**TOTAL AREA DISTURBED VERSUS REHABILITATION**



**Table 1: Summary of the biomes, vegetation types and associated business unit to indicate diversity of vegetation**

Business unit	Biome	Conservation status (NSBAR)
Tshikondeni	Forest - azonal	Critically endangered with a conservation target of 100%
Tshikondeni	Forest - zonal and intrazonal	Conservation target of 100%
Fairbreeze	Forest - zonal and intrazonal	Least threatened with a conservation target of 43%
Arnot, North Block Complex, Strathrae and Leeuwpan	Grassland	Endangered with conservation target of 24%
Arnot, North Block Complex, Strathrae, Leeuwpan, Glen Douglas and Zincor	Grassland	Endangered with Conservation target of 24%
Durnacol	Grassland	Vulnerable with conservation target of 23%
Glisa	Grassland	Vulnerable with conservation target of 27%
Inyanda	Grassland	Endangered with conservation target of 24%
Leeuwpan, Glen Douglas, Zincor and FerroAlloys	Grassland	Endangered with conservation target of 24%
Zincor	Grassland	Endangered with conservation target of 24%
Hlobane	Grassland	Least threatened with conservation target of 27%
Matla	Eastern Highveld grassland	Endangered
Fairbreeze	Indian Ocean coastal belt	Endangered with conservation target of 25%
Fairbreeze and Hillendale	Indian Ocean coastal belt	Vulnerable with conservation target of 25%
Tshikondeni	Savanna	Least threatened with conservation target of 19%
Central processing complex	Savanna	Endangered with conservation target of 19%
Grootegeeluk	Savanna - central bushveld	Least threatened with conservation target of 19%
Tshikondeni	Savanna - Lowveld	Vulnerable with conservation target of 19%
Rosh Pinah	Succulent Karoo	Not described

*Endangered - ecosystem with a high risk of extinction in the near future*

*Vulnerable - ecosystem that is deteriorating and will become threatened if certain factors are not addressed*

An example in this case is the Gariep Centre of Plant Endemism, where Rosh Pinah operations are situated. This forms part of the succulent Karoo region, considered as one of the earth's 25 'hot spots' - geographical areas which contain the world's greatest plant and animal diversity. This area (Gariep Centre) has the richest variety of succulents on earth.

Exxaro is committed to conserve biodiversity and reduce the environmental impacts of its operations on biodiversity.

The key risks identified to biodiversity within Exxaro are:

- Protection, conservation, monitoring and management of red data species
- Control, monitoring and management of alien invasive species
- Identification, protection and management of sensitive and highly biodiverse hot-spot ecosystems, including wetlands, pans and terrestrial ecosystems.

The identified risks are managed by means of:

- A dedicated biodiversity policy and strategy aligned with national legislation and international conventions
- A wetland strategy aimed at protecting wetlands, pans and related water courses
- Detailed baseline assessments on fauna and flora and associated ecosystems
- Compilation and implementation of biodiversity action plans which focus on the protection, conservation, monitoring and management of red data species and biodiversity hot-spot areas by, among others, eradication, control and monitoring of alien invasive species.

Various baseline studies on biodiversity within the business units have been compiled since 2006. Biodiversity studies were conducted at Glen Douglas, Grootegeluk, the new proposed Fairbreeze Extension C, Tshikondeni and New Clydesdale (table 2). The current approach to future developments is to include biodiversity studies prior to any development to ensure adequate impact mitigation on the biodiversity of new areas of development.

**Table 2: Summary of status of biodiversity assessment per business unit**

Business unit representing this vegetation type	Desktop studies (including PRECIS* List)	Biodiversity baseline assessment	Biodiversity action plan
Tshikondeni	✓	✓	In compilation
Fairbreeze Extensions C	✓	✓	In compilation
Glen Douglas	✓	✓	In compilation
Arnot	✓	Planned for 2008	End 2008
Zincor	✓	Conducted (January 2008)	March 2008
Matla	✓	Some parts	End 2008
North Block Complex	–	–	–
Leeuwpans	✓	Certain section - rest planned for 2008	End 2008
New Clydesdale	✓	✓	End 2008
Inyanda	2009	2009	2009
Hillendale	✓	Planned March 2008	End 2008
Central processing complex	✓	Planned March 2008	End 2008
Grootegeluk	✓	Conducted by land management in past five years	–
Rosh Pinah	✓	Planned for June 2008	End 2008

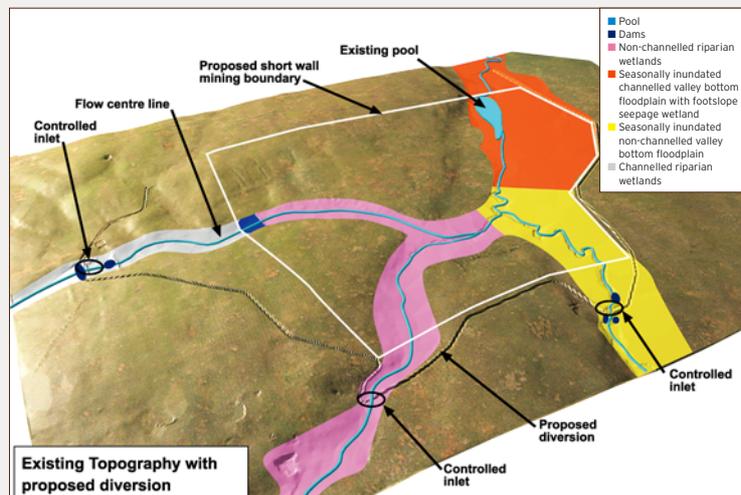
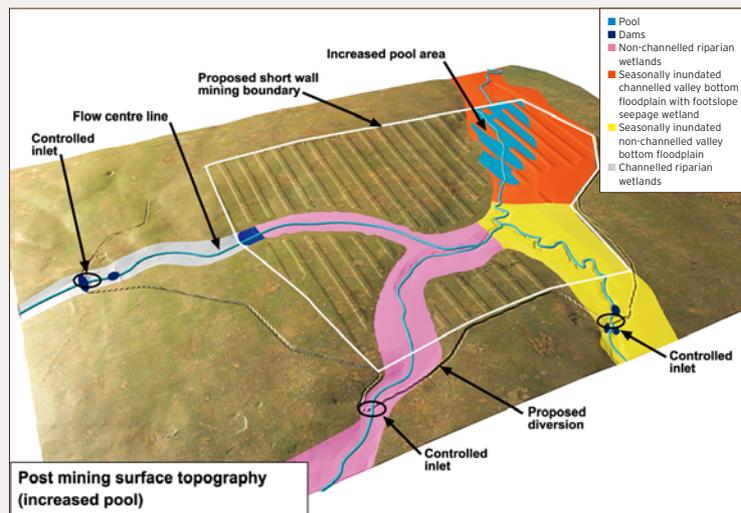
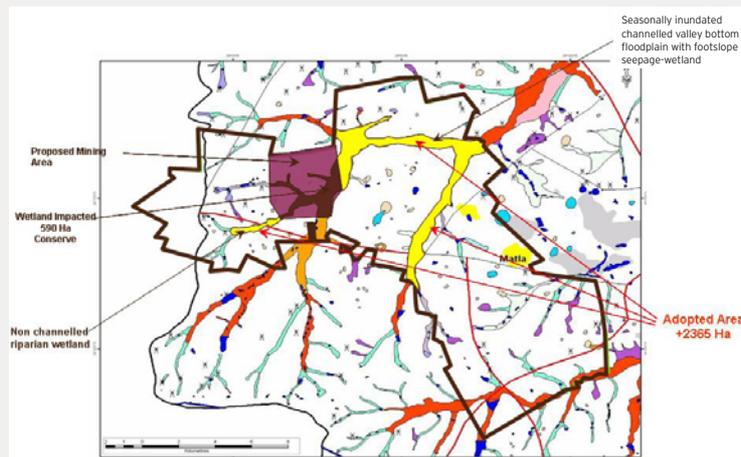
\*List of plant species recorded within a specific grid and identified by the South African Biodiversity Institute Herbariums

Exxaro is committed to conserve biodiversity and reduce the environmental impacts of its operations on biodiversity



## managing risk, issues and opportunities *continued*

Figure G: Schematic layout of mining area, different wetlands and wetland areas adopted as offset areas



### Case study

#### Matla wetland management plan

The Matla wetland management project is one of the main projects based on biodiversity and biodiversity conservation. This project is unique in that the river diversion design and mining method was adopted and changed to maintain the water flow and function of the wetland to protect its biodiversity. Exxaro had an approved environmental management plan for underground shortwall mining (in limited areas) and bord-and-pillar mining in adjacent areas. An amendment to this approved plan was submitted in June 2006 for the extension of underground shortwall mining.

Concerns were raised by authorities as the proposed area of mining includes sensitive wetlands (the Blesbokspruit/Rietspruit wetland is one of three extensive alluvial wetland systems within the Upper Olifants River catchments).

The rerouting or river diversion of the Rietspruit was required to route upslope run-off water past the high extraction area, reducing the risk of water entering the underground workings and minimising the disturbance to surface drainage lines by surface subsidence due to high extraction mining. We therefore had to reduce the impact on the functionality and biodiversity of the wetland to a minimum. This was only possible through an innovative engineering design that allowed for mining coal underground with limited impact on the surface.

Figure G shows the position of the 590ha wetland area that will be undermined, the 2 365ha of adopted wetland that forms part of the wetland conservation areas, the non-channelled riparian wetland and the seasonally inundated channel valley bottom floodplain with footslope wetland.

The mining method, river diversion design and various management principles were therefore compiled to ensure the protection and conservation of the wetland, and biodiversity within the wetland.

### Mine rehabilitation and provision for environmental liabilities

The MPRDA emphasises the importance of actively managing mine rehabilitation and mine closure through the various phases of mining. In 2006, a specialist rehabilitation department was created within SHE to advise Exxaro on strategic, ongoing rehabilitation and mine-closure matters. In aligning Exxaro to the requirements of the MPRDA, a rehabilitation framework was compiled and completed in 2007. From this the Exxaro rehabilitation policy and management standard will be developed in 2008 to inform physical processes and financial provisions, including rehabilitation performance indicators.

Business units will in future report rehabilitation performance against ongoing rehabilitation budgets quarterly to enable the company to track progress. A challenge for Exxaro will be to optimise ongoing rehabilitation to minimise final closure costs. This will also help address the shortfall between immediate and final closure costs. A further challenge will be to assess rehabilitation cost from pre-feasibility phase through the life of mine to closure as comprehensively and accurately as possible. During 2007, physical rehabilitation at mines in closure went according to plan.

In the past year the group has successfully integrated its systems and established an Exxaro rehabilitation trust fund to consolidate the previous Kumba and Eyesizwe funds. In addition, the Eskom captive mines (Matla and Arnot) were aligned with the group approach to rehabilitation provisions. To execute environmental protection and restoration programmes effectively where environmental impact was inevitable given the nature of our business, we have contributed R284 million for rehabilitation of operations at the end of life. Our continual interventions in respect of environmental impacts are provided from operational costs which effectively reduce our operational closure liabilities over time. The resourced environmental management expertise established prior to unbundling has also started to show improvement in our compliance and environmental cost minimisation across our value chain.

#### Case study

##### Mine rehabilitation: closure of adits at Hlobane mine

Mining adits (horizontal access or drainage passages) must be left in a safe condition and in compliance with legislative requirements. Potential hazards associated with adits include subsidence, illegal access, fires, gas emissions, pollution of surface or ground water and injury to humans and animals.

The main actions taken in Exxaro before adits can be closed include:

- Addressing water decanting from the adit, if any. Hydrological, geo-hydrological and geochemical models are used to predict the quality and quantity of water.
- All disused equipment and infrastructure are removed.
- Waste material containing hazardous substances is disposed of in an approved manner at authorised waste disposal facilities.
- Sealing is done against an accurate plan drawn up in consultation with civil engineers.

#### Successful sealing of adits at Hlobane mine

##### BEFORE



##### AFTER



## managing risk, issues and opportunities *continued*



The Manketti Game Reserve next to Grootegeluk mine



### Land management

#### Key risks

Land management ensures mitigation or prevention of various business-related risks including:

- Safety risks relating to physical mining legacies on previously mined areas, ie inactive sites
- Environmental risk assessments of all inactive sites
- Settlement of disputes arising from illegal occupation of land, invasion prohibition
- Participating in government land claims involving Exxaro properties
- Applying best practices in reducing land holding cost to Exxaro
- Contract management and leases on Exxaro's non-mining properties
- Involvement in social responsibility projects and adherence to government's objectives on social upliftment, wealth, land and mineral rights distribution.

Land management, as an integral part of the SHE portfolio, is primarily involved with managing land under Exxaro's control. Our approach is 'cradle to grave' management, encompassing acquisition, exploitation, rehabilitation and disposal of land. Land management also forms part of the integrated SHE services offered to business units including expertise, advice, monitoring all data and specialist environmental studies. The land management team performs a specialist service for Exxaro in areas including:

- Advice on land-use options
- Land management (including conservation of land, natural resources and ecotourism)
- Land disposal and land reform advice
- Active participation in ongoing management of and advice throughout the life, cycle of the mine
- Risk mitigation - including land claims, settlement disputes and coordination of safety risks, response measures associated with land under management.

An example of Exxaro's successful approach and responsible custodianship in managing land includes the endangered black rhino and rare cheetah in the conservation project at Manketti Game Reserve adjacent to Grootegeluk mine.

The planned introduction of elephant into Manketti in 2008, and the synergy with the mine and local community, will transform this project into a conservation icon and position Exxaro as the leader among responsible green mining companies.

### ISO/OHSAS CERTIFICATION

Nine of the group's 12 operations have achieved both the international health and safety certification (OHSAS 18001) and environmental certification (ISO 14001). Our business units are also starting the process of converting from OHSAS 18001:1999 to OHSAS: 18001:2007. The group aims to have all business units fully compliant to both standards by December 2008.

### Environmental incidents: 2007

To measure our continuous improvement, guidelines are in place for all business operations to report on relevant air quality, water quality and water use performance indices. Reporting is through an electronic environmental management system and, from captured data, trend analyses can be conducted for each business operation to determine compliance, among others, and to investigate any complaints that might have been received.

Capturing and sharing lessons learned after completing a project is an important part of process improvement. Incident reporting is mandatory at all our operations and this is an indicator that our systems are fully functional.

A total of 941 environmental incidents were reported for the year, mostly minor to moderate. Three significant or level 1 environmental incidents were reported: two of these at North Block Complex (burning discard dump and slurry spillage, both at Strathrae) while the third was a diesel spill at Leeuwpán, which was addressed by an external service provider. The incidents at North Block Complex were addressed by mine personnel.

#### ENVIRONMENTAL INCIDENTS

Business unit	Level 1	Level 2	Level 3
<b>Coal</b>	3	4	606
Arnot	0	2	42
Grootegeluk	0	0	378
Leeuwpán	1	0	106
Matla	0	0	72
New Clydesdale	0	2	2
North Block Complex	2	0	0
Tshikondeni	0	0	6
<b>Base metals and industrial minerals</b>	0	3	185
Glen Douglas	0	0	49
Rosh Pinah	0	0	5
Zincor	0	3	131
<b>Mineral sands</b>	0	9	132
KZN Sands	0	9	132
Total	3	16	923

At one business unit the ground water quality does not comply with legislated limits. This has been included as a reportable incident and the relevant authorities notified.

Rehabilitation at Leeuwpán mine, Mpumalanga



## managing risk, issues and opportunities continued

### ELECTRICITY, DIESEL, GAS CONSUMPTION AND WATER USE PER BUSINESS UNIT: 2007

Business unit	Electricity (Gj)	Diesel (Gj)	Sasol gas (Gj)	Petrol used (Gj)
<b>Coal</b>	<b>1 816 119</b>	<b>1 380 903</b>	<b>0</b>	<b>13 421</b>
Arnot	202 432	113 892	0	3 125
Grootegeeluk	903 294	644 958	0	0
Leeuwpan	74 581	346 331	0	0
Matla	477 612	48 646	0	7 707
New Clydesdale	33 133	103 137	0	0
North Block Complex	2 820	88 315	0	0
Tshikondeni	122 247	35 624	0	2 589
<b>Base metals and industrial minerals</b>	<b>1 852 900</b>	<b>145 703</b>	<b>0</b>	<b>584</b>
Glen Douglas	45 367	63 704	0	584
Rosh Pinah	146 126	51 948	0	0
Zincor	1 661 407	30 051	0	0
<b>Mineral sands</b>	<b>1 983 715</b>	<b>72 944</b>	<b>320 593</b>	<b>0</b>
KZN Sands	1 983 715	72 944	320 593	0
<b>Total</b>	<b>5 652 733</b>	<b>1 599 549</b>	<b>320 593</b>	<b>14 005</b>

\*Total energy figures comprise electricity, diesel, petrol and Sasol gas.

The potable water figures reported by sites are based on invoiced amounts from suppliers. Certain sites are only measuring potable water consumption as a result of a lack of systems to collate water abstracted from underground sources. We are currently looking at how to improve our systems and controls to ensure complete and accurate collation of total water consumption data.

Reported CO<sub>2</sub> emissions reflect burning fossil fuels and electricity consumption. CO<sub>2</sub> emissions from processes (spontaneous combustion, flaring, etc) are not currently reported as methodologies are currently being developed and reviewed for the relevant operations.

Business unit	CO <sub>2</sub> from electricity purchased (tonnes)		CO <sub>2</sub> from diesel (tonnes)	
	MWh	Tonnes	Litres	Tonnes
<b>Coal</b>				
Arnot	504 477	483 289	38 011 351	102 251
Grootegeeluk	56 231	53 869	3 135 033	8 439
Leeuwpan	250 915	240 377	17 753 403	47 791
Matla	20 717	19 847	9 533 273	25 663
New Clydesdale	132 670	127 098	1 339 061	3 605
North Block Complex	9 204	8 817	2 838 988	7 642
Tshikondeni	783	750	2 430 988	6 544
Tshikondeni	33 958	32 531	980 605	2 640
<b>Base metals and industrial minerals</b>	<b>514 694</b>	<b>493 077</b>	<b>3 909 449</b>	<b>10 524</b>
Glen Douglas	12 602	12 073	1 753 548	4 720
Rosh Pinah	40 590	38 886	1 429 932	3 849
Zincor	461 502	442 119	827 196	2 227
<b>Mineral sands</b>	<b>551 032</b>	<b>527 888</b>	<b>2 048 348</b>	<b>5 514</b>
KZN Sands	551 032	527 888	2 007 885	5 405
<b>Total</b>	<b>1 570 204</b>	<b>1 504 255</b>	<b>43 969 148</b>	<b>118 363</b>

Total energy use (Gj)	Water (m <sup>3</sup> )	Product (kt)	Energy per tonne	Electricity per tonne	Diesel per tonne	Water per tonne
<b>3 210 442</b>	<b>7 746 713</b>	<b>40 534 259</b>	<b>0,08</b>	<b>0,04</b>	<b>0,03</b>	<b>0,19</b>
319 448	894 620	3 704 009	0,09	0,05	0,03	0,24
1 548 252	2 960 746	18 581 323	0,08	0,05	0,03	0,16
420 913	516 904	2 358 998	0,18	0,03	0,15	0,22
533 965	1 392 780	12 180 446	0,04	0,04	0,00	0,11
136 270	265 170	970 549	0,14	0,03	0,11	0,27
91 134	151 450	2 262 687	0,04	0,00	0,04	0,07
160 460	1 565 042	476 247	0,34	0,26	0,07	3,29
<b>1 999 187</b>	<b>3 844 548</b>	<b>1 664 507</b>	<b>1,20</b>	<b>1,11</b>	<b>0,09</b>	<b>2,31</b>
109 655	881 682	1 414 924	0,08	0,03	0,05	0,62
198 073	1 406 279	149 392	1,33	0,98	0,35	9,41
1 691 458	1 556 587	100 191	16,88	16,58	0,30	15,54
<b>2 377 251</b>	<b>10 307 560</b>	<b>684 273</b>	<b>3,47</b>	<b>2,90</b>	<b>0,11</b>	<b>15,06</b>
2 377 251	10 307 560	684 273	3,47	2,90	0,11	15,06
<b>7 252 283</b>	<b>21 898 820</b>	<b>42 883 039</b>	<b>0,17</b>	<b>0,13</b>	<b>0,04</b>	<b>0,51</b>

## managing risk, issues and opportunities

### ECONOMIC PERFORMANCE

#### ECONOMIC VALUE GENERATED AND DISTRIBUTED

Component	Comment	2007
<b>Direct economic value generated</b>		
• Revenues	Gross value of goods and services invoiced and excludes VAT	R10,16 billion (page 174)
<b>Economic value distributed</b>		
• Operating costs	Total operating expenses	R8,71 billion (page 174)
• Employee wages and benefits	Total staff costs	R2,11 billion (page 195)
• Payments to providers of capital	Interest expense and loan costs	R153 million (page 198)
• Payments to government (by country)	Gross taxes	Note 7 on page 200
• Community investments	Voluntary contributions and investment of funds in the broader community (includes donations)	Page 128
<b>Economic value retained</b> (calculated as economic value generated less economic value distributed)	Value-added statement	Page 150

#### Retirement plans

All permanent employees must belong to a retirement fund. All recognised funds are registered with the Pension Funds Board, and are adequately funded as per the latest actuarial valuations on 31 December 2006 available from the funds. Exxaro employees only belong to defined contribution funds.

Medical aid membership is voluntary for employees from the former Kumba Resources (except at Zincor, Rosh Pinah and KZN Sands where membership is compulsory). For former Eyesizwe employees, membership is compulsory. At 31 December 2007, Exxaro had 7 183 employees who were members of medical aids with stipulated employer subsidies, representing R57,6 million.

In addition to the challenge of consolidating retirement funding and medical aid benefits, and some legacy liabilities, Exxaro faces a challenge shared by corporate South Africa in pending legislative amendments that aim to make membership of a national basic retirement fund and medical aid compulsory. We are awaiting draft legislation, scheduled for mid 2009, to prepare an appropriate plan of action.

## Market presence

Approximately 80% of all employees' remuneration is based on collective agreements with trade unions that determine minimum wages for each grade. The remaining remuneration is based on performance and market competitiveness.

Minimum conditions of employment in Exxaro exceed the requirements of the Basic Conditions of Employment Act. Less than 1% of employees are governed by sectoral determinations issued by the Department of Labour aimed at security, farm and forestry workers. Those employed by Exxaro are remunerated substantially above minimum requirements. Wage agreements for bargaining unit employees are in place at all employers within the group, while non-bargaining unit employees' remuneration is based on performance. Total remuneration levels are benchmarked twice a year.

## Preferential procurement practices

In reporting expenditure with historically disadvantaged South African (HDSA) suppliers, Exxaro follows the narrow-based standard for mining houses due to a statutory anomaly that will hopefully be short-lived. Currently, suppliers have to be rated according to two sets of legislation (the codes of good practice from the Department of Trade and Industry, and the stipulations of the Department of Minerals and Energy). The biggest challenge, however, is rating agency capacity and the availability of SANAS-verified rating agencies. Ideally, in time, rating agencies will be compliant with HDSA legislation, use uniform rating standards, and report their findings in a common and acceptable manner.

Exxaro nevertheless has approved policies and practices for spending with locally based suppliers at all significant locations. We also encourage our suppliers to transform their operations and comply with new empowerment legislation. In 2007, we met our target for discretionary spending with HDSA suppliers of 35%, representing R1,97 billion with HDSA-owned, -empowerment and -influenced companies.

In categories where no HDSA companies are found, Exxaro engages with existing suppliers to transform. The intended HDSA status is thus contracted and monitored for progress to ensure total compliance and the presence of HDSAs in all procurement categories.

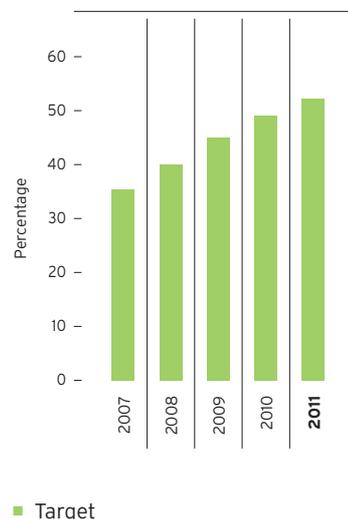
Despite the industry-wide challenge of accurately tracking spending on suppliers by category, as required by the mining charter, annual targets are shown here, and reporting is in line with the requirements of the charter.

## Significant indirect economic impacts

In attempting to quantify the significant indirect economic impact of our activities, we have concentrated on optimal use of resources and continuous exploration.

To ensure the optimal use of resources available to Exxaro, a forum of all role players was established towards the end of the review period. This forum is mandated to formalise and embed mineral resource management policy across the group. Examples of the practical application of the concept include Rosh Pinah, where the low-grade orebody has been remodelled and evaluated ahead of

PROCUREMENT TARGETS



## managing risk, issues and opportunities continued

a feasibility study on its economics and mineability. This could, if proved viable, extend Rosh Pinah's life of mine significantly. Equally, at North Block Complex, the previously discarded number 3 and 4 seams are now being mined. Apart from using resources more efficiently and economically, both initiatives secure jobs in support of regional economic stability.

Continuous exploration is the lifeblood of any mining group. Exxaro presently has 29 granted prospecting rights in South Africa and a prospecting joint venture in Moranbah, Australia with Anglo Coal (page 63). During the year, exploration activities confirmed substantially larger coal reserves at Eerstelingsfontein (Mpumalanga) and a large resource of mineral sands at Port Durnford (KwaZulu-Natal), while drilling increased the Inyanda coal mineral resource by 20% during the commissioning of the mine. Social impact assessments were completed for both Port Durnford and Inyanda. Exxaro also has an option to participate in a joint venture with GVM Metals to explore coal resources in the Soutpansberg area (Limpopo).

Although many of Exxaro's operations are in remote locations, where the local economic contribution and development impact is particularly significant to stakeholders, the specialised nature of these operations makes it difficult to channel 100% of our expenditure to local suppliers. Across the group, the percentage spent with local companies is 30%. Each mine's materials management department works closely with the local economic development department to identify local suppliers that can be used immediately to supply goods and services. Where entrepreneurial spirit and talent are identified, these departments collaborate to develop these individuals into sustainable suppliers. Examples of these initiatives include furniture manufacturing, needlework, manufacture of cleaning chemicals, civil construction, supply of mining spares and consumables.

### **SOCIAL PERFORMANCE**

#### **Socio-economic development**

In Exxaro, socio-economic development is both a key responsibility towards our host communities, and a strategically sound business imperative. We believe the most sustainable results in creating economically, socially and environmentally viable local communities come from a three-way partnership between government, business and the communities themselves.

Acknowledging that community development is not our core competence, we have developed a systematic approach that defines real needs at community and government levels, and then harnesses the appropriate skills to ensure success:

- Develop a stakeholder engagement and management plan (AA1000SES).
- Understand key government objectives for growth and development.
- Study growth and development strategy of provincial government.
- Participate in local economic development structures and forums to formulate a joint approach.
- Focus on capacity building and knowledge transfer.

Our approach is matched by clear delivery principles and standards on projects which must:

- Meet real needs
- Be sustainable
- Be aligned to government initiatives at local, district, provincial and national levels
- Seek partnerships as far as possible
  - participation in existing local authority structures in each focus area
  - co-funders for large projects
- Make measurable impact
- Obtain stakeholder input in selection and prioritisation.

This report highlights several case studies of our approach in action, starting on page 128.

## Our people

Building on the leading practices entrenched by our predecessors, our focus remains on exceeding compliance targets in South Africa and reducing the shortage of skills in our industry by training and development to maximise individual potential. Other priorities include aligning all people processes and building a high-performance culture and sound relations with our growing workforce.

Exxaro's current staff complement is 8 688, which will rise to over 9 643 after the acquisition of Namakwa Sands. Our full-time workforce is split between South Africa (93,5%), Namibia (6,5%), Australia (0,1%) and China (0,04%).

Our employment equity reports presented to the Department of Labour in October 2007 reflect the following levels of representation per occupational level by designated groups (historically disadvantaged South Africans or HDSAs - blacks, coloureds, Indians and white females as per mining charter definition):

Occupational levels	Designated							Non-designated			Total
	Male			Female			W	Foreign nationals			
	A	C	I	A	C	I		W	Male	Female	
Top management	4	0	1	1	0	0	1	15	0	0	22
Senior management	11	4	6	2	2	1	20	166	1	0	213
Professional, specialists and middle management	137	6	25	31	3	14	85	415	1	0	717
Skilled technical, academically qualified and junior management	900	22	41	126	20	25	335	1 272	8	0	2 749
Semi-skilled staff	3 035	4	26	143	8	8	71	152	96	0	3 543
Unskilled staff	1 412	2	3	130	0	0	5	34	19	0	1 605
<b>Total permanent employees</b>	<b>5 499</b>	<b>38</b>	<b>102</b>	<b>433</b>	<b>33</b>	<b>48</b>	<b>517</b>	<b>2 054</b>	<b>125</b>	<b>0</b>	<b>8 849</b>
Non-permanent employees	380	2	4	83	1	1	16	66	1	0	555
<b>Grand total</b>	<b>5 879</b>	<b>40</b>	<b>106</b>	<b>516</b>	<b>34</b>	<b>49</b>	<b>533</b>	<b>2 120</b>	<b>126</b>	<b>0</b>	<b>9 404</b>

\*This table reflects South African operations only as at 31 August 2007, as reported to the Department of Labour

A African C Coloured I Indian W White

This information is summarised below for ease of reference.

	2007	2006
HDSA overall	75%	72%
HDSA in management categories	36%	35%
- women	14%	22%
HDSA senior management	23%	42%
HDSA middle management	42%	28%
HDSA first-line management	29%	60%
HDSA board		
Women overall	12%	11%

## managing risk, issues and opportunities *continued*

An integral part of our empowerment transaction was broadening our shareholder base to include employees. Through the innovative MPOWER share incentive plan, Exxaro employees own 3% of the group. This transfers meaningful value, aligns our interests and gives us a crucial tool to attract and retain critical skills. In November 2006, 7 531 employees became shareholders in a transaction valued at over R583 million. In October 2007, these shareholders received maiden dividends of R3 185 692 or 30 cents per share while a further 50 cents per share will be received in March 2008.

Exxaro has two main categories of employees: employees in bargaining units, and the management and specialist category.

Region	Bargaining unit	Management and specialist category	Total
Gauteng	1 254	698	1 952
KwaZulu-Natal	477	142	619
Limpopo	2 155	351	2 506
Mpumalanga	2 672	382	3 054
Namibia	454	103	557
Total	7 012	1 676	8 688

Our challenge remains in finding suitable skills to staff new projects. Accordingly, we have an ongoing retention programme to maintain scarce skills that accounts for 5% of total payroll.

Between 1 December 2006 and 31 October 2007, Exxaro had an average turnover rate of 7%. The main reasons for terminations were death, resignations, dismissals and disabilities. The turnover rate by employee group is shown below.

Employment equity - occupational levels	% terminations		Current workforce
	Dec 06 - Oct 07	Number of terminations	
Top management	14%	1	7
Senior management	5%	12	233
Professionally qualified and experienced specialists and middle management	11%	73	690
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	13%	342	2 698
Semi-skilled and discretionary decision making	3%	124	3 665
Unskilled and defined decision making	4%	46	1 284

The artisan and engineering occupation categories are identified as scarce and critical to retain for the organisation. The turnover percentage is an alarming 18% for artisans and more aggressive retention strategies are being developed for these categories.

## Employee benefits

Full-time employees receive a range of benefits, including:

- retirement fund membership subsidised by the employer
- medical aid membership subsidised by the employer
- housing allowance/company accommodation
- guaranteed annual bonuses/13th cheque for bargaining-unit employees
- travel allowances
- annual leave, sick leave, maternity leave, family responsibility leave, on-target bonuses, share appreciation rights schemes, various circumstantial allowances for shift work, continuous operations, standby and call outs, etc as well as payment for overtime worked.

Independent defined contribution funds provide retirement and other benefits for all permanent employees. The employer contribution to retirement funds within the group ranges from 10,0% to 14,5% of employee pensionable earnings, and is expensed as it is incurred. All retirement funds are governed by the South African Pension Funds Act (1956). Exxaro has no members on defined benefit plans.

Exxaro's approach to housing is focused on home ownership. To comply with the mining charter and business needs, a new long-term housing strategy is being developed.

Description	Number of employees	%
Home owners (bought company property)	1 277	14,7
Rental units	936	10,8
Hostels and single quarters	1 630	18,7
Other	4 845	55,8
Total	8 688	100,0

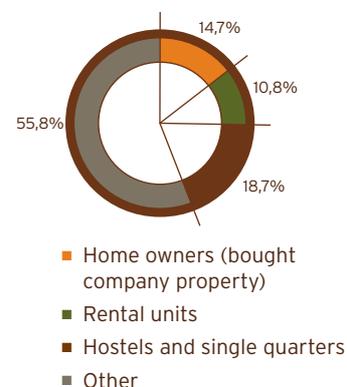
Exxaro provides meals at two operations. The quality and nutritional value of these meals are determined by a dietician and is contractually regulated, and continually monitored by qualified staff. Mechanisms are in place for employees to engage with both management and suppliers on food issues.

## Labour relations

Exxaro's corporate values were developed with employees. These values are aimed at building and maintaining a high-performance culture which promotes teamwork, commitment, creative thinking and open and honest communication.

Exxaro respects the constitutional and legislative rights of all employees. Our approach uses the principles of constructive engagement of all stakeholders in dealing with matters about the employment relationship. The group recognises several trade unions and each relationship is governed by respective collective agreements which include minimum notice periods for significant operational changes.

### HOME OWNERSHIP



## managing risk, issues and opportunities *continued*

At Matla mine, Mpumalanga. Exxaro's policy is to invest at least 6% of total payroll each year on human resource development. The average in the mining industry is 3,4%.



Approximately 60% of the Exxaro group's employees are unionised, predominantly through the National Union of Mineworkers (NUM, 44%) and Solidarity (10%). Other recognised unions are United Association of South Africa (UASA), National Union of Metalworkers in South Africa (NUMSA), and Mineworkers Union of Namibia (MUN). In all these unions, employees have the right to elect shop stewards of their choice.

Relationships between the various employers in the Exxaro group and recognised unions were sound during the year, as reflected by the virtual lack of industrial action during 2007 despite substantive wage negotiations. Negotiations for improving wages and conditions of employment are conducted in-house and through the Chamber of Mines. A disputed dismissal resulted in a 10-day stoppage at Rosh Pinah. The dismissal was upheld by Rosh Pinah.

Exxaro has a disciplinary code that is used when necessary. This code is based on the principle of fairness as required by labour law, and supervisors have the skill to implement the code.

### Employee wellness

Employee assistance programmes conducted by external service providers are available to employees and their dependants at all commodity business units.

These programmes have been particularly successful in supplying a fast and efficient response to employees experiencing trauma through both work-related and community-based events.

### Training and education

In 2007 alone, it is estimated that Exxaro trained more than 10% of all South Africa's artisans and more than 24% of artisans in the mining industry. Exxaro's policy is to invest at least 6% of total payroll each year on human resource development. In 2007, this was 6,5% (excluding the 1% skills levy) or an investment of R100 million. The average in the mining industry is 3,4%.

Exxaro's human resources development professionals also contribute significantly to the national and sectoral skills development process through membership and participation in bodies such as Business Unity South Africa, Chamber of Mines' committee for education and training, Mining Qualifications Authority (MQA) sector skills planning committee and standards generating bodies of the MQA.

## BENEFICIARIES OF TRAINING

Job category	Total (% of staff in category)*	Average number of hours per beneficiary per annum
Legislators, senior officials and managers	69	44
Professionals	70	45
Technicians and associated professionals	68	44
Clerks and administrative workers	62	30
Service and sales workers	78	25
Craft and related trade workers	82	33
Plant and machine operators	60	19
Labourers and elementary occupations	60	14
Average across beneficiaries	66%	27 hours

\*excludes induction and annual competence update training.

### Literacy and numeracy

In South Africa, adult basic education and training (ABET) is a cornerstone of empowerment. Supporting its formal ABET policy to give all employees the opportunity to become functionally literate, Exxaro has accredited ABET training centres at Grootegeluk and Tshikondeni in Limpopo, and Matla and Arnot in Mpumalanga. Annual training reports and workplace skills plans submitted and approved by the MQA contain details on candidates completing various ABET levels and short- and medium-term targets.

All potential candidates are assessed, counselled and encouraged to enroll for ABET. An incentive scheme was introduced to reward candidates who successfully completed an ABET level.

Our predecessor, Kumba Resources, achieved the national target of 70% of employees with qualifications of NQF level 1 and above in September 2006. This has decreased to 66% due to the unbundling of Kumba Iron Ore, merger with Eyesizwe and taking over contractors at Leeuwpans and KZN Sands. In addition:

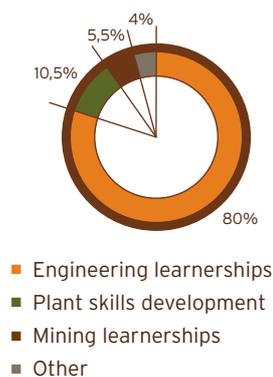
- More than 1 000 employees have passed one or more ABET levels since its inception.
- In 2007, 128 employees completed various ABET levels successfully (13 passed level 4, 17 level 3, 43 level 2, 38 level 1 and 17 pre-ABET). Another 128 non-employees or members of the community passed various ABET levels successfully.
- Grootegeluk achieved the national target of 70% of employees with qualifications of NQF level 1 or higher.

Our challenge remains to motivate all ABET candidates to enroll. Accordingly, ABET opportunities are continually marketed to our people.

- More than 1 000 employees have passed one or more ABET levels since its inception.
- In 2007, 128 employees completed various ABET levels successfully (13 passed level 4, 17 level 3, 43 level 2, 38 level 1 and 17 pre-ABET). Another 128 non-employees or members of the community passed various ABET levels successfully.
- Grootegeluk achieved the national target of 70% of employees with qualifications of NQF level 1 or higher.

## managing risk, issues and opportunities *continued*

### LEARNERSHIP AND SKILLS DEVELOPMENT PROGRAMMES



### Career development

Exxaro's strategy is to ensure that 80% of all new appointments are made internally. This requires a well-integrated process that is carefully aligned with the group's strategy and industry needs to provide a steady stream of qualified talent to tackle our growth and expansion projects. In 2006 and 2007, there were some 140 trainees involved in programmes supporting internal advancement and ensuring that trainees entering the company are empowered, challenged and appropriately rewarded:

- **Exxaro People Development Initiative:** the Exxaro Foundation sponsors 24 previously disadvantaged students each year for a 12-month bridging course at the University of Pretoria. Candidates must be grade 12 students from Exxaro mining communities who want to study for a mining-related degree or diploma. On completion of these studies, candidates may be considered for an Exxaro bursary.
- **Bursary programme:** Exxaro grants some 30 bursaries each year to school leavers with a keen interest in mining-related disciplines such as engineering, geology and mine surveying. Graduates are generally offered employment at Exxaro, depending on the current need in that field, mostly through the group's formal three-year professionals-in-training programme. There are currently 79 bursars studying at South African institutions at a cost of R5 million: two-thirds are historically disadvantaged South Africans and 16% are women.
- **Professionals-in-training programme:** the three-year programme bridges the gap between academic theory and the work environment. Each professional-in-training has a mentor who supervises exposure to the various commodities, leadership and management training, and formal training from professional bodies. In 2007, there were 48 professionals in training throughout Exxaro in a R17-million programme: 77% are from designated groups and almost half of those are women.

Exxaro has 500 learners in various learnerships and skills development programmes. Of these, over 400 are in engineering learnerships, 28 in mining learnerships and 53 in plant skills development programmes. Exxaro alone accounts for 30% of all engineering learnerships registered with MQA.

Over 77% of Exxaro's engineering learners are HDSAs and all these learners will qualify with full artisan status in trades such as electrician, fitter and turner, plater/welder/boilermaker, diesel mechanic and millwright. Artisans are considered scarce and critical skills in South Africa and all these trades appear on the JIPSA (Joint Initiative for Priority Skills Acquisition) scarce skills list.

As part of its social and labour plans, Exxaro has included a five-year engineering learnership plan for 2007 to 2011. This R66-million plan leading to full artisan status provides for training 1 415 engineering learners in various trades over the next five years: 74% of these learners will be HDSAs while 81% will be male and 19% female.

To retain technical and engineering skills, a retention strategy has been introduced for technical categories, in addition to our aggressive succession planning strategy. Scarce and critical skills are captured in workplace skills plans submitted to and approved by MQA. In addition, as part of monitoring our artisan-retention strategy,

the ratio of learnerships in the pipeline to the number of artisans employed in the various trades is reported monthly to the executive committee.

Training to assist employees in managing career endings is part of the social and labour plan for each mine, submitted to and monitored by the Department of Minerals and Energy for renewal of individual mining licences.

All employees in the package category (non-bargaining unit employees) receive formal performance and career development reviews bi-annually. All management members, from first-line upwards, are assessed throughout the year and this forms the basis for the individual succession programmes and talent management. These assessments are also linked to reward and remuneration.

Although employees in the bargaining unit are not part of Exxaro's formal performance management system, their development is driven by individual development plans derived from an employee's job profile, formal career plan and individual preference.

The performance management process is entrenched in the culture of Exxaro. All new package-category employees receive formal training on the performance management process and system to reinforce the concept that reward is driven by performance. Performance management is also included in a web-based induction programme.

All training and development is based on a thorough needs analysis, taking cognisance of business strategy, identified skills deficiencies via the performance management process, succession planning requirements, employee career pathing, and the relevant employment equity plans.

Personal development emphasises the co-responsibility of employees to manage their career growth. Accordingly, Exxaro provides financial assistance to permanent employees with potential to further their education through part-time studies of certain recognised, approved courses and programmes. Employees who are nominated by the company to attend selected courses or programmes are fully sponsored by Exxaro for tuition, examinations, travel, accommodation costs and study leave.

Specific strategies to ensure the accelerated learning and development of black people, women and people with disabilities include:

- fast-tracking employees with leadership and management potential
- accelerated development for occupationally based skills
- adult basic education
- life skills programmes
- learnerships.

Exxaro offers sponsored, voluntary adult basic education and training (ABET) programmes at all commodity businesses, except where employees are fully literate. Candidates are screened and counselled to ensure they are able to make informed decisions, and an incentive scheme is in place to encourage more employees to become functionally literate and numerate. More than 1 000 employees have passed one or more ABET levels since its inception.

Operations at Grootegeluk mine, Limpopo. All training and development is based on a thorough needs analysis, taking cognisance of business strategy, identified skills deficiencies via the performance management process, succession planning requirements, employee career pathing, and the relevant employment equity plans



## managing risk, issues and opportunities *continued*

In-pit operations at New Clydesdale mine, Mpumalanga. A detailed social and labour plan is developed for each operation



### Diversity and equal opportunity

Exxaro believes that achieving world-class standards and global competitiveness will require that the potential of every individual is developed and used.

Accordingly, the group has initiated a process of social transformation to remove any barriers to the employment and advancement of all South Africans and to accelerate the training and promotion of designated groups. By implementing strategic employment equity programmes, Exxaro is creating an organisational culture in which diversity is encouraged and valued, while focusing on shared values to develop team spirit, promote mutual understanding, optimise potential and achieve organisational goals in serving the community.

Since collective agreements determine specific guaranteed minimum salaries, there is no discrimination between the salaries of men and women. In the management and specialist category, all employees are on performance contracts and individual salaries are based on performance.

#### MALE/FEMALE EMPLOYEES PER CATEGORY AND REGION

Region	Bargaining unit		Man and Spec Category		Total
	Male	Female	Male	Female	
Gauteng	1 062	192	517	181	1 952
KZN	422	55	126	16	619
Limpopo	2 010	145	311	40	2 506
Mpumalanga	2 374	298	357	25	3 054
Namibia	418	36	70	33	557
<b>Total</b>	<b>6 286</b>	<b>726</b>	<b>1 381</b>	<b>295</b>	<b>8 688</b>

### Human rights

As a responsible corporate citizen, Exxaro complies with all labour legislation in South Africa and with International Labour Organisation guidelines. Accordingly, the group encourages freedom of association and collective bargaining, ensures that child labour is not tolerated and that forced or compulsory labour is not practised.

Induction programmes ensure employees are educated about human rights. Policies on discrimination, harassment and racism are in place, as are structures to protect employees' human rights in the workplace.

### Society

South African legislation and Exxaro policy stipulate that a social impact assessment be conducted before starting an operation. On the basis of identified issues, a detailed social and labour plan is developed for each operation and submitted to the authorities. Each operation also reports on progress with its stakeholder engagement plan. Commitments in terms of social and labour plans and environmental management plans form the backbone of our programmes and practices to manage the impact on our communities during entering, running and exiting any operation.

For example, at the new Inyanda mine in Mpumalanga, and in line with the social impact assessment completed ahead of commissioning, a new Eskom power line from its substation to the mine will also supply electricity to the nearby low-cost housing development of Klarinet. Inyanda is also funding the design and development of a sports facility in Klarinet.

In the Glen Douglas operating area of Henley-on-Klip, a new community liaison forum has been established with the Henley Conservancy to address stakeholder concerns including noise, dust and effects from blasting.

The symbiotic relationship between Exxaro and its communities is a dynamic one, where constant change dictates an ongoing review of the underlying policies and processes governing this relationship.

During 2006 and 2007, we initiated comprehensive socio-economic assessments across our commodity businesses. Seven of these studies were completed during the review period. Their aim was firstly to analyse the nature, scope and effectiveness of programmes and practices that assess and manage the impact of our operations on communities, including the degree of integration with local economic development plans and interaction with other agencies. Secondly, the studies highlighted key issues raised by internal and external stakeholders and detailed management responses at each commodity business.

At Grootegeluk, for example, stakeholders were generally positive about the mine and its impact as a corporate citizen. During the frequent public participation processes, Hillendale mine and its stakeholders identified and prioritised issues, and together developed mitigation plans to the satisfaction of all communities.

At KZN Sands, results were positive overall, while management is also addressing a broader set of issues with stakeholders.

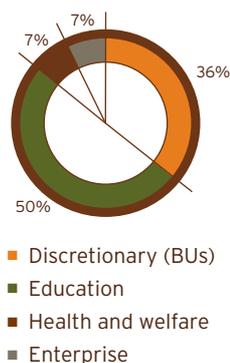
With the formation of the new company, Exxaro took the decision to adopt the previous practice of having a foundation or trust fund dedicated towards the social and economic upliftment of its communities. As a result, the Exxaro Chairman's Fund and the Exxaro Foundation were created. Both funds are registered with the South African Revenue Service as charitable institutions. Whilst the Exxaro Chairman's Fund is specifically geared towards supporting those institutions that have section 18A status, the Exxaro Foundation supports all other charitable activities.

Both these institutions have independent trustees (including trustees not part of Exxaro) who ensure that a uniform approach is used in support of all socio-economic development initiatives. A policy document that clarifies its objectives and the criteria it uses for awarding funds ensures that sustainability forms the cornerstone of its activities.

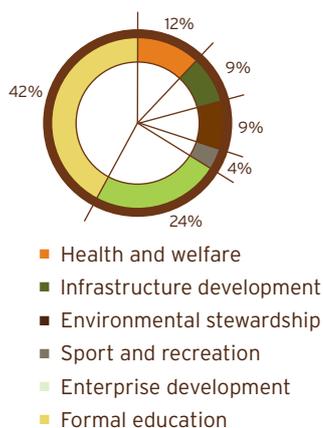
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## managing risk, issues and opportunities *continued*

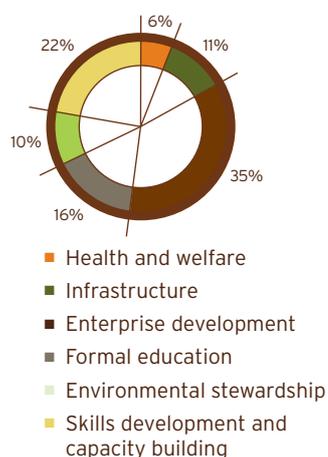
2007 DONATIONS:  
ACTUAL PER FOCUS AREA



LED PROJECTS ACTUAL:  
INVESTMENT PER FOCUS AREA 2007



LED PROJECTS FORECAST:  
INVESTMENT PER FOCUS AREA 2008



### Case study

#### Education

- 5 000 learners, 175 teachers and support staff
- Ten principals and deputy-principals, 28 heads of departments
- 40 members of school governing bodies

These are the beneficiaries of just one school project that Exxaro has pioneered in the Kwa Thema/Springs district of Gauteng. Exxaro is both a core funder of the project and has helped to develop a highly successful partnership model that could form the basis of many similar initiatives in future.

In 2005, our group became involved with the Department of Education's EQUIP programme (Education Quality Improvement Partnerships) to support four primary schools and one high school near its operations on the East Rand.

Exxaro elevated the project to a new level by inviting Implats to participate in the first funding partnership since the conceptualisation of EQUIP in 1995.

Although the programme has only been operating in Kwa Thema for two years, results are most encouraging:

- Specialised school management software has been installed at each school, and training provided in both administration and basic computer skills.
- Maths and science educators are studying for advanced certificates in education at Wits University, while departmental heads are studying towards the middle management course at Matthew Goniwe School of Leadership and Governance.
- The Junior Achievement South Africa mini-enterprise programme was successfully completed at Tlakula Secondary School.
- Plans are in place to support the national and provincial post-strike recovery programme (the result of a protracted civil servant strike in mid-2007, which included teachers), and study skills workshops are under way.

### Local economic development

In addressing the specific needs of Exxaro's communities, we work closely with local government to ensure our plans are integrated for maximum positive impact. Regular and in-depth engagement with stakeholders has refined our focus areas to:

- formal education
- skills development
- enterprise development, including small-scale mining
- health and welfare
- environment
- infrastructure
- agriculture
- tourism
- sport and recreation.

Exxaro is also concentrating on maximising the percentage of jobs available to people from local communities. At December 2007, this ranged from 95% at KZN Sands and Tshikondeni to over 50% at New Clydesdale.

### **Case study**

#### **Building small business at Rosh Pinah**

As a major employer in the Karas region of southern Namibia, Rosh Pinah Zinc Corporation is actively involved in the economic empowerment of local communities. The region is faced with high levels of unemployment, school drop-outs, HIV/Aids and very little development.

To help local unemployed people become self-supporting, Rosh Pinah supplies the infrastructure for potential entrepreneurs to market or manufacture their products using the Exxaro SME Centre.

The centre provides basic skills training in manufacturing (brick-making, brick-laying, woodwork, metalwork, welding, tailoring, needlework), poultry farming and cleaning services. Other courses cover low-cost housing construction and adult literacy.

Although established grievance mechanisms are in place at all Exxaro operations, regular interaction with community members ensures management is able to deal with most potential issues proactively.

Exxaro has a formal policy on resettlement, which is closely aligned with the World Bank directive on involuntary resettlement. During the year, resettlements took place at Rosh Pinah in Namibia and Arnot in Mpumalanga (pages 130 and 131).

Other projects within the Group include:

- Ezingeni Hydroponics Project
- Madoda Community Life Skills Development Centre
- Siyavuka Integrated Youth Farming
- Somopho Community Creche
- Careers in Mining Week
- Erection of Community Centre in Marapong
- Manketi Biosphere Awareness Project
- Early Childhood Development
- New Hospice Centre
- Lepharo Base Metals Incubator project
- Blesbokspruit Conservation Trust
- Siyabonga Africa Baking project
- Sanari Skills Development Centre

In 2008, LED projects valued at R25 million have been approved. Most of these projects are focused on infrastructure development (building of houses, roads, provision of electricity and water for rural communities, whole school development and health and welfare).

A brick-making business at Rosh Pinah is an example of how the mine is actively involved in the economic empowerment of local communities



## managing risk, issues and opportunities *continued*

The technology behind the renewable energy pilot project at Tutungeni has received enormous interest, given its low environmental impact and use of waste products from zinc mining. Seven fuel cell technicians have been trained to service the 20 current beneficiaries in the township and the pilot project has been presented to the Namibian government through the electricity control board and ministry of mines and energy.

### **Case study**

#### **Rosh Pinah – community relocation**

The rapid growth of the so-called Sand Hotel informal settlement on mine grounds was addressed in 2005 when Exxaro was involved in relocating the entire settlement to a new site outside the mining area, currently known as Tutungeni (let's build together).

At that time, over 1100 households or structures were relocated (in conjunction with Anglo American's Skorpion Zinc Mine and RoshSkor town management), with Rosh Pinah providing transport to carry material and people to the new site. Plots were provided, water supplied (standard taps have since been replaced by prepaid water meters), a road network built and a pilot project started to test the viability of renewable energy using zinc fuel cells in a rural environment. Temporary environmentally friendly ablution facilities were erected at strategic places in the new settlement and a site office set up to provide payment facilities for water supply and other services.

As this resettlement is an ongoing process, discussions were initiated during the review period with the country's power utility, NamPower, to provide grid electricity in Tutungeni. Cleaning and other services are now available through a community-driven initiative in which Exxaro is participating fully.

Given the lack of a retail hardware outlet in the vicinity, the mine supplies basic building material (cement, roof sheets and building boards, including scrap drilling rods) to residents at affordable prices. It has also assisted residents by contracting an outside builder to break down and help rebuild structures.

Families of Rosh Pinah employees living in the informal settlement were given temporary accommodation while formal mine houses were being built.

Using a phased approach to solve housing needs and ensure quality accommodation across the board, some R29 million was spent in 2006 and 2007 to supply temporary accommodation, build 60 two- and three-bedroom houses and supply electricity, sewerage and water reticulation. Between 2008 and 2010, over R71 million will be spent on upgrading hostels and single quarters to living units and flats, and building another 36 houses of up to four bedrooms.

The technology behind the renewable energy pilot project at Tutungeni has received enormous interest, given its low environmental impact and use of waste products from zinc mining. Seven fuel cell technicians have been trained to service the 20 current beneficiaries in the township and the pilot project has been presented to the Namibian government through the electricity control board and ministry of mines and energy.

Exxaro is now piloting a new project at Tshikondeni to determine a viable business plan for its zinc-battery fuel electrification project.

## Arnot

In November 2006, Arnot management identified two families (collectively 13 people, livestock and domestic animals residing on adjacent properties spanning 25 hectares) that needed to be relocated.

Following consultation with the families and relevant ward councillor, suitable land was identified in December 2006 and relocation plans finalised. Before the physical event, however, Arnot was advised of a restitution claim over the land by the Department of Land Affairs. An alternative site on local municipal land was initially rejected by the families as being too far from both the main road and schools. Once acceptable land has been secured, Arnot will build new houses for the families, replicating their previous living spaces to a higher standard.

## Marketing communications

In line with its corporate values, Exxaro communicates regularly and openly with all stakeholders. At all times, our communications adhere to the laws, standards and voluntary codes of accepted marketing communication in the areas where we operate. During the year, no incidents of non-compliance were recorded.

## Case study

### Remediation at Rosh Pinah

Rosh Pinah's remediation plant is literally the combination of garden refuse from local residents, a mountain of contaminated soil and an equally large amount of cattle manure.

According to ISO40001 requirements, the mine has to rehabilitate and dispose of soil contaminated by oils and carbons during the mining process. But bulking agents such as hay, straw and wood chips are scarce in the Namibian desert, which is how the mine's gardening enthusiasts and local farmers became involved.

The mixture is stored in remediation ponds and watered weekly to allow microbial degradation to occur. After nine months, the soil can be used as compost or landfill, depending on the climate, ecosystem and human disturbances.

Located on the rehabilitated site of an informal settlement, the affordable project is creating new jobs in the local community.

Underground power provision at Arnot mine, Mpumalanga



## assurance report on SD performance



### Independent assurance provider's report to the directors of Exxaro Resources Limited on sustainable development performance information included in the 2007 annual report

We have been engaged by Exxaro Resources Limited (Exxaro) to provide independent assurance over selected sustainable development (SD) performance information included in its annual report (the "report") for the year ended 31 December 2007.

This report is made solely to Exxaro in accordance with the terms of our engagement. Our work has been undertaken so that we might state to Exxaro those matters we have been engaged to state in this report and for no other purpose. We do not accept or assume responsibility to anyone other than Exxaro, for our work, for this report, or for the conclusions we have reached.

The objective of our independent assurance engagement was to express *reasonable assurance* on the *number of fatalities* (page 97) and *limited assurance* on:

- *SD Performance indicators*: Lost time injury frequency rate (LTIFR) by employee and contractor (page 99); Level 1 and Level 2 environmental incidents (page 113); carbon dioxide (CO<sub>2</sub>) emissions (page 114); total energy use (page 115); water used for primary activities (page 115);
- *Qualitative disclosures* relating to the: implementation of the HIV/Aids policy (pages 100 - 101) and application of Exxaro's criteria for community investments (page 118); and
- *Management's assertions* relating to compliance with the nine elements of the mining charter (the "mining charter") (pages 136 - 141).

The internally developed Exxaro SD reporting guidance as presented on the Exxaro website was used as criteria for the selected SD performance indicators.

Our engagement relates only to the 2007 SD performance information in the report and does not extend to any prior year SD performance information and disclosures or assertions relating to future SD performance plans/strategies in the report.

The report (pages 26 and 32) sets out the evolving nature of Exxaro's sustainable development as a result of the integration of new operations into the group affecting the standardisation of data collection and analysis for meaningful reporting purposes. It is important to understand the reliability of the 2007 SD performance information in the context of these limitations.

### Responsibilities of directors

The directors of Exxaro are responsible for the preparation and presentation of the report and the information and assertions contained within it, for determining the Group's objectives in respect of SD performance, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported SD performance information is derived.

## Responsibility of the independent assurance provider

Our responsibility is to express our conclusions to Exxaro based on our work performed. We conducted our work in accordance with the International Standard on Assurance Engagements 3000: *Assurance Engagements other than Audits or Reviews of Historical Information*. This standard requires, inter alia, that the assurance provider complies with the appropriate requirements of the IFAC Code of Ethics for Professional Accountants such that their independence is not compromised and the assurance team members collectively possesses the necessary professional competencies. Our work was carried out by a multidisciplinary team of safety, health, environmental, and assurance specialists with extensive experience in sustainability reporting in the mining sector.

## Summary of work performed

Our procedures selected depend on our judgement, including our assessment of the risk of material misstatements of those 2007 selected SD performance indicators, disclosures and management assertions and our assessment of the internal controls relevant to the company's preparation and presentation of the sustainability information in the report. Our procedures were designed to gather sufficient appropriate evidence to determine that the 2007 selected SD performance information is not materially misstated.

Our work performed included:

- Interviews with management and senior executives at corporate level and with management at business unit level;
- Testing of process and systems in place at corporate level and business unit level to generate, collate, aggregate, monitor and report the SD performance indicators for the year and to comply with requirements of the mining charter;
- Visits to three business units including Arnot (coal), KZN Sands (sands) and Rosh Pinah (base metals and industrial minerals);
- Telephone interviews and analytical reviews of SD performance indicators for business units not included in site visits; and
- Consideration of other SD performance information in the report to identify material inconsistencies with evidence obtained from our assurance engagement.

We believe that the evidence obtained from our work performed provides an appropriate basis for our conclusions expressed below. Where limited assurance is expressed, less assurance is obtained from our procedures than in a reasonable assurance engagement. We do not express any assurance in relation to the 2007 performances indicators not included above, further any reference to external audits of SHE-related policies, standards and procedures (page 97) contained in the report have nothing to do with our independent assurance engagement to report on the SD performance indicators.

## Unqualified conclusions

*Number of fatalities, community investments, HIV/Aids policy, and compliance with the mining charter*

Based on our work performed, in our opinion:

- 1 The *number of fatalities* are fairly stated in all material respects in accordance with the internally developed Exxaro SD reporting guidance; and
- 2 Nothing has come to our attention that causes us to believe that *the qualitative disclosures relating to the application of Exxaro's criteria for community investments and implementation of the HIV/Aids policy*, in accordance with the internally developed Exxaro SD reporting guidance, and management's assertions regarding *compliance with the mining charter*, are not fairly stated in all material respects.

## assurance report on SD performance *continued*

### Modifications (Adverse conclusion and disclaimer of conclusion)

*Lost time injury frequency rate (LTIFR), water used for primary activities, and Level 1 and Level 2 environmental incidents*

We were unable to reconcile the underlying source data relating to these SD performance indicators to the SD performance information in the report. There are significant control weaknesses that prevent complete, consistent and accurate reporting of SD performance data in accordance with the internally developed Exxaro SD reporting guidance. Based on our work performed, these performance indicators are not fairly stated in all material respects.

*CO<sub>2</sub> emissions and total energy use*

The reported CO<sub>2</sub> emissions are only from diesel and electricity purchased, as disclosed on page 114. We were not able to obtain sufficient appropriate evidence for reported CO<sub>2</sub> emissions and total energy use as the underlying source data relating to these SD performance indicators was not available and consequently we are unable to conclude on these performance indicators.

### Commentary

Without affecting our conclusions presented above, we draw attention to the following:

- The new approved SD strategy, discussed in the report, is encouraging and should enable Exxaro to progress beyond a minimum of legal compliance. Exxaro are reviewing policies and reporting guidelines against the new SD strategy prior to implementation. The implementation of these policies and reporting guidelines are essential for embedding the SD strategy and for reliable reporting of SD performance information across the group.
- The process of fully integrating the ex-Eyesizwe sites is proceeding and as discussed in the report, the alignment of these sites with uniform policies, processes and systems of the Exxaro group is essential to ensure reliable reporting of the group's SD performance information.
- A more comprehensive stakeholder engagement should be undertaken during the coming year to strengthen the sustainability risk management process and allow Exxaro to respond proactively to its stakeholders when reporting on its SD performance.

We recommend that Exxaro monitor these developments and integration processes and disclose the results in future sustainability reports or other forms of communication.

### KPMG SERVICES (PTY) LIMITED



**Per PD NAIDOO**

*Director*

Johannesburg  
13 March 2008

## stakeholder engagement



**African Institute of Corporate Citizenship**

[www.aiccafrica.org](http://www.aiccafrica.org)

[www.africagrowth.net](http://www.africagrowth.net)

### AICC statement

AICC was requested by Exxaro Resources Limited to facilitate a multistakeholder panel to review the development of the 2007 Sustainable Development (SD) report which forms part of the 2007 annual report. This statement deals exclusively with the stakeholder engagement process and not the content of the report.

The panel was selected based on the issues in the report. In their broad categories these issues were: environment, health and safety, black economic empowerment, local economic development and governance. AICC identified 10 panelists from the academic, consulting, corporate and the NGO sector. In addition, AICC engaged three experts on governance, health, safety and environment (HSE), black economic empowerment (BEE) and local economic development (LED) to provide insights and questions for the panelists to consider during the review process.

The review process, divided into three phases, focused firstly on the review of the issues matrix submitted by Exxaro. Panelists commented on whether Exxaro had identified all the material issues linked to its business. The views were provided to Exxaro to inform the data collection.

The second phase focused on the review of the draft report, examining how Exxaro accounted for the material issues identified. Attention was given to the responsiveness of Exxaro to stakeholder issues, the completeness of the information and how it was being communicated. Gaps were highlighted by the panelists and sent to Exxaro. These gaps related to governance, environmental and BEE issues relating to performance and targets.

AICC compiled the comments from the panel and submitted them to Exxaro. Exxaro has indicated that the comments have informed the development of the 2007 report and, more importantly, the strategy for reporting on performance in 2008 and beyond.

The third phase focused on discussing the first proof of the report. Unfortunately, due to unexpected delays, panelists did not have time to evaluate the report and establish how the gaps had been addressed. As a result AICC is unable to provide an opinion on the final report.

AICC appreciates the opportunity to keep strengthening stakeholder engagement in the mining sector. AICC recommends that Exxaro Resources Limited address the gaps identified by the panel and continue to engage with the panel of experts on issues of sustainability.

A handwritten signature in black ink, appearing to read 'Paul Kapelus'.

**PAUL KAPELUS**

*Director*

## legislative compliance/mining charter progress

### Progress against mining charter scorecard\*

\*Broad-based socio-economic empowerment charter for the South African mining industry

During the year, Exxaro obtained new-order mining rights for its Inyanda and New Clydesdale mines, reflecting the group's steady progress in complying with the requirements of the mining charter.

REQUIREMENTS	PROGRESS	SECTION
Human resources development	<ul style="list-style-type: none"> <li>• Pay skills development levy</li> <li>• Submit workplace skills plans and annual training reports</li> <li>• Provide training and encourage employees to become functionally literate</li> </ul>	121 - 124
Is there any interface with the MQA?	Yes, through submission of statutory reports and serving on sector skill planning committee and technical reference groups	122
Have you formulated a comprehensive skills audit?	Exxaro is ensuring that individual development plans are in place for all employees. Roll-out plan is in place	125
Have you interfaced with education authorities and are you providing scholarships to promote mining-related educational advancement?	Currently interfacing with professors to examine this element. Bridging school, bursary and professionals-in-training programmes in place	124
Have you increased the number of learnerships in the mining industry? If so by how much?	More than 30% of engineering learnerships registered with MQA are trained by Exxaro. 408 engineering learners in the system. Additional 56 unemployed youths were trained at Collieries Training Centre with Exxaro sponsorship and have done their on-job training at Exxaro mines	122 - 125
Have you, through the MQA, provided skills training opportunities to miners during their employment to improve their earning capacity after mine closure? What training?	Exxaro's only mine closure to date was at Durnacol, where comprehensive reskilling and skills development programmes were initiated years before closure. This mine closure occurred well before MQA was established	126
Have you offered every employee the opportunity to become functionally literate and numerate in consultation with labour? Demonstrate.	<ul style="list-style-type: none"> <li>• Fully company-sponsored, voluntary ABET programmes running at all mines (except where employees are 100% literate – corporate office)</li> <li>• All ABET training is accredited</li> <li>• Screening and counselling with all ABET candidates for informed decisions about participation - trade unions included in process</li> <li>• Incentive scheme implemented to make ABET more attractive</li> </ul>	123

REQUIREMENTS	PROGRESS	SECTION
Have you implemented career paths to provide opportunities to HDSA employees to progress in their chosen careers?	<ul style="list-style-type: none"> <li>• Human resources development (HRD) policy in place dealing with accelerated development</li> <li>• Formal succession planning and individual development plans rigorously used for all management and professional categories</li> <li>• HDSA employees receive special career planning consideration and mentor support</li> <li>• 77% of learners in engineering learnerships are HDSAs</li> </ul>	122 - 125
Have you developed systems through which empowerment groups can be mentored as a means of capacity building?		
<b>Employment equity</b>		120
Have you published the employment equity plan and achievements?	Employees consulted about plans and progress communicated to employees at each business unit and published via suitable media, eg intranet	
Have you established targets for employment equity in junior management category?	No specific targets for different management categories have been identified. Progress is being monitored against an overall target of 40% HDSA in management as stipulated in the mining charter	2, 120
Have you established targets for employment equity in senior management category?	As above	2, 120
Have you detailed plans for employment equity at management level?	As above. Focus of Exxaro's employment equity plan is on management	2, 120
Have you met the baseline of 40% by 2009? State your achievement against the baseline.	Aspiring to meet the target by 2009. Employment equity plans are focused on reaching 40%, compared to the current 36%	2, 120
Do you focus overseas placement and/or training programmes on HDSAs?	Fast-tracking process includes exposure of senior management to international operations. Exxaro currently has limited international operations and there is one HDSA broadening his experience in Namibia.	121
Have you identified a talent pool?	Yes	119 - 127
Is there fast tracking in the company which includes high-quality operational exposure?	Yes	119 - 127

## legislative compliance/mining charter progress *continued*

REQUIREMENTS	PROGRESS	SECTION
Do you ensure higher level of inclusiveness and advancement of women?  Have you supported the aspired baseline of 10%? Demonstrate.	Exxaro has a succession plan system in place to fast-track women. There are currently two women on the board and three on the executive committee  The company is on target, with women comprising 12% of the workforce.	2, 119, 124
Does the company set and publish targets?	The company sets targets on a five-year cycle. Information on targets is published in the annual report, on the intranet and other suitable media targeted at specific business units (eg bulletin boards, line manager communication, newsletters, e-mails, etc)	2
<b>Migrant labour</b>		
Have you ensured non-discrimination against foreign labour?	Exxaro does not discriminate against any employees, regardless of their country of birth.	NA
Can the company demonstrate how this was achieved?	A policy on non-discrimination is in place.	NA
<b>Mine community and rural development</b>		20, 21, 25, 118, 128 - 130
Have you cooperated in the formulation of integrated development plans for communities where mining takes place and major labour-sending areas?	Assisted local authorities near our operations to develop integrated development plans, and participated in relevant forums.	
Have you, in partnership with all governmental spheres, undertaken to develop infrastructure for these areas?	Part of the commodity businesses' social and labour plans for conversion application.  <ul style="list-style-type: none"> <li>• Stakeholder engagement forums established at all business units</li> <li>• Skills and ABET provided for unemployed, skills training for government institutions, training-of trainers-programmes, capacity building</li> <li>• Partnerships with MQA to train ex-mineworkers</li> </ul>	

NA Not applicable

REQUIREMENTS	PROGRESS	SECTION
<p><b>Housing and living conditions</b></p> <p>Have you consulted with Mine Health and Safety Council, Dept of Housing and organised labour on measures to improve the standard of housing?</p> <p>Have you upgraded hostels, converted hostels to family units, and promoted a home ownership option for mine employees?</p> <p>Have mines established measures to improve nutrition of employees?</p>	<p>Yes</p> <ul style="list-style-type: none"> <li>• Company housing policy is being revised, focusing on home ownership</li> <li>• 936 employees (35%) live in affordable rental units</li> <li>• 1 277 employees bought company-owned housing</li> <li>• Bargaining-unit employees receive a housing/ living-out allowance depending on their grade to assist them to obtain accommodation</li> </ul> <p>Part of the HIV programme</p>	121
<p><b>Procurement</b></p> <p>Have mines classified procurement into capital goods, services and consumables?</p> <p>Has the company given HDSAs preferred supplier status, where possible, in all three levels?</p> <p>Have you identified current levels of procurement from HDSA companies?</p> <p>Have you committed to a progression of procurement from HDSA companies over a 3- to 5-year time frame, reflecting genuine value-added HDSA provider?</p> <p>Have you encouraged existing suppliers to transform, eg forming partnerships with HDSA companies, where no HDSAs tender for goods and services?</p> <p>Have you undertaken to develop HDSA procurement capacity and access to DTI assistance programmes to achieve this?</p>	<ul style="list-style-type: none"> <li>• Yes. Policy, guidelines and systems in place to promote procurement from HDSA companies in stipulated categories of capital goods, consumables and services</li> <li>• Preference given to black-owned and black-empowered suppliers</li> </ul> <p>An auditable system in place and performance tracked</p> <ul style="list-style-type: none"> <li>• Policies have been developed and targets set up to 2011</li> <li>• Exxaro met its target of 35% of discretionary procurement for 2007 or R1,97 billion</li> <li>• Supports facilitation of regional and provincial collaboration as initiated by Department of Minerals and Energy</li> <li>• Exxaro continues to conduct needs assessments on potential suppliers and assists in areas that require development. Continual contact with SEDA on available development programmes to assist HDSAs is seen as a vital relationship for supplier development. Exxaro continues to advise emerging HDSA companies where financing is required. Referrals include the National Empowerment Fund, Umsobomvu Youth Fund, Industrial Development Corporation and other institutions that offer capital financing.</li> </ul>	2, 21, 22, 117

## legislative compliance/mining charter progress continued

REQUIREMENTS	PROGRESS	SECTION
<b>Ownership and joint venture</b>		
Does the company have ownership by HDSAs	Yes. Empowerment objectives achieved and exceeded in 2006	5
Does the company have active HDSA control?	Yes	
What is the company's HDSA ownership and control percentage?	56%	
Does the company have collective investments through ESOPS and mining dedicated unit trusts?	Yes	120
Does the company have passive involvement by HDSA?	Yes	
What is the percentage of passive HDSAs involved in the company ownership structure?	3%	
<b>Beneficiation</b>		
Is the company involved in the production of a final consumer product emanating from a mining process?	No. Exxaro produces intermediate or partially refined products. These are sold to various customers for beneficiation into final consumer products	N/A
Have you identified your current level of beneficiation?	Yes. Applicable to all Exxaro's commodities	
Have you indicated to what extent they can grow the baseline level of beneficiation?	Yes. Coal beneficiation projects are detailed on page 62 and opportunities are being investigated for the downstream beneficiation of zircon, pigment and titanium metal (mineral sands commodity business)	62

*N/A Not available*

REQUIREMENTS	PROGRESS	SECTION
<p><b>Exploration and prospecting</b></p> <p>As an HDSA company, have you used the support by government in exploration and prospecting endeavours? Institutional support.</p>	<p>Yes, prospecting work done through legal framework</p>	<p>117</p>
<p><b>Financing mechanism</b></p> <p>As an HDSA company, have you secured finance to fund participation (R100 billion assistance by the industry)</p>	<p>Exxaro is an investor participant in the New Africa Mining Fund established during 2003 to make portfolio investments in junior mining projects in Africa. Exxaro committed to contribute R20 million to the Fund and can be called upon at any time to make this contribution.</p> <p>Exxaro contributed R9 million since March 2003 and was refunded a portion in 2007 resulting in a recurring investment of R1,8 million at 31 December 2007.</p>	<p>263</p>

## gri indicator index

### Index to Global Reporting Initiative (GRI) indicators

This index includes the 2007 GRI guidelines (G3) and 2005 supplement for mining and minerals sector

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## managing risk, issues and opportunities continued

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## chief executive officer's review

A remarkable first year, characterised by the willingness and ability of all our people to change, and the smooth integration of two sizeable groups.



A handwritten signature in black ink, appearing to read 'Sipho Nkosi'.

**SIPHO NKOSI**  
CHIEF EXECUTIVE OFFICER

### HIGHLIGHTS

**R10,16 billion**

15% increase in revenue

Consolidating **leading** position in our commodity businesses

Poised to realise **coal growth**

**100% acquisition**

of Namakwa Sands and 26% interest in Black Mountain/Gamsberg

Exxaro's first full year of operation was remarkable for a number of reasons: following the conclusion of a significant black economic empowerment transaction in November 2006, we established the Exxaro brand across southern Africa. In the process, we empowered some 8 000 employees who now own 3% of Exxaro – and who watched the benefits of being shareholders unfold as our share price rose from R58,50 on listing to R107,00 in December 2007.

The process of integrating the former Kumba Resources and Eyesizwe Coal operations to form Exxaro has been smooth and overwhelmingly positive, although it will take a little more time to fully integrate people, processes and operations. More importantly, what this process has highlighted is the innate ability of all Exxaro's people to adapt, a vital component of success in an era of ongoing change.

### Powering possibility

While the highlights of our first year are detailed on page 3, I believe that the following underscore the potential to power possibility that is becoming the hallmark of this company and its top-calibre professionals:

- While we recorded five fatalities this year – four on-mine and one public road incident (page 97) – excellent safety performances were achieved at Inyanda, Leeuwpan, FerroAlloys, Alloystream, Research and Development and Durnacol. FerroAlloys, in particular, has had no injuries since May 2006, while Zincor achieved 480 lost-time injury-free days and our Research and Development unit reached its target of 730 lost-time injury-free days. We are creating a safer work environment by implementing systems, processes and standards to ensure safety becomes a habit for every Exxaro employee, and a pervasive awareness of both personal safety and the safety of colleagues. We extend our deepest condolences to the families, friends and colleagues of the deceased.
- We received shareholder approval to acquire Namakwa Sands and an interest in the Black Mountain mine/ Gamsberg project.
- The Inyanda mine sod-turning ceremony in July 2007 followed the fast-tracking of that mine's development to add value and support the New Clydesdale mine after closure of its underground workings. Board approval was received for the R136 million Diepspruit project to produce 1,3Mtpa run-of-mine coal for beneficiation at New Clydesdale to supply the export market.
- We achieved an R89-million turnaround of the North Block Complex by mining block C, negotiating better prices with Eskom and increasing sales volumes to key customers.
- We secured Phase I of the new Medupi power station off-take agreement with Eskom as the first major building block of our Waterberg development strategy.
- We increased our export allocation through Richards Bay Coal Terminal to 6,3Mtpa (effective end 2009) in line with our strategy of diversifying our market.
- Exploration at Rosh Pinah has added seven years to the mine's life.
- Cooljarloo mine in Australia successfully replaced the outer shell of the floating feed preparation unit *in situ*: a world first for the industry that took 14 days versus a dry-dock approach that would have taken three months.
- Our shareholder structure changed during the year when Anglo American reduced its shareholding to just below 10%, which pleasingly increased our free float to above 34%.
- We have made significant progress in enlarging participation by Namibian citizens in our Rosh Pinah mine.

## chief executive officer's review continued

- Exxaro's research and development is at the forefront of innovation in creating excellent competencies in terms of equipment, people and knowledge - our R&D team has implemented the first phase of a highly capable mineralogy facility to support Namakwa Sands and other mineral sands projects and operations.
- Grootegeluk's technicians won a national award for the computer software program they developed for plant automation.
- Exxaro's employee newsletter, xxplore, won a trophy for excellence in communication skills in the publication category of the International Association of Business Communicators' Africa Quill Awards.

Our first year was, however, not without its challenges:

- The closure of the Vaalkrantz South underground operations at New Clydesdale and subsequent production losses that were mitigated by fast-tracking Inyanda.
- The reclaimer collapse at Leeuwpan due to structural failure in September, but which was mitigated by excellent contingency plans.
- Although we experienced 85% of cold feed capacity at our mineral sands smelter operations in KwaZulu-Natal, this still falls short of design capacity. In addition to existing improvement initiatives, we plan to review technology employed at the furnaces in the year ahead to further improve furnace performance.
- The three-week industrial strike at Rosh Pinah which affected production volumes.
- The shortage of skills, especially artisan and miner categories.
- The process for obtaining new mining rights and conversion into new-order rights, which:
  - lowered production volumes and increased costs due to higher stripping ratios as the Weltevreden reserve extension at Leeuwpan could not be mined.
  - reduced mining options and complicated mining activities at Hillendale mine as the Braeburn deposits could not be accessed.
  - delayed planned construction of the Fairbreeze mine required to supply ilmenite to the Empangeni smelter in future.
- The persistent strong Australian dollar affected the profitability of our Australian Sands business.

### Safety

Overall, the year 2007 has been a particularly dismal period for safety, with an unacceptable number of deaths across the industry, resulting in protest action by organised labour and an inquiry commissioned by the President of South Africa.

Health, safety, sustainability and productivity are key challenges facing the mining industry in South Africa which the Chamber of Mines is addressing through a number of initiatives, and to which Exxaro is fully committed.

Safety heads the list of priorities for Exxaro, and one of my key tasks is to ensure that we make tangible progress towards the collective goal of zero fatalities and harm.

Exxaro reviewed its SHE strategy during the year - to integrate the most effective elements of previous plans into a single strategy for the group and to support its commitment to a working environment that is both fatality-and injury-free by reducing exposure to workplace hazards. As part of our awareness and continuous improvement programme, we organise and sponsor a biennial industry-wide SHE conference (2007 was the fourth such conference) during which industry stakeholders, our management and employees interact to advance SHE objectives across the mining industry and share best practices locally and internationally. The outcome was a strategy that prioritised aspects of safety, health and environment. The implementation of each of the legs of this strategy will be monitored quarterly.

## Business environment

Robust commodity prices and sustained global economic growth characterised the review period, albeit dampened in the final months by economic developments in the United States and their concomitant impact on global markets.

In South Africa economic growth remained strong, reflected in the unprecedented levels of infrastructural development and capacity expansions across a range of key sectors.

Arguably the most important of these is energy where South Africa's power utility, Eskom, is rolling out its largest infrastructural expansion in decades to meet the country's spiralling power needs. As one of Eskom's largest suppliers, Exxaro has an important role in supplying product for coal-fired power stations, facilitating the development of clean energy technology (page 106) and helping to solve the energy conundrum South Africa is facing. Transport and logistics are other key sectors underpinning national economic development. Exxaro fully supports the capacity expansions and infrastructural upgrades under way by the state-owned transport utility, Transnet, and is actively participating in the expansion of export facilities through Richards Bay Coal Terminal.

## Legislation

In recent years, South Africa has introduced significant and wide-ranging legislation governing the mining industry, most specifically the Mineral and Petroleum Resources Development Act (MPRDA), the mining charter and its attendant scorecard, and the draft royalty bill which is in the final stages of drafting and comment.

Exxaro fully supports the intent of this legislation to ensure equitable participation in the country's natural resources, although the process of implementation has had some impact on day-to-day business and longer-term planning.

During the year, Exxaro secured new-order mining rights for Inyanda and New Clydesdale mines. Following a productive workshop with the Department of Minerals and Energy, the group has adopted a phased approach to the conversion process, with all applications for rights associated with the former Kumba Resources submitted and those for the conversion of former Eyesizwe Coal mining rights scheduled for submission in April 2008.

## Strategy

The essence of our first board-approved strategy is to consolidate in the short term, optimise growth plans over two to five years and innovate in the longer term.

This strategy forms the platform for integrating our assets, people and business approaches. To build solid foundations for the growth that lies ahead, we need to extract maximum value from our existing operating asset base, pursue expansion projects already under way and maintain a sound balance sheet structure. At the same time acknowledging the long lead times required for implementation, we must continue to identify growth prospects and selective acquisition opportunities.

## Skills

The scarcity of certain skills in the local mining profession is very real, and mirrors the global experience. While this presents Exxaro with a challenge to attract and retain the required skills sets, we are making tangible progress in developing people to their fullest potential and retaining this talent.

Exxaro exposes its people to multiple commodities while training to industry standards, even though this makes our trainees extremely attractive to the rest of the industry. In 2007, our company invested almost double the industry average to train more than 10% of all South Africa's artisans and over 24% of artisans in the mining industry. This underscores our belief that skills development is a valuable investment, one that reflects the confidence we have in our people and their individual and collective worth to our group. For me, this was best summed up by one of our own people when he said, "Exxaro offers more than just training; it offers a future".

## chief executive officer's review continued

### Sustainable development

One of the benefits of being a young company is the ability to forge a new entity that draws on the world's best practices to tailor a model that suits your particular operating environment.

Sustainable development was at the heart of Kumba Resources and it is no different for Exxaro. By stipulating leadership in sustainable development as one of the elements of our strategic framework, we have committed ourselves to setting and achieving targets that will ensure the legacy we leave is positive for today's children and tomorrow's leaders.

While the integration of the former Kumba Resources and Eyesizwe Coal has been smooth, it will take a little longer to completely integrate sustainable development processes and systems within Exxaro. Integrated policies and reporting guidelines are currently being developed and revised in line with the new sustainable development strategy and framework.

Following the external assurance process, a number of reporting matters on data relating to lost-time injuries, water used, environmental incidents, CO<sub>2</sub> emissions and total energy use have been identified for refinement and improvement on a group-integrated basis. Exxaro is committed to ensuring that these issues are resolved and that policies and reporting guidelines are implemented as soon as possible. Explanatory notes are included where data have been reported on these parameters in the body of this report.

### Directorate and governance

Best-practice governance is the *de facto* standard at Exxaro, made possible by directors who bring an array of skills and experience to bear in their deliberations.

On 31 August 2007, Dr Con Fauconnier retired as chief executive and director of Exxaro. His contribution to the group has been extraordinary in every respect and his legacy will live on in the corporate ethos he helped mould. We thank him and trust that this new phase of his life will be as rewarding, albeit less frenetic.

In March 2007, we welcomed Mavuso Msimang as an independent non-executive director. Regrettably, he resigned after three months to concentrate on his new appointment as director-general of the Department of Home Affairs and we wish him every success.

Subsequent to the year-end, Ms Nonkululeko Nyembezi-Heita resigned from the board effective 29 February 2008. We thank her for her services while in office.

Exxaro was not able to appoint an independent chairman in the review period, but an acting chairman - independent director, Dr Len Konar - was appointed to ensure continuity in the board's activities and its effective functioning. We expect to appoint a chairman in the first half of 2008.

### Appreciation

Exxaro took many giant steps in its first year, testimony to the calibre, commitment and entrepreneurial spirit of our people. The energy that permeates this group is both inspiring and humbling and I thank every one of my colleagues and fellow directors for their contribution and their support as I assume my new role.

Exxaro's empowerment partners have played a valuable role in the genesis of this group, and we will concentrate on further cementing these mutually beneficial relationships.

## Outlook

It has been a year of consolidation and integration - operationally and in terms of people. The setbacks we did encounter were well managed and appropriate action taken to entrench Exxaro's position in its chosen commodities.

In coal, we will continue to diversify our presence in the industry by expanding on our prominent position as a reliable supplier of power station coal to Eskom, strengthening our entry into metallurgical and export markets, and maximising downstream opportunities, such as char, market coke and energy-related ventures.

Subsequent to year-end, South Africa has been negatively affected by serious power constraints. We believe it is unlikely that future production at our coal mines will be affected by Eskom's load-shedding/rationing programme. Most of the group's coal mines supply some or all their production to Eskom. However, both KZN Sands and Zincor have an agreement with the electricity utility which may result in some 10% of production being lost.

To address coal shortages at its power plants, Eskom has recently requested an additional 45Mtpa to be supplied over two years, beginning immediately. Exxaro has offered to supply approximately 13,5Mtpa of this tonnage to the utility of which 9,6Mtpa has already been contracted.

The mineral sands industry worldwide still faces significant challenges. Given the quality of our mineral sands operations, the imminent acquisition of Namakwa Sands, our position as one of the largest titanium feedstock suppliers worldwide, and our focus on enhancing operational efficiencies and new growth, Exxaro will be well placed to compete aggressively when the market turns.

In our base metals and industrial minerals division, the focus will be on further improving operational efficiencies and refining our product range. In addition, we are examining industry fundamentals worldwide in considering opportunities to expand into other base metals and build on the significant existing capabilities in our group.

Continued buoyant iron ore market conditions should benefit the group in respect of its equity interest in Sishen Iron Ore Company.

Although a weaker rand will impact positively on US dollar-denominated revenue, continued cost pressure from rising inflation, the skills shortage and rising oil prices will negatively impact the business.

With its focused strategy and project pipeline, the Exxaro group is well positioned to exploit value-adding opportunities presented by strong commodity markets in fulfilling its mission to create unrivalled value for all stakeholders.

### **SIPHO NKOSI**

*Chief executive officer*

13 March 2008

## macro-economic and commodity review

World gross domestic product (GDP) growth slowed somewhat to 3,8% in 2007, after strong expansion of 4,0% in 2006. An important factor in this slowdown was the credit market turmoil that originated in the US in the second half of 2007, causing a slump in the housing market in that country.

We believe that despite subsequent monetary easing in the US and elsewhere aimed at calming global financial markets, the risk of a recession remains, particularly in the US. The ensuing weakening of the US dollar caused growth in Europe to falter due to the strong euro, as well as the spill-over effects of the credit squeeze. Housing market problems also spread to the UK, Spain and Ireland. The effects of the credit crunch are expected to be felt well into 2008, in our opinion.

We believe that despite this financial turbulence, global economic growth continued at a healthy pace, increasingly being driven by the strong performance of emerging market economies, especially China. However, leading economic indicators point to a slowdown in world economic growth in 2008 to an anticipated 3,2%. This is still equal to the long-run historical average world growth rate.

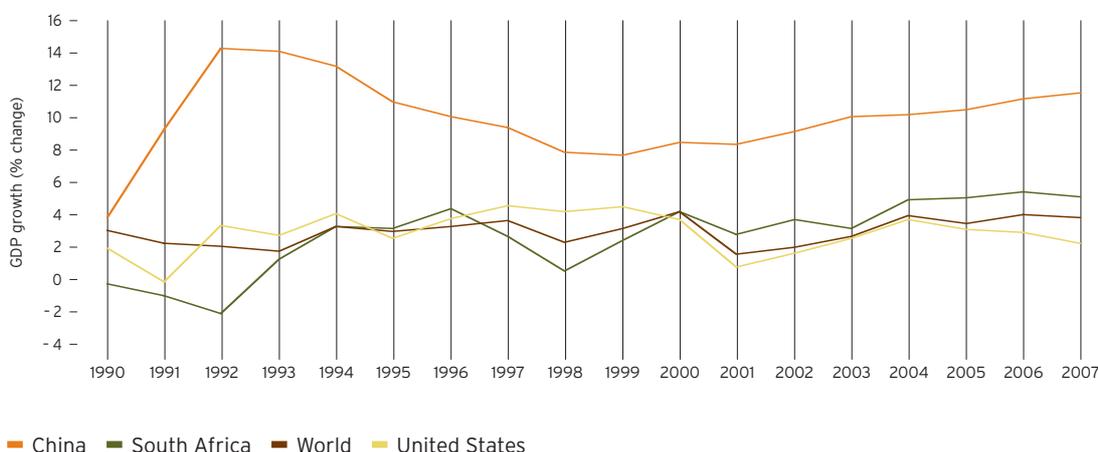
In China, real GDP increased by 11,5%, driven by fixed investment and exports. Industrial production expanded by a phenomenal 17,9%. The consensus view is that the Chinese economy continues to show signs of overheating, which could result in slower growth in the next few years as the Chinese government endeavours to cool its economy.

Key risks to the global economy remain the possibility of faltering growth due to the spreading impact of the credit crisis and a slump in housing markets, bursting asset bubbles, especially in Asia and Europe, and a recession in the US. In addition, continuing high, and even increasing, oil and other energy prices will dampen economic growth in oil-importing countries. This is especially relevant as China, other Asia-Pacific countries and the Middle East accounted for 70% of global growth in petroleum demand in 2007.

In South Africa, economic growth continued at a strong rate of 5,1% in 2007. Consumer price inflation rose above the South African Reserve Bank's target range of 3-6%, leading to credit tightening measures. Strong inflationary pressures are expected to result in consumer inflation falling within the Reserve Bank range only well into 2008. The strength of the rand against the US dollar continued to have a negative impact on export earnings of the mining and manufacturing industries, even though the mining industry operated in an environment of robust commodity prices.

Infrastructure bottlenecks in terms of electricity supply and rail, road and harbour capacities, as well as the acute shortage of skilled and experienced human resources, will limit the potential growth rate of the South African economy to below 5% per annum. Real GDP growth of 3,8% is expected in 2008, but negative developments internationally could also have an adverse impact on economic expansion in South Africa.

### COMPARATIVE GDP GROWTH RATES



Source: JP Morgan

## Commodity review

In 2007, robust materials-intensive economic growth in China and other emerging economies pushed oil and commodity prices to record levels. This was the fourth consecutive year of increasing prices. Supply bottlenecks in many commodities supported these price levels. We believe that base metals prices probably peaked in 2007, but bulk commodity prices continue to strengthen.

Market projections for global steel production indicate that crude output increased by 93Mt (some 7,5%) to 1 344Mt in 2007. Output increased by some 66Mt (or 15,7%) in China alone, indicating an aggregate increase in production in the rest of the world of about 3,3%. Growth in world raw steel production is expected to slow to between 5% and 6% in 2008.

After a 16% decrease in the contracted benchmark price for hard coking coal in 2007, the market started to tighten against strong demand and declining net exports from China, as well as rail and shipping bottlenecks, particularly in Australia. This is expected to result in large benchmark price increases being negotiated for 2008. Semi-soft coking and low-volatile PCI-contracted coal prices improved moderately in 2007, but further tightening of market conditions, in line with hard coking coal, is forecast to lead to contract prices being settled significantly higher for 2008.

The average Richards Bay spot steam coal price for 2007, at US\$62,82/tonne, was 21,3% higher than the average for 2006. In 2008, the price is expected to trade at over US\$100/tonne due to China reverting from being a net exporter of steam coal to a net importer in 2007 and strong demand growth from India leading to tight market conditions. In addition, logistical bottlenecks and high energy prices generally are also expected to support steam coal prices.

The world iron ore market continued to tighten in 2007, as production expansions in major exporting countries could not keep pace with increasing demand from China in particular. This forced Chinese consumers to satisfy their demand by buying spot cargoes of high-priced Indian and Chinese ores. In 2008, the global market for iron ore is expected to remain buoyant, given continued growth in the economies of China and the rest of Asia. However, the global shortage in engineering and construction resources may hamper planned capacity expansions by major suppliers, while logistical constraints associated with rail and port capacity and shortages in dry bulk vessel capacity are expected to affect the supply side of the seaborne iron ore market. As a result, prices are expected to increase substantially in the current iron ore year and remain firm in the medium term. With spot prices at times reaching levels double those of contract ore out of Australia in 2007, benchmark prices for 2008 are expected to be settled 65% to 71% higher, compared to the 9,5% increase negotiated for 2007.

The 2007 average London Metals Exchange (LME) cash zinc price was US\$3 250/tonne, some 0,7% lower than the average for 2006. The price was driven by good market fundamentals, reflected in a continuing refined zinc supply deficit of about 15kt, as well as investment fund-based activity. Nonetheless, the deficit was much smaller than in 2006, indicating that refined zinc supply was catching up with demand. This trend was confirmed in the concentrate market, where treatment charges changed from the negative spot charges of 2006 to above \$300/tonne in the fourth quarter of 2007. LME zinc stocks declined to a low of 58,1kt in October 2007 but then increased rapidly to end the year at a similar level to January 2007, at about 90kt. Continuing supply expansions are expected to result in a refined zinc surplus in 2008 of more than 100kt. The concentrate market will also show a surplus. We believe that these developments are expected to result in zinc prices declining to an average of US\$2 400/tonne in 2008.

Realised titanium dioxide pigment prices increased marginally in most global regions in 2007, with the market remaining in near balance. Declining GDP expansion in the US will slow pigment demand growth and might have a negative impact on prices in 2008 in that region. However, the impact of consolidation in the pigment industry in the review period could support prices, in our opinion.

Prices for most titanium feedstocks increased moderately during the year, mainly due to the fact that only a modest market surplus was experienced and this trend is expected to continue in 2008.

The zircon market experienced a record year in terms of prices, with an average free-on-board (FOB) price of almost US\$790/tonne being realised in Australia. Nevertheless, increasing supply from, especially, Indonesia resulted in consumer stocks building up and prices easing in the second half of the year. With supplies continuing to increase, and weak demand from consumers, we expect further softening in zircon prices in 2008.

## macro-economic and commodity review *continued*

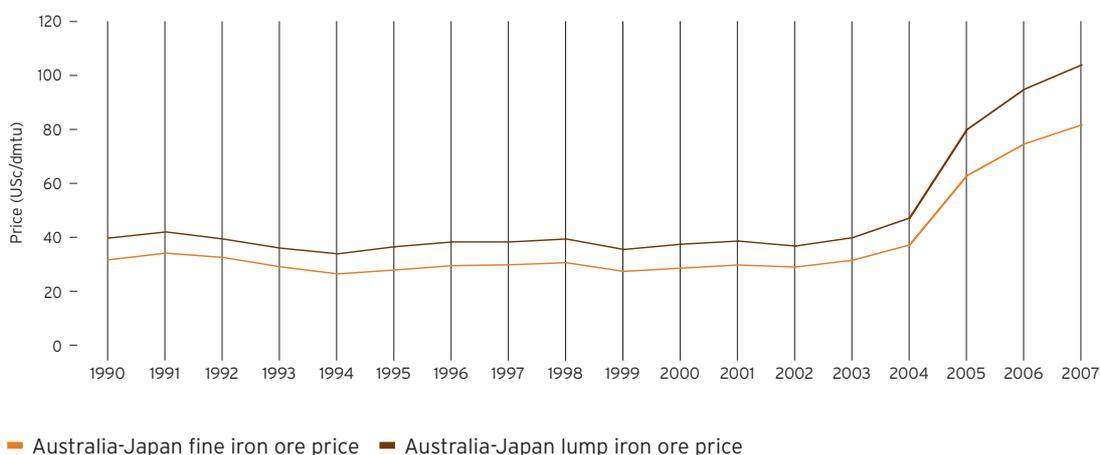
The US dollar generally weakened against the currencies of major commodity-exporting countries in 2007, especially after monetary easing in response to the credit crisis in the US. Commodity price increases in the currencies of these countries were thus lower than in dollar terms. Except for South Africa, the US dollar is expected to weaken further against the currencies of commodity-producing countries, again impacting negatively on local currency export receipts, although a weaker dollar tends to support commodity prices.

The significant increases in mining costs and mining project capital costs since 2005 continued in 2007. Capacity shortages with regard to contractors, machinery, equipment and mining professionals worldwide persisted. The skills shortage in particular is expected to endure for the foreseeable future, exacerbated by higher energy costs and infrastructure constraints.

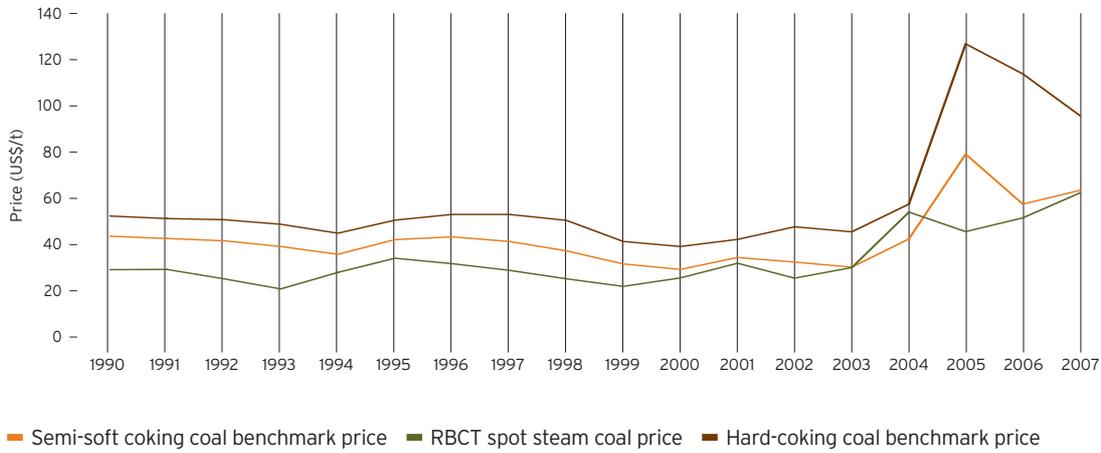
Global bulk freight rates increased significantly in 2007, following ongoing strong demand for bulk commodities from China and other emerging economies. This was reflected in a 150% surge in the Baltic Dry Freight Index during the year. The year 2007 was also characterised by major infrastructure bottlenecks which caused berthing delays at ports, especially in Australia.

Estimates of global exploration expenditure in 2007 indicate an increase for the fifth consecutive year, by some 25% over 2006. This trend is expected to continue into 2008, although forecast declining base metal prices could see the rate of growth decreasing. In time, increased exploration expenditure will result in increased mineral supply and contribute to the downward progression of the commodity price cycle.

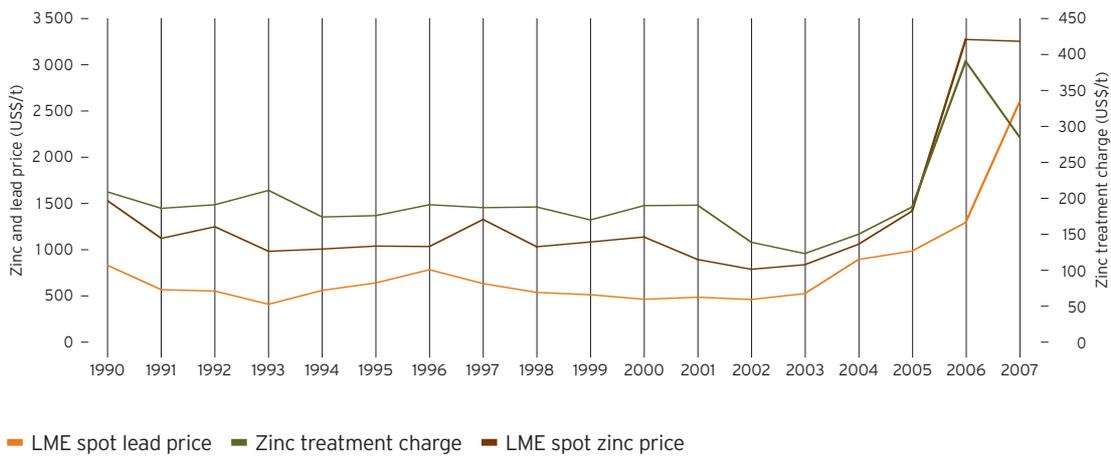
### NOMINAL HISTORICAL BENCHMARK IRON ORE PRICES



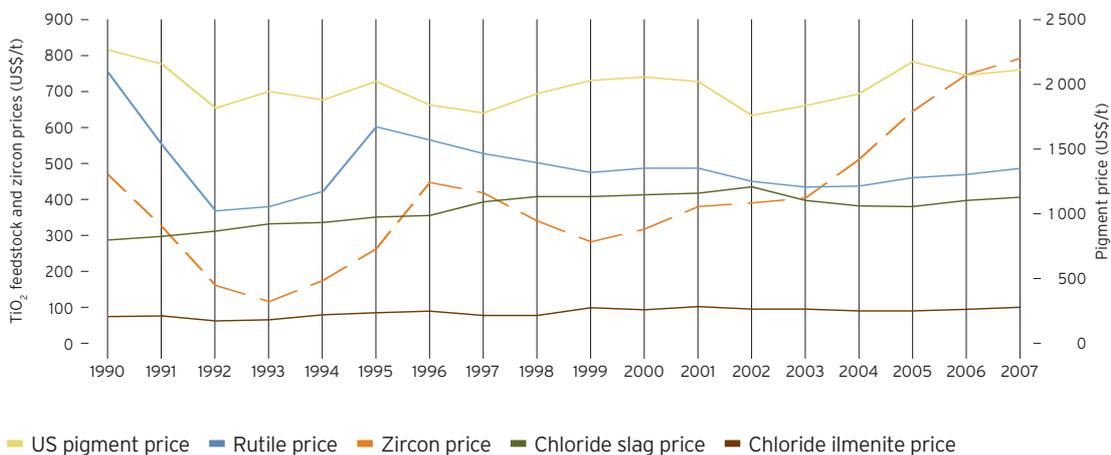
### NOMINAL HISTORICAL COAL PRICES



### NOMINAL HISTORICAL ZINC AND LEAD PRICES



### NOMINAL HISTORICAL TITANIUM DIOXIDE PIGMENT, FEEDSTOCK AND ZIRCON PRICES



## financial review

### Introduction

The 2007 year marked Exxaro's first full year's financial reporting since its revised listing late in November 2006. Accordingly, comments are for comparable purposes based on an analysis of the group's audited financial results for the 12 months ended 31 December 2007 compared with the unaudited supplementary financial results for the corresponding 12-month period ended 31 December 2006.

To ensure comparability, the investment in Sishen Iron Ore Company (Pty) Limited (SIOC) has been equity accounted from 1 January 2006, while Eyesizwe Coal (Pty) Limited (Eyesizwe) has been consolidated from the same date. All non-recurring accounting entries associated with the empowerment transaction in November 2006 and the impairment of the assets of the KwaZulu-Natal mineral sands operation in June 2006 have been excluded. The financial results do not include the Namakwa Sands business and a 26% interest in Black Mountain/Gamsberg as the acquisitions of these interests will only be completed after conversion of the mining rights and their subsequent cession to Exxaro.

### Overview of group operating results

TABLE 1

R million	12 months ended 31 December	
	2007	2006
Revenue	10 157	8 814
Operating expenses	8 713	7 553
Net operating profit	1 444	1 261
Net operating profit margin (%)	14	14

The group experienced strong demand at higher commodity prices despite the significant decrease in LME zinc prices in the last quarter of 2007. This, together with a stronger rand of R6,80 to the US dollar on 31 December 2007, resulted in revaluation of stock to net realisable value in the base metals and mineral sands commodity businesses decreasing by R133 million compared to the end of 2006.

Revenue increased by 15% to above R10 billion with net operating profit R183 million higher at R1 444 million.

An average exchange rate of R7,26 to the US dollar was realised on exports compared with R6,76 for the corresponding 12-month period in 2006. The significant strength of the Australian dollar to the US dollar, at a 23-year high (US\$0,83 to the AUD realised against US\$0,75 for 2006), however, impacted negatively on the financial results of the mineral sands operations in Australia.



**DIRK VAN STADEN**  
CHIEF FINANCIAL OFFICER

## Segmental results

Segmental results are shown in tables 2 and 3.

**TABLE 2**

R million	12 months ended 31 December	
	2007	2006
<b>Revenue</b>		
Coal	5 087	4 433
– Tied operations <sup>1</sup>	1 768	1 625
– Commercial operations	3 319	2 808
Mineral sands	2 172	1 859
– KZN Sands	984	817
– Australia Sands	1 188	1 042
Base metals	2 732	2 379
– Rosh Pinah	941	888
– Zincor	2 558	2 234
– Consolidation entries	(767)	(743)
Industrial minerals	159	122
Other	7	21
<b>Total</b>	<b>10 157</b>	<b>8 814</b>

<sup>1</sup>Tied operations refer to mining operations that supply their entire production to either Eskom or ArcelorMittal SA Limited in terms of contractual arrangements.

**TABLE 3**

Net operating profit (Rm)/Margin (%)	12 months ended 31 December			
	2007	%	2006	%
Coal	885	17	620	14
– Tied operations	88	5	105	6
– Commercial operations	797	24	515	18
Mineral sands	(97)	(4)	86	5
– KZN Sands <sup>1</sup>	(157)	(16)	(114)	(14)
– Australia Sands	60	5	200	19
Base metals	688	25	609	26
– Rosh Pinah	457	49	404	45
– Zincor	298	12	238	11
– Consolidation entries	(67)		(33)	
Industrial minerals	(3)	(2)	(1)	(1)
– Current operations	24		26	
– Alloystream™	(27)		(27)	
Other	(29)		(53)	
Total net operating profit	1 444	14	1 261	14
Non-cash costs	798		620	
Earnings before interest, tax, depreciation and amortisation (EBITDA)	2 242	22	1 881	21

<sup>1</sup>Excludes the impact of the impairment of carrying value of assets of a pre-tax amount of R784 million in 2006.

### Coal

Revenue from the coal commodity business increased by 15% to R5 087 million due to significantly higher free-on-rail export prices, increased selling prices to ArcelorMittal SA Limited (ArcelorMittal) based on higher international coking coal prices, and stronger power station coal prices to Eskom.

## financial review continued

Despite a lower net operating income at the tied operations brought about by a non-recurring R30 million payment from Eskom in 2006 to the Arnot mine for committed reserves, Exxaro Coal achieved a record net operating profit of R885 million, 43% higher than in 2006.

The higher revenue, profitable turnaround at the North Block Complex and savings realised from integrating the Kumba Coal and Eyesizwe Coal corporate offices, offset inflationary pressures primarily in respect of labour and diesel costs.

### Mineral sands

#### KZN Sands

The KZN mineral sands operation reported revenue of R984 million, up R167 million from 2006 due to increased chloride slag and LMPI sales. However, net operating loss increased by R43 million which includes a R45 million write down of the crude ilmenite stockpile from cost to net realisable value as a result of the stronger rand at the end of the financial year.

#### Australia Sands

Although revenue increased 14% primarily as a result of substantially higher synthetic rutile sales and modest increases in zircon and pigment prices, net operating profit decreased by R140 million caused by the 20% strengthening of the Australian dollar to the US dollar, and continued cost increases in energy consumables.

### Base metals

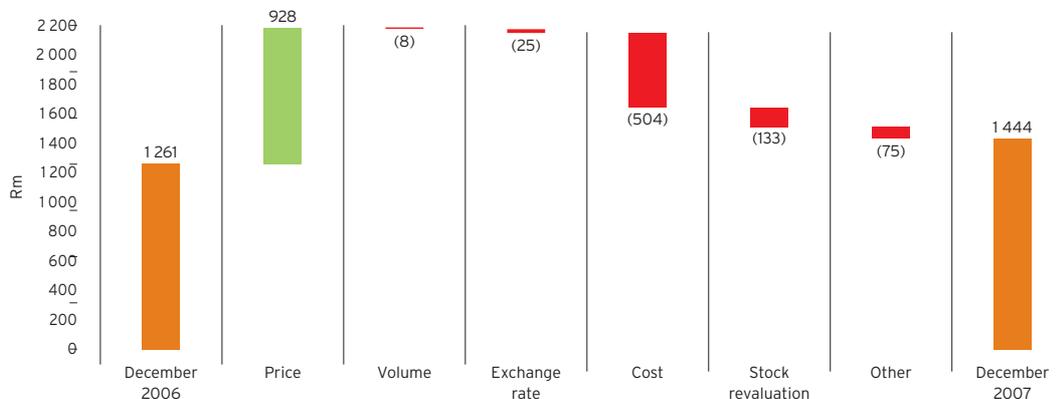
Revenue increased by 15% to R2 732 million with a net operating margin of 25% as a result of the 2% increase in the rand zinc price for the year to R22 824/tonne, compared with R22 311/tonne in the corresponding period in 2006. The increased revenue was partially offset by inflationary production cost increases and a write down to net realisable value of zinc metal stocks in the amount of R88 million due to the decline in LME zinc prices converted to rand terms at the end of the current reporting period.

### Industrial minerals

Despite an increase in revenue at the Glen Douglas dolomite mine and FerroAlloys plant, net operating profit declined attributable to higher maintenance expenditure and lower offtake of higher premium metallurgical dolomite products by ArcelorMittal.

Expenditure on the Alloystream™ technology was incurred in respect of the Furnace 1 feasibility study which allows for the demonstration of the furnace's beneficiation of manganese ore.

The following graph reconciles net operating profit for the 2006 year to the R1 444 million reported for 2007:



The pro forma comparable EBITDA contribution of the various businesses, on the assumption that 100% of the Namakwa Sands business, 26% of the Black Mountain/Gamsberg interest, 20% of Sishen Iron Ore Company (Pty) Limited (SIOC) held by Exxaro and the 22% effective interest in Chifeng are included in EBITDA, are shown in the respective pie charts:

### Attributable earnings

TABLE 4

R million	12 months ended 31 December	
	2007	2006
Net operating profit	1 444	1 261
Income from investments	2	
Net financing cost	(215)	(315)
Equity-accounted income	728	638
Taxation	(512)	(595)
Minority interest	(20)	(27)
Comparable attributable earnings	1 427	962
Weighted average number of shares	341	313
Comparable attributable earnings (cents per share)	418	307

### Net financing costs

An analysis of the composition of the disclosed comparable net financing cost is:

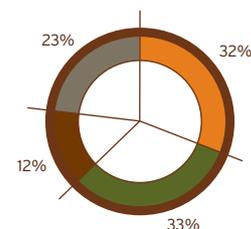
R million	12 months ended 31 December	
	2007	2006
Interest expense and loan costs	153	241
Finance leases (IAS 17 and IFRIC 4)	59	39
Interest income	(96)	(12)
	116	268
Interest adjustment on non-current provisions	99	47
Total	215	315

### Income from equity-accounted investments

TABLE 5

R million	12 months ended 31 December	
	2007	2006
SIOC	746	598
Chifeng Zinc	(18)	40
Total	728	638

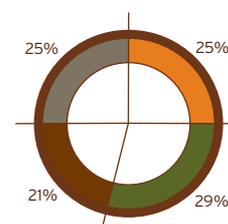
EBITDA CONTRIBUTION



12 MONTHS 2007

- Iron ore R1 243 million
- Coal R1 289 million
- Mineral sands R451 million
- Base metals and industrial minerals R921 million

EBITDA CONTRIBUTION



12 MONTHS 2006

- Iron ore R812 million
- Coal R937 million
- Mineral sands R711 million
- Base metals and industrial minerals R810 million

## financial review continued

### MANAGEMENT TEAM

**Rian Strydom (42)**

*General manager: financial accounting*

**Riaan Koppeschaar (37)**

*General manager: corporate finance and treasury*

**Sakkie Prinsloo (54)**

*Group manager: taxation*

Kumba Iron Ore - the holding company of SIOC in which Exxaro holds a 20% interest in iron ore - increased revenue by 33% to R11,5 billion for 2007 on the back of record production, higher sales volumes, increased benchmark prices and quality premiums on certain products. Kumba's operating margin increased to 52% and profit for the year was R3,9 billion. Headline earnings increased 44% to R3,1 billion.

Kumba Iron Ore expects to increase production from 32Mt to 40Mt in 2008 as the first of its expansion projects begin to deliver.

The results of SIOC are fully reported on by Kumba Iron Ore Limited in its publication of the financial results to 31 December 2007.

The significant decline in the demand for zinc, especially zinc alloys, in the local Chinese market as well as the sharp decline in zinc prices at year-end, combined with higher operating expenditure during the ramp-up of the expanded operation of the Chifeng refinery in inner-Mongolia, resulted in Exxaro's equity accounted interest reducing by R58 million to an R18 million loss in 2007.

#### Taxation

The corporate rate of 29% is reduced to an effective rate of 26,1% primarily due to:

- Share of associates and joint ventures differences - 10,8%
- Secondary tax on companies (STC) on the deemed dividend in respect of the share buy-back +2,9%
- Tax rate differences on offshore entities +2,1%
- Disallowable expenditure, mainly IFRS 2 *share-based payments* +2,1%

#### Headline earnings

The 15% increase in net operating profit and R90 million higher equity-accounted income from that reported for the comparative 12-month period in 2006, together with lower net finance charges resulting from lower debt levels, and a lower taxation charge, resulted in profit attributable to ordinary shareholders increasing by 48% to R1 427 million. Headline earnings were R1 448 million at 425 cents per share, 49% higher than the comparable period's 285 cents per share.

**TABLE 6**

R million	12 months ended	
	2007	2006
<b>Comparable net profit attributable to equity holders of the parent</b>	<b>1 427</b>	962
- Impairment of property, plant and equipment (PPE)	23	
- Share of associate's gain on disposal of PPE	(3)	(1)
- Share of associates recycling of re-measurements to profit or loss	(7)	
- Excess of acquirer's interest in the net fair value of the acquiree's net assets and contingent liabilities over cost		(36)
- Gains or losses on disposal or scrapping of PPE	17	(3)
- Gain on disposal of associate or joint ventures		(39)
- Investment impairment reversal	(6)	
- Taxation effect of adjustments	(3)	10
<b>Comparable headline earnings</b>	<b>1 448</b>	893
<b>Headline earnings per share</b>	<b>425</b>	285

## Dividends

Exxaro intends progressing to the distribution of 50% of attributable earnings to shareholders. Dividend declarations in the medium term may, however, be lower to adequately provide for funding the current growth pipeline of projects, comply with contractually agreed loan covenants, and maintain healthy key financial metrics.

Since the creation of Exxaro in November 2006, the following dividends have been declared:

Period ended	Dividend (cps)	R million	R million incl STC <sup>1</sup>	Date declared	Date paid/payable
30 June 2007	60	211	211	15 August 2007	10 September 2007
31 December 2007	100	353	353	20 February 2008	17 March 2008

<sup>1</sup>No STC is payable due to the utilisation of STC credits arising from the dividend receipts from SIOC.

Total dividends declared in respect of the 2007 financial year of R564 million equate to a dividend covered 2,5 times by attributable earnings and are paid or payable to the shareholders as follows:

	Total Rm	Final Rm	Interim Rm
Gross dividend declared	564	353	211
BEE Holdco	297	185	112
Anglo	58	37	21
Public	192	120	72
Exxaro empowerment scheme (MPOWER)	17	11	6

## Cash flow

TABLE 7

R million	12 months ended 31 December	
	2007	2006
<b>Net cash retained from operations</b>	<b>2 308</b>	1 980
Net financing cost, taxation and dividends	(801)	(2 983)
Cash used in investing activities		
• New capacity	(727)	(283)
• Sustaining and environmental capital	(569)	(640)
• Investments acquired	(257)	(40)
Dividends received	379	
Proceeds on sale of non-core assets and investments	50	239
Other	5	(6)
<b>Cash inflow/(outflow)</b>	<b>388</b>	(1 733)
Share issue	114	
Increase in net debt on acquisition of a subsidiary	(25)	
Other movements in net debt	(39)	
<b>Decrease in net debt</b>	<b>438</b>	

## financial review continued

Cash retained from operations of R2 308 million was mainly applied to taxation payments of R461 million, capital expenditure of R1 296 million, an investment of R239 million in the Richards Bay Coal Terminal to secure 2,5Mtpa export entitlement, and the interim dividend payment of R211 million in September 2007. The group had a net cash inflow of R388 million for the year.

A net surplus of R91 million was realised on the repurchase of 10 million shares from Anglo South Africa Capital (Pty) Ltd and the subsequent market placement of the same number of new shares. After taking into account the cash dividends of R373 million from SIOC, R502 million of cash and cash equivalents was available for the repayment of borrowings.

Net debt of R921 million at 31 December 2006 decreased by R438 million to R483 million at a net debt to equity ratio of 5% on 31 December 2007.

### Debt structure and financial covenants

Compliance with the group's financial loan covenants with its external financiers is as follows:

	Ratio	Covenant
• Net debt to equity (%)	5	<125
• EBITDA interest cover (times)	10	>4
• HDSCR <sup>1</sup>	1,85	>1,3
• CHDSCR <sup>2</sup>	3,86	>1,5

<sup>1</sup> Historical debt service cover ratio (HDSCR) being cash earnings, less unfunded capital expenditure and taxation paid, plus dividends received (collectively referred to as free cash flow), divided by mandatory capital and interest payments on financing facilities.

<sup>2</sup> Cumulative HDSCR being cash and cash equivalents at the beginning of the period, plus free cash flow, less dividends paid, divided by mandatory capital and interest payments on financing facilities. Dividend payments may not result in this ratio being less than 1,5.

The group's debt structure at 31 December 2007 is:

Debt structure				
R million	Drawn	Undrawn	Repayment profile	
Long term	1 333	2 858	74	2008
– Corporate	923	2 450	100	2009
– Australia Sands	410	408	44	2010
Short term	–	–	43	2011
Total debt	1 333	–	1072	After 2011
Cash and cash equivalents	(850)	–	1 333	–
Net debt	483	–	–	–

Net debt of R483 million at 31 December 2007 will increase with the payment commitment of R2 353 million, subject to the disclosed price adjustments, for the acquisition of Namakwa Sands and a 26% interest in Black Mountain/Gamsberg on conversion and subsequent cession of their mining rights.

Exxaro has sufficient committed term facilities for its intended growth aspirations as well as adequate short-term standby facilities.

## Organisational structure

Exxaro will divest 43,8% of its current investment in Rosh Pinah Zinc Corporation (Pty) Ltd (Rosh Pinah) to Namibian shareholder groupings planned for the first half of 2008. The divestment will reduce Exxaro's shareholding in Rosh Pinah to 50,04%. Exxaro will continue to manage the mine in terms of a management agreement.

In anticipation of the divestment and in order to accommodate the stand-alone funding structure arranged, hedging of up to 60% of Rosh Pinah's zinc and lead production over a 42-month period has commenced. A total of 13kt, representing 30% of the projected lead sales was hedged by 31 December 2007, at forward prices ranging from US\$1 700 to US\$940 per tonne while a further 30% of the intended 60% of the projected zinc sales up to mid 2011 was hedged subsequent to year-end at prices ranging from US\$2 098 to US\$2 435 per tonne.

Details of hedging concluded to date are as follows:

	2008	2009	2010	2011
Zinc sales tonnes hedged ('000)	15	16	16	9
Lead sales tonnes hedged ('000)	4	4	2	
Hedged zinc price (US\$/tonne)	2 356	2 335	2 293	2 265
Hedged zinc price (ZAR/tonne)	17 929	19 193	19 568	20 889
Hedged lead price (US\$/tonne)	1 509	1 181	939	
Hedged lead price (ZAR/tonne)	11 890	10 038	8 235	

## Capital expenditure

Table 8 compares capital expenditure for the 12-month periods ended 31 December 2007 and 2006 together with an estimate for the 2008 financial year. Investment in the Waterberg coal fields will dominate our capital expenditure programmes on new production capacity over the next two calendar years. Sustaining and environmental capital in 2008 includes the relining of Furnace 2 and the development of the Fairbreeze mine at KZN Sands, primary equipment replacements at the coal operations, and two small roaster rebuilds together with major maintenance on the cell house at the Zincor refinery.

**TABLE 8**

Capital expenditure R million	Financial year 2008 Estimate <sup>1</sup>	12 months ended 31 December	
		2007	2006
Sustaining and environmental	1 168	569	640
Expansion			
• Coal	1 179	679	235
• Mineral sands	63	16	29
• Base metals	40	25	8
• Industrial minerals and other	20	7	11
Total	2 470	1 296	923

<sup>1</sup>Excludes the acquisition of Namakwa Sands and a 26% interest in Black Mountain/Gamsberg.

## financial review continued

### Changes to International Financial Reporting Standards (IFRS)

The financial statements have been prepared in accordance with IFRS, with accounting policies consistent with those applied for the corresponding period ended 31 December 2006.

Exxaro intends to early-adopt proposed improvements to the following standards in 2008:

- IAS 1 *Presentation of financial statements*: including a statement of comprehensive income to separately disclose 'other comprehensive income', being items of income and expenses that are non-owner related and not recognised in profit or loss, and which were previously recognised directly in equity.
- IFRS 8 *Operating segments*: Disclosure of the components or segments that management uses to make decisions on operational issues.

The standards and circulars that required additional disclosures for the 2007 financial year were:

- IFRS 7 *Financial instruments*: Disclosures requiring an extensive list of both quantitative and qualitative disclosures for financial instruments aimed primarily at disclosures of risks and sensitivities to risks.
- IAS 1 *Presentation of financial statements*: Disclosure in respect of an entity's objectives, policies and processes for managing capital.
- Circular CC08/07 *Headline earnings*: Clarifies what should be included and excluded from headline earnings.

### Post-retirement benefit liability

Accredited medical aid funds are structured to exclude any employer liability for post-retirement medical benefits in respect of either existing or past employees.

The merger with Eyesizwe and creation of Exxaro in November 2006 resulted in the necessity to raise a provision for a post-employment healthcare benefit that had been provided to a group of continuation and in-service members on the Witbank Coal Medical Aid Scheme (WCMAS) and BHP Billiton SA Medical Scheme. This benefit, which is no longer offered, applied to selective employees previously employed by Eyesizwe or Ingwe Coal and comprises a subsidy of contributions.

An actuarial valuation of the employer liability was performed and a provision was raised in the amount of R36,3 million, of which R33,7 million was simultaneously raised as a receivable, being recoverable from Eskom as part of tied coal supply arrangements.

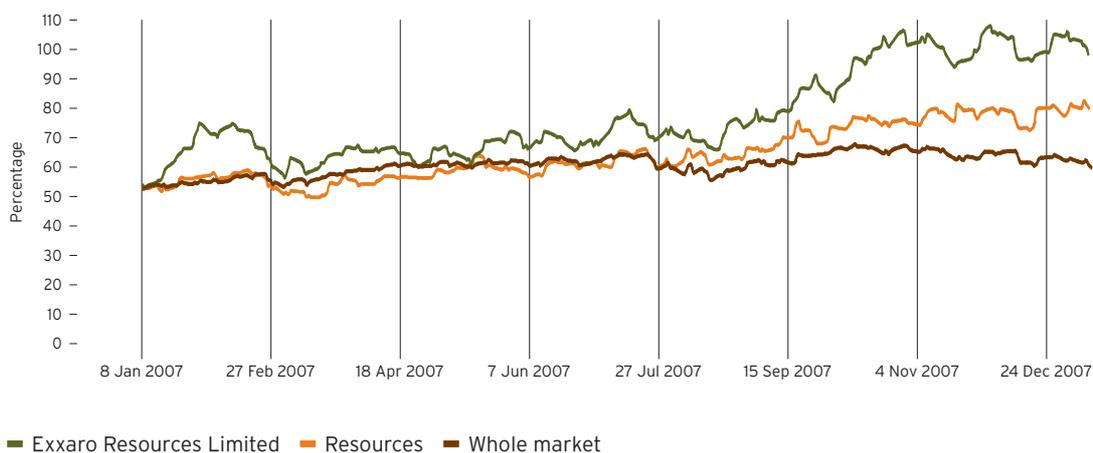
Exxaro is a participating employer in a number of defined contribution funds that provide retirement, death and disability benefits to employees. Exxaro no longer participates in any defined benefit funds.

### Share price performance

A year-on-year 12 months to 31 December 2007 comparison shows that the volume-weighted average share price was R75,49 against R54,86 for the previous year, while the daily trade in shares averaged 849 137 in 2007 compared to 453 084 in the previous period. During the year under review, the share price peaked at R107,00 in December 2007 (against a high of R59,82 in the previous financial period) and bottomed at R51,75 in January 2007 versus a low of R40,40 in January 2006. Post the financial year-end, the share has traded at a new high of R119,99 on the back of higher-than-anticipated bulk commodity prices and a weaker rand scenario.

In the year since the revised listing of Kumba Resources as Exxaro, the share has significantly outperformed both the JSE overall index (+13%) and the JSE Resources index (+9%). The disposal by Anglo American plc of more than 10% of its shareholding in the group during the second half of 2007 has significantly increased and improved Exxaro's liquidity and tradeability. This has in turn improved the share's attractiveness to large, offshore investors and also Exxaro's overall rating.

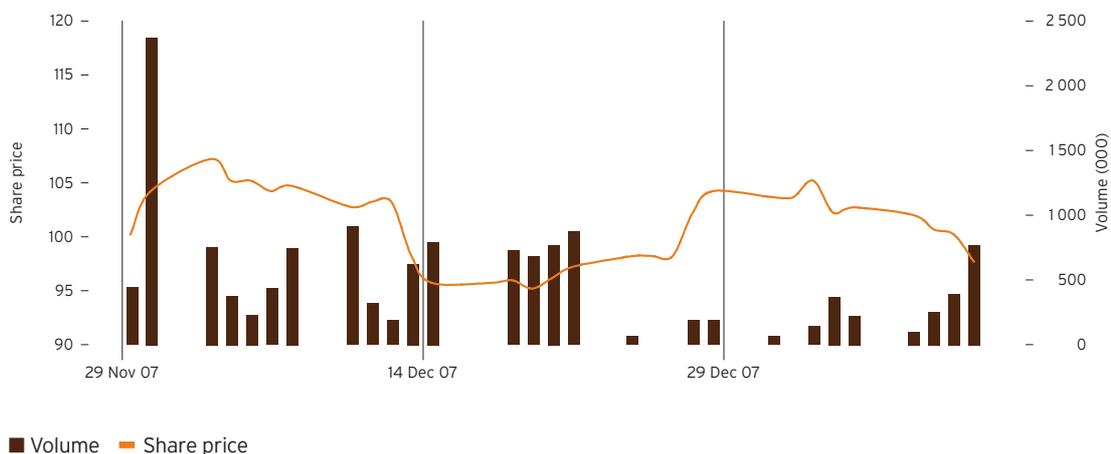
### SHARE PRICE AND RELATIVE PERFORMANCE SECTOR AND MARKET COMPARISON OVER ONE YEAR



### SHARE PRICE PERFORMANCE



### VOLUMES TRADED SINCE LISTING



## business operations review

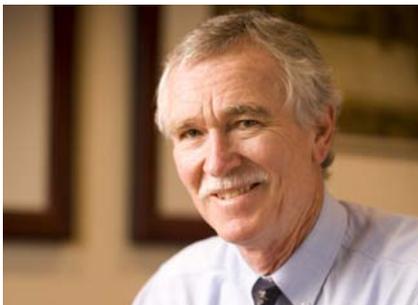
### Overview

In Exxaro's first full year, our business units recorded good operating performances despite the impact of excessive rain in the first half and difficult mining conditions at some operations.

Coal markets enjoyed the benefits of very strong global demand for bulk commodities which translated into increased domestic demand and favourable coal pricing. A number of new projects are under way to satisfy requirements and Exxaro is also well positioned to supply rising domestic demand from Eskom due to the growing demand for electrical energy in South Africa. To meet increased global demand, we have expanded our available export entitlement to 6,3Mtpa by end 2009.

In mineral sands, feedstock supply surpluses continued to affect markets and the economic slowdown in the US had a negative impact on pigment demand. Exxaro's 2007 financial results were also negatively influenced by the weakness of the US dollar against the Australian currency. Zircon enjoyed good global demand and pricing during 2007, although a supply surplus in 2008 is likely to lead to a softening in prices. Modest price increases for titanium dioxide feedstock products are expected in 2008.

In base metals, our zinc business has enjoyed prices that were at historical highs in the first half of 2007 due to a supply deficit and low stock levels. The corresponding treatment charges reflected a shortage of concentrate, however, in the last quarter of the year, an oversupply resulted in a correction to the metal price and this trend is expected to prevail in 2008. Lead prices have remained at high levels due to strong demand from China and various supply constraints.



A handwritten signature in black ink, appearing to read 'Mike Kilbride'.

**MIKE KILBRIDE**  
CHIEF OPERATING OFFICER

### Safety

Regrettably we recorded four on-mine fatal accidents during the year and one fatal incident involving a contractor on a public highway. Although this was an improvement on the six fatalities in 2006, our goal remains zero fatal accidents. We extend our deepest condolences to those families and colleagues on this loss of life and reaffirm our commitment to the programmes and processes that will yield an injury- and fatality-free working environment.

Measured against the lost-time injury frequency rate (LTIFR), there has been an overall improvement from 0,42 injuries per 200 000 man-hours in 2006 to 0,36 in 2007. The systems currently in place for reporting safety data are being refined to enable consistent future reporting. Currently nine of 12 operations have achieved international health and safety certification (OHSAS 18001) and environmental certification (ISO 14001) and the balance are working towards accreditation by December 2008.

## Operational performance

Despite challenges during the year as a result of extreme weather patterns, difficult geological conditions and the increasing scarcity of skills, there were a number of notable achievements:

- When underground operations at New Clydesdale mine were closed due to concern about the safety of support pillars, the new Inyanda opencast operation was able to access and truck coal to New Clydesdale within four months of site establishment to mitigate the loss of production.
- Grootegeluk set a sales production record of 18,5Mt and continued to improve output from its new GG6 plant.
- Zincor continued with its roaster rebuild programme and enjoyed the resultant benefit of improved throughput.
- An R89-million profitability turnaround of the North Block Complex was achieved by optimising mine planning, increasing throughput and securing better prices from customers.
- The roll-out of an intensified business improvement process coupled with a structured review of performance have renewed the focus on operational efficiency.
- There has been a substantial improvement in the safety performance of several operations, notably Zincor, Leeuwpán and the Tiwest operation in Australia.
- Slag and pig iron output of the furnaces at KZN Sands improved despite difficulties experienced due to Eskom supply interruptions and challenges associated with commissioning the pre-heaters.
- Maintaining production despite frequent periods where operations were affected by Eskom interrupting power supply through load-shedding in the last quarter of the year.
- Record pigment production from the Tiwest operation in Australia.
- Good ramp-up of zinc production from the Chifeng refinery in China.

## New operations

Exxaro's expansion remains healthy with a number of exciting projects either under construction or in the final stages of investigation and approval.

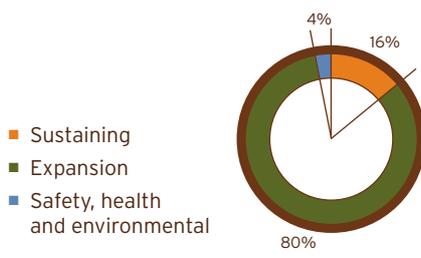
The export-orientated opencast Inyanda mine is on track to full production of 1,5Mtpa. Since establishment, Inyanda has been supplying run-of-mine product to New Clydesdale. Inyanda's beneficiation plant should be commissioned in the second quarter of 2008.

# Coal

- 1 Underground pick changing at Arnot mine, Mpumalanga
- 2 Operations at Leeuwpan mine, Mpumalanga



## 2008 CAPITAL EXPENDITURE ESTIMATE



### OVERVIEW

The review period was Exxaro Coal's first full year in operation after the merger between Kumba Coal and Eyesizwe Coal in November 2006. Management's new strategic intent and focus centres on creating exceptional value by being an innovative carbon and energy division, with a global footprint, using and developing excellence in people and superior processes to produce 85Mtpa of coal and 3000MW of energy equivalents by 2015.

### HIGHLIGHTS

**1,5Mtpa**

Inyanda mine commissioned

**R89 million**

profitability turnaround at North Block Complex

**90%**

of design capacity reached at Grootegeluk 6 project

New 45-year Medupi power station supply

agreement from Eskom for **8,5Mtpa**

To achieve the strategic objectives, Exxaro Coal is concentrating on operational excellence in current operations as well as optimising and growing its market position in supplying coal to Eskom, and to the domestic and export markets. Considerable emphasis has been placed on value growth by downstream integration, typified by the Sintel char plant at Grootegeluk mine and advanced studies on a market coke plant.

The focus during the year was on optimising existing assets and growing the business. Grootegeluk's GG6 plant is achieving over 90% of its design capacity. The turnaround at North Block Complex was unfortunately countered by the discontinuation of underground activities at New Clydesdale mine due to safety considerations which have severely affected activities at this business unit in the current year. In addition to supplementing semi-soft coking coal to ArcelorMittal Steel South Africa's coking plants, the GG6 project contributes to alleviating the shortage of market coke for the ferroalloy industry.

To mitigate the loss of production at New Clydesdale, commissioning of the Inyanda mine was fast tracked and first run-of-mine coal was supplied to the New Clydesdale plant four months after site establishment. Construction of the beneficiation plant at Inyanda is progressing well, with hot commissioning planned for the second quarter of 2008. The R269-million Inyanda mine is the first greenfields project to be developed under the Exxaro banner and is expected to produce up to 1,5Mtpa of high-grade export-quality product.

Leeuwpán mine's reclaimer suffered a structural failure in September and is only expected to be repaired by the third quarter of 2008. Front-end loaders have been deployed to minimise the impact on sales.

Favourable international prices and increased domestic demand, mainly from Eskom, resulted in increased domestic coal prices for both power station and steam application. Where sales contracts allowed, Exxaro Coal was able to capture value from both international and domestic coal price movements.

### Physical information and operating results

Production volumes were marginally lower than 2006 (1%), with power station volumes being the main contributor to the variance.

Power station coal production at Eskom-tied mines was lower than 2006 due to difficult geological conditions at Arnot and delays at Matla due to a protracted waiting period for the necessary regulatory approvals for a river diversion. This was partially countered by the commercial mines (North Block Complex, Leeuwpán and Grootegeluk) meeting increased demand from Eskom. North Block Complex started mining a new reserve this year (referred to as Block C) which yielded increased product volumes.

Coking coal production showed a marked increase year on year due to pillar extraction at the Nyala shaft at Tshikondeni as well as the ramp-up of the GG6 plant at Grootegeluk. Steam coal production was lower mainly as a result of the closure of New Clydesdale's underground sections.

## STRATEGIC OBJECTIVES

- Improving operational excellence by maintaining and strengthening our position in the lower quartile of the coal free-on-rail (FOR) cost curve in South Africa.
- Strengthening our dominant market position as a supplier to domestic metals and energy markets, and increasing our presence in the power station coal export market.
- Ensuring exceptional value growth by executing brown- and greenfields coal growth projects to produce 85Mtpa by 2015.
- Diversifying our portfolio by moving downstream into the reductant and energy business sectors.
- Maintaining and improving our high-performance culture.
- Ensuring sustainability in the communities where we operate.

## MANAGEMENT TEAM

**Ernst Venter (51)**  
*Executive general manager*

**Leon Groenewald (38)**  
*Manager: finance*

**Johan Myburgh (59)**  
*Manager: marketing*

**Mongezi Vetu (42)**  
*General manager: Arnot,  
New Clydesdale and Tshikondeni*

**Johan Wepener (50)**  
*General manager: Leeuwpán, Inyanda,  
North Block Complex and Mafube*

**Danie Mouton (40)**  
*Manager: business development*

**Jan Oberholzer (42)**  
*Programme manager: Waterberg*

**Reinette Prosch-Bekker (38)**  
*Manager: business improvement*

**Ashley Walburgh (42)**  
*Manager: human resources*

## business operations review continued

Sales to Eskom were lower year on year, in line with the decrease in production. Other domestic sales were boosted by higher production at Tshikondeni and a 28% increase in semi-soft coking coal sales to ArcelorMittal in line with increased demand. This swing to domestic volumes lowered export volumes which were also affected by the closure of the New Clydesdale underground operations.

Capital expenditure for 2007 was higher than 2006 and included expenditure for the construction of Inyanda mine and the Sintel char plant at Grootegeluk.

Unaudited physical information ('000 tonnes)	2007	2006	Variance	Y-O-Y %
<b>Coal<sup>1</sup></b>				
<b>Production</b>				
<b>Power station</b>	<b>34 246</b>	34 599	(353)	(1,0)
– Tied operations <sup>2</sup>	<b>16 732</b>	17 598	(866)	(5,0)
– Commercial operations	<b>17 514</b>	17 001	513	3,0
<b>Coking</b>	<b>2 962</b>	2 496	466	18,7
– Tied operations <sup>2</sup>	<b>463</b>	363	100	27,5
– Commercial operations	<b>2 499</b>	2 133	366	17,2
<b>Other commercial operations</b>	<b>4 112</b>	4 665	(553)	(11,9)
<b>Total</b>	<b>41 320</b>	41 760	(440)	(1,1)
<b>Sales</b>				
<b>Eskom</b>	<b>34 226</b>	34 665	(439)	(1,3)
– Tied operations <sup>2</sup>	<b>16 699</b>	17 598	(899)	(5,1)
– Commercial mines	<b>17 527</b>	17 067	460	2,7
<b>Other domestic</b>	<b>5 237</b>	4 892	345	7,1
– Tied operations <sup>2</sup>	<b>449</b>	381	68	17,8
– Commercial mines	<b>4 788</b>	4 511	277	6,1
<b>Export commercial mines</b>	<b>1 821</b>	2 434	(613)	(25,2)
<b>Total</b>	<b>41 284</b>	41 991	(707)	(1,7)
Revenue (Rm)	<b>5 087</b>	4 433	654	14,8
Net operating profit (Rm)	<b>885</b>	620	265	42,7
Capital expenditure (Rm)	<b>876</b>	465	(411)	88,4

<sup>1</sup>For comparative purposes the Eyesizwe Coal mines are included for the full periods disclosed.

<sup>2</sup>Tied operations refer to mining operations that supply their entire production to either Eskom or ArcelorMittal SA Limited in terms of contractual arrangements.

## Prospects

In 2008, the focus will be on the continued strong operational performance from all mines with Mafube, Inyanda, Sintel char and Diepspruit (New Clydesdale) all ramping up in 2008. Grootegeluk is expected to begin implementing a seven-day work week, ahead of expansion projects to supply the new Medupi power station.

### **CAPITAL EXPENDITURE 2008 (estimate) (Rm):**

Sustaining	239
Expansion <sup>1</sup>	1 179
Safety, health and environmental	56
<b>Total</b>	<b>1 474</b>

<sup>1</sup>Expansion capital includes expenditure on the Inyanda beneficiation plant, the Mafube joint venture, the Sintel char project at Grootegeluk and the Grootegeluk expansion for the Medupi power plant.

Exxaro Coal expects improved coking coal and coke prices during 2008 with continued strong demand driven by Asia, particularly China. Steam coal prices are expected to increase due to high demand and global logistical constraints.

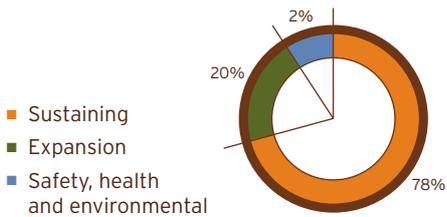
The coal business also expects to improve on its solid performance in 2007 with the successful commissioning of projects scheduled for 2008 and a solid longer-term project pipeline, all prioritised, managed and executed in line with its strategy.

# Mineral Sands

- 1 Hydraulic mining at Hillendale mine
- 2 KZN Sands central processing complex site



2008 CAPITAL EXPENDITURE ESTIMATE



## OVERVIEW

Once the acquisition of Namakwa Sands is complete, Exxaro's mineral sands operations in South Africa and Australia will make the group one of the world's largest suppliers of titanium dioxide feedstock and zircon.

## HIGHLIGHTS

# 186,6kt

record at KZN Sands for titanium slag tapped

# Record

pigment production maintained at Australia Sands

## KZN Sands

KZN Sands reported improved production results from both furnaces for 2007 in contrast with the negative impact of the Furnace 1 shut on production in 2006. Titanium slag tapped was 35,7kt higher at 186,6kt (a new annual production record) and increased slag throughput boosted low manganese pig iron (LMPI) production. Ilmenite production was aligned with higher smelter feed requirements, resulting in 48kt more than 2006.

Business improvement initiatives during the year continued to focus on increasing smelter output.

The pre-heater was not introduced as planned due to instability in the furnaces, exacerbated by Eskom's power supply shortages and subsequent load-shedding in the last quarter of the year. In anticipation of acquiring operational control of the Namakwa Sands business, a number of synergistic and value-adding projects have been identified. A review will be undertaken at KZN Sands of the current furnace technology with the objective to improve the performance of the furnaces.

Zircon and rutile production, however, declined due to lower mineral grades in the area mined during the review period, but are expected to improve in the next reporting period.

In March 2008, Furnace 2 was shut down for scheduled maintenance earlier than planned following a water ingress incident that caused substantial damage to the furnace at the KZN Sands Empangeni central processing complex. This will result in total estimated downtime of eight months (including a month-long ramp-up) and significantly lower production of both slag and low manganese pig iron in 2008 when compared to the 2007 financial year.

The average *in situ* heavy minerals grade at the Hillendale mine, which is nearing the end of its life, is expected to be lower in 2008, until mining and development of the Fairbreeze and Braeburn deposits can begin once mining rights are obtained.

## Australia Sands

Record pigment production was maintained during the period due to continuous de-bottlenecking of the pigment plant and business improvement initiatives. Zircon and rutile volumes increased marginally as initiatives to increase recoveries more than offset reduced feed into the dry mill, in turn caused by lower mining grades resulting in reduced concentrate production.

A planned five-week shut for the synthetic rutile plant was successfully completed on schedule in July 2007. The benefits of the shut led to increased synthetic rutile production. A successful two-week shut was also completed at the Cooljarloo mine and included replacing the outer shell of the floating feed preparation unit.

The 2008 mining plan indicates unavoidable mining of a low-grade area for most of the year. This is expected to result in lower heavy minerals concentrate production.

## STRATEGIC OBJECTIVES

- Maintain position as third-largest producer of high-grade titanium dioxide feedstock.
- Second-largest producer of zircon.
- Downstream value addition.
- Increase share in world chloride pigment production.

## MANAGEMENT TEAM

**Wim de Klerk (44)**

*Executive general manager*

**Willem van Niekerk (48)**

*General manager: marketing and business development*

**Mellis Walker (41)**

*Manager: finance*

**Hendrik Graham (54)**

*Manager: China business development*

**Robbie Gleimius (38)**

*Manager: marketing*

**Johan Meyer (39)**

*Manager: business improvement and technology*

**Zanemvula Jojwana (49)**

*Manager: human resources*

## business operations review continued

Unaudited physical information ('000 tonnes)	2007	2006	Variance	Y-O-Y %
<b>Mineral sands – RSA</b>				
<b>Production</b>				
– Ilmenite	367	319	48	15,0
– Zircon	34	50	(16)	(32,0)
– Rutile	17	25	(8)	(32,0)
– Pig Iron	90	75	15	20,0
– Scrap pig Iron	20	10	10	100,0
– Chloride slag	150	134	16	11,9
– Sulphate slag	26	36	(10)	(27,8)
<b>Sales</b>				
– Ilmenite (external sales)	50	50		
– Zircon	27	48	(21)	(43,8)
– Rutile	18	31	(13)	(41,9)
– Pig Iron	91	60	31	51,7
– Scrap pig Iron	8	9	(1)	(11,1)
– Chloride slag	163	104	59	56,7
– Sulphate slag	29	30	(1)	(3,3)
<b>Minerals sands – Australia<sup>1</sup></b>				
<b>Production</b>				
– Ilmenite	216	227	(11)	(4,8)
– Zircon	36	36		
– Rutile	17	18	(1)	(5,6)
– Synthetic rutile	100	98	2	2,1
– Leucoxene	16	14	3	14,3
– Pigment	54	54		
<b>Sales</b>				
– Ilmenite	20	30	(10)	(33,3)
– Zircon	29	32	(3)	(9,4)
– Rutile	16	18	(2)	(11,1)
– Synthetic rutile	57	27	30	111,1
– Leucoxene	17	10	7	70,0
Revenue (Rm)	2 172	1 859	313	16,8
Net operating profit (Rm)	(97)	86	(183)	(212,8)
Capital expenditure (Rm)	193	266	(73)	(27,4)

<sup>1</sup> The production and sales tonnes reflect Exxaro Sands Australia's 50% interest in the Tiwest joint venture with Tronox Western Australia.

## Prospects

### CAPITAL EXPENDITURE 2008 (estimate) (Rm):

Sustaining	570
Expansion <sup>1</sup>	2 240
Safety, health and environmental	46
Total	2 856

<sup>1</sup>Expansion capital includes the acquisition of 100% of the Namakwa Sands business.

Global growth rates are expected to continue slowing in 2008. As pigment demand is closely linked to GDP growth, any downturn will affect pigment sales. Reduced Chinese pigment exports however should lend some support for other pigment producers to increase prices. In addition, demand for pigment in China-Pacific is expected to grow strongly for many years.

There is rising demand for titanium metal, driven by the aerospace sector. Although the number of titanium sponge plants has increased, mainly in China, product quality determines into which industry it is sold.

Prices for most titanium feedstocks increased during the year, mainly driven by the tight supply of feedstocks and strong demand from the titanium sponge and welding-rod industries. Prices are forecast to increase marginally in 2008.

Zircon prices may remain under some pressure in 2008.

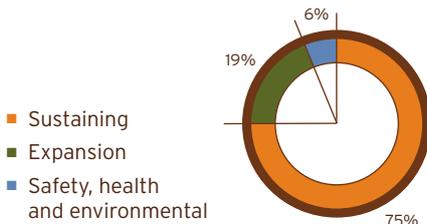
The demand for low manganese pig iron remains strong, although industry analysts believe the market is peaking. The strong upward trend in the price is attributed primarily to China, the largest exporter of pig iron, curtailing exports to meet local demand. Japanese steel producers have announced plans to increase production, and these larger orders for pig iron are also supporting higher prices.

# Base metals and industrial minerals

- 1 The Glen Douglas mine, Gauteng
- 2 Analysing drill core samples at Rosh Pinah, Namibia



2008 CAPITAL EXPENDITURE ESTIMATE



## OVERVIEW

Exxaro's base metals and industrial minerals division comprises the operations of Rosh Pinah zinc and lead mine in southern Namibia which is 94% owned by Exxaro, the Zincor zinc refinery in Gauteng, a 22% effective interest in the Chifeng zinc refinery in Inner Mongolia, China, as well as the Glen Douglas opencast metallurgical dolomite and aggregate mine and the Exxaro FerroAlloys plant producing gas-atomised ferrosilicon powder, both in Gauteng.

## HIGHLIGHTS

**101kt** zinc metal produced at Zincor through plant performance

**7-year** extension of Rosh Pinah mine life through focused exploration

The division's strategic intent is focused on operational improvement at Zincor, Rosh Pinah and Glen Douglas. Zincor and Rosh Pinah invested sustainable capital in critical areas to ensure that the businesses remain robust even at the troughs of the commodity cycle. Zincor is currently undertaking a study on leading submerged lance fuming technology. Potential benefits from this technology include a significant improvement in zinc and by-product recoveries and a decreased environmental impact, bringing Zincor closer to a zero waste discharge operation.

A further focus area is on finding a suitable long-term replacement for domestic feedstock for Zincor. This includes focused exploration at Rosh Pinah. The Rosh Pinah life of mine was increased from four years in 2004 to 11 years in 2007 through an intensified exploration programme. The ongoing programme continues to deliver positive results and could further increase the life of mine.

In industrial minerals, a number of opportunities are under investigation to enhance the value of current operations and meet the growing demands of the aggregate market.

Zinc prices, in line with base metals commodity prices, were extremely volatile during the year. The LME price for zinc reached a record level of above US\$4 000/tonne in the first half of the year but retracted to levels of \$2 300 at year-end. The average zinc price for the year of \$3 250 was in line with the average price for 2006 of \$3 274. Lead prices were extremely strong during the year, increasing to an average of \$2 580/tonne, \$1 291 above the 2006 average.

Refined zinc supply grew strongly during 2007, reducing the market supply deficit to an expected 50kt compared to more than 250kt in 2006. This growth impacted on the zinc concentrate market, driving treatment charges higher than US\$300/tonne in the fourth quarter of 2007.

Increased zinc metal production was achieved at the Zincor refinery as a result of better quality concentrates and improved plant performance. This resulted in production volumes increasing from 90kt in 2006 to 101kt in 2007 and in improved recoveries of zinc.

Zincor completed a rebuild of the no 4 roaster similar to roaster no 3 which was rebuilt in the second half of 2006, resulting in a marked improvement in roaster throughput.

The transaction to sell a 43,8% interest in Rosh Pinah to Namibian groups is expected to be completed in the first half of 2008, effectively reducing Exxaro's shareholding in Rosh Pinah to 50,04%. Exxaro will continue to manage the mine through a management contract.

Rosh Pinah's production of zinc concentrate of 95kt was 9% lower than 2006. This was mainly as a result of floods in the early part of 2007 in southern Namibia, industrial action at the mine in the second half of the year and numerous stoppages due to equipment and plant failure. Focus on a capital replacement programme and preventative maintenance plans is expected to enhance performance.

## STRATEGIC OBJECTIVES

- Operational improvements at current businesses
- Sustainable capital investments for long-term growth through commodity cycles
- Feedstock supply to Zincor including exploration at Rosh Pinah

## MANAGEMENT TEAM

**Mxolisi Mgojo (47)**  
*Executive general manager*

**Riaan Smit (37)**  
*Manager: finance*

**Sakkie Swanepoel (42)**  
*Manager: marketing*

**Jaco Badenhorst (51)**  
*Manager: business development*

**Frans Cillié (50)**  
*Manager: human resources*

**Nanne Vegter (47)**  
*Manager: technology*

**Marita Welgemoed (39)**  
*Manager: business improvement*

## business operations review continued

Unaudited physical information ('000 tonnes)	2007	2006	Variance	Y-O-Y %
<b>Base metals</b>				
<b>Production</b>				
Zinc concentrate – Rosh Pinah	95	104	(9)	(8,7)
Zinc metal	124	106	18	17,0
– Zincor	101	90	11	12,2
– Chifeng <sup>1</sup>	23	16	7	43,7
Lead concentrate – Rosh Pinah	22	21	1	4,8
<b>Zinc metal sales</b>	<b>122</b>	<b>115</b>	<b>7</b>	<b>6,1</b>
– Domestic	93	91	2	2,2
– Export	29	24	5	20,8
Lead concentrate sales – Rosh Pinah				
– Export	19	32	(13)	(40,6)
<b>Industrial minerals</b>				
<b>Production</b>				
Dolomite	543	661	(118)	(17,9)
Aggregate	749	672	77	11,5
Lime	54	59	(5)	(8,5)
Atomised ferrosilicon	6	6		
Revenue (Rm)	2 891	2 501	390	15,6
Net operating profit (Rm)	685	608	77	12,7
Capital expenditure (Rm)	185	121	64	52,9

<sup>1</sup>The effective interest in the physical information for the Chifeng (Hongye) refinery has been disclosed.

Production costs increased in line with current higher mining inflation. Expenditure on maintenance increased from 2006 mainly due to equipment breakdowns and preventative maintenance programmes being put in place. Skills shortages, mainly at Rosh Pinah, also contributed to higher cost and lower efficiencies.

The capacity expansion from 50kt to 110kt at the Chifeng refinery has been successfully commissioned, with production being progressively ramped up to design capacity. Exxaro has an effective 22% interest in the expanded operation consisting of three phases. Production ramp up at the end of December reached 80% of design capacity. Operating profit was under pressure in 2007 mainly due to a significant decline in demand for zinc, especially zinc alloys, in the local Chinese market as well as the sharp decline in prices at year end that resulted in writing down inventory values to net realisable value and higher operating expenditure during the ramp-up phase.

Production at both the FerroAlloys plant and Glen Douglas mine was in line with 2006. Net operating income declined by R3 million as a result of higher maintenance expenditure at Glen Douglas.

Capital expenditure of R185 million for 2007 increased by 53% and was mostly focused on replacing the mining fleet at Rosh Pinah and the replacement and upgrades to plant and equipment at Zincor, including the roaster rebuild. In 2008, we will continue replacing mining and plant equipment, rebuild the two smaller roasters at Zincor and implement major maintenance at Zincor's cell house.

## Prospects

Zinc concentrate supply is expected to grow at a stronger pace in 2008 and zinc refined production at a similar rate. Both the refined zinc and concentrate markets are forecast to be in oversupply for 2008 which will exert further pressure on the zinc price which is expected to average US\$2 400/tonne in 2008. A feasibility study is under way on further expansion of the Chifeng refinery to a capacity of some 130ktpa. The study is expected to be complete by mid 2008, after which Exxaro will review its participation in the expanded operation.

### CAPITAL EXPENDITURE 2008 (estimate) (Rm)

Sustaining	236
Expansion	60
Safety, health and environmental	18
Total	314

## technology

The ability to produce a full range of commodity products in our chosen sectors, and high level of intellectual knowledge within the Exxaro group, lends itself to developing strategic opportunities. Accordingly, the role of our centralised technology team in the development of clean beneficiation and smelting technologies, for example, is integral to achieving our longer-term strategic goals and the sustainability of our business into the future.

The purpose of the technology team is to develop and execute medium and large optimisation and growth projects, develop new technology and provide technical support to current operations. Exxaro has significant in-house competencies in a range of technical areas spanning our mining and processing activities, including:

- mineral asset management
- mining processes
- research and development
- metallurgy
- projects and engineering
- technology management.

The technology group supports our commodity businesses throughout the business life-cycle from strategy formulation to feasibility studies for growth projects, technology development, engineering and construction to operational support. Different centres of excellence stay abreast of technological and legislative developments, drive the improvement of engineering practices and improve safety practices in each discipline.

The research and development group's activities are currently focused on developing and testing processing technologies and their application. In addressing specific challenges and opportunities, examples of projects under way that will have positive impacts on both social and environmental aspects include:

- dry processing
- microwave processing
- Sintel char plant
- zinc-fuming technology
- low-grade ore processing
- fines beneficiation
- co-generation of electricity
- water-use reduction
- bio-treatment and recycling of sewage.

# growth

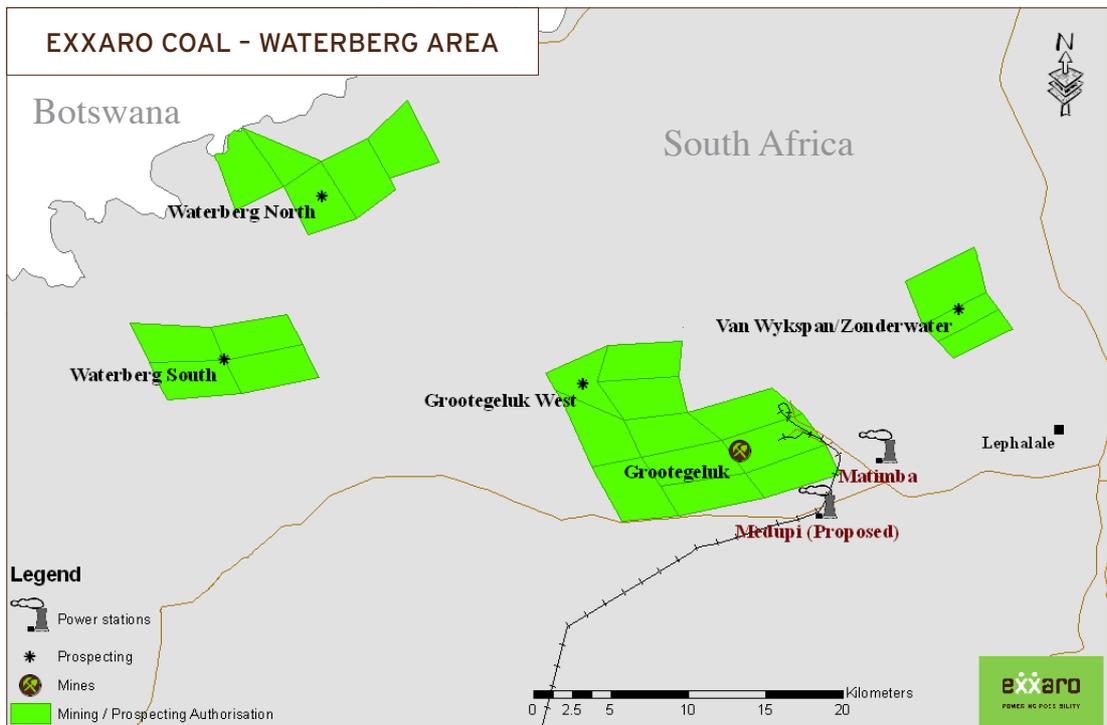
## Coal

A supply agreement for 45 years was awarded to Exxaro Coal by Eskom in March 2007 to supply 8,5Mtpa of power station coal from **Grootegeeluk** mine to Eskom's new 2 400MW **Medupi power station**. Phase I of the new power station consists of three generating units and is adjacent to both the Matimba power station and Grootegeeluk. Feasibility studies are under way to also supply the additional three planned generating units at Medupi, which could increase total coal supply from Grootegeeluk mine to the new power station to 14,6Mtpa.

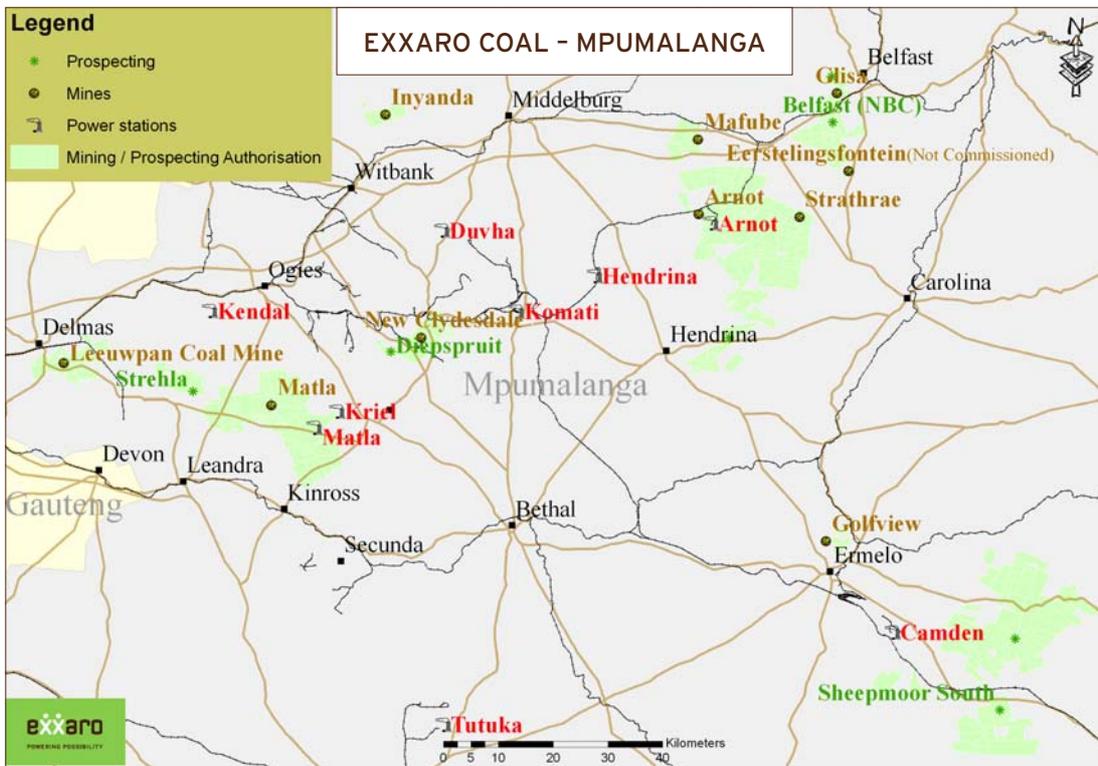
Construction of a four-retort **Sintel char plant** is almost complete and hot commissioning will begin in the first quarter of 2008. The Sintel plant will produce char for the ferroalloy industry from coal sourced from Grootegeeluk. Production is expected to ramp-up to 160ktpa by the third quarter of 2008 at a revised project cost of R320 million.

The feasibility study to investigate the viability of a **market coke** plant has been extended due to more extensive test work on the coking characteristics of the process and is now scheduled for completion in the first half of 2008. If viable, the plant will produce high-quality market coke from semi-soft coking coal produced at Grootegeeluk.

In May 2007, Exxaro was awarded a 2,5Mtpa **export entitlement** through RBCT by means of a subscription process, in addition to the existing 0,8Mtpa entitlement. Exxaro also purchased a further 1Mtpa export entitlement through RBCT from Billiton Energy Coal South Africa Limited, bringing the total export allocation to 4,3Mtpa. On completion of the RBCT Phase V expansion scheduled for the second quarter of 2009, Exxaro will receive a further 2Mtpa export entitlement through the South Dunes Coal Terminal Company, bringing the total entitlement to 6,3Mtpa by end 2009.



Grootegeeluk is well positioned to supply Eskom's Limpopo power stations



Exxaro's operational and growth interests in Mpumalanga

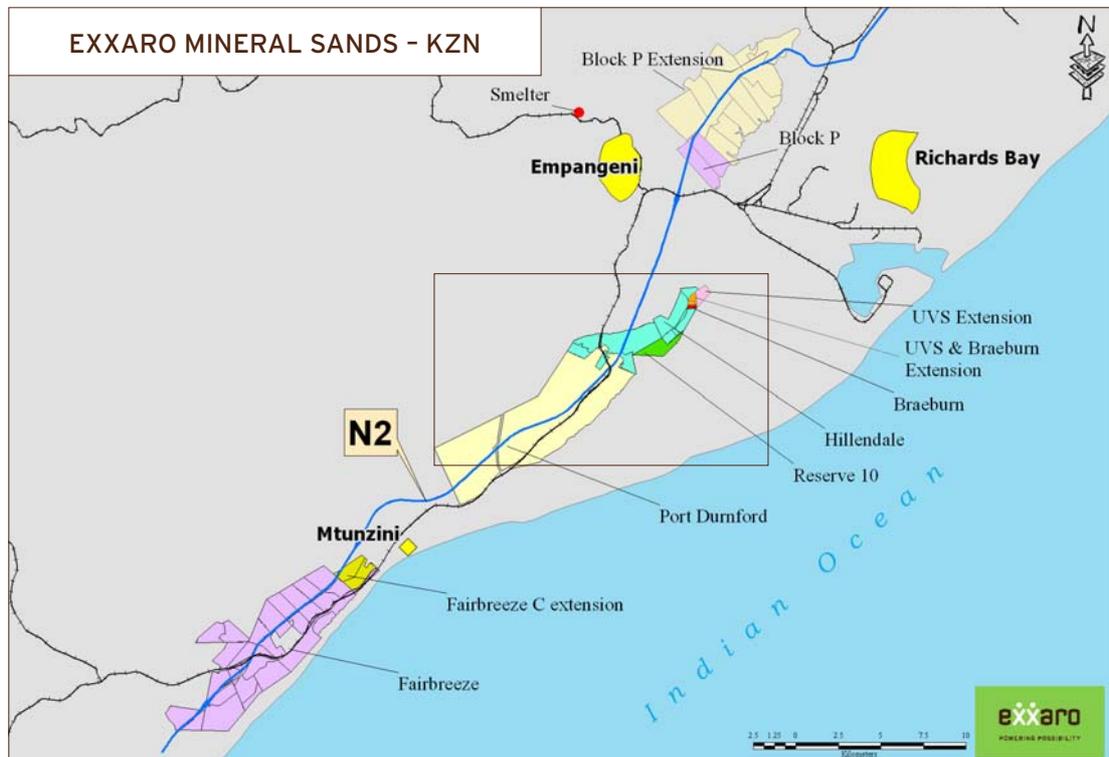
The **Mafube** expansion project, in which Exxaro is a 50:50 joint venture partner with Anglo Coal, is expected to cost approximately R1,9 billion on completion. Construction started in July 2006 with the first coal-to-washing plant delivered in January 2008 and ramp-up to full capacity under way. This is expected to take some seven months.

Geological drilling and modelling at **Mmamabula** in Botswana, a joint venture between Exxaro and Magaleng, continued until the end of June 2007. An application for a mining licence or special extension of the prospecting licence was submitted in March 2007. The feasibility study is planned to begin in 2008, subject to the special extension being granted.

Mining of the **Eerstelingsfontein** reserves near Belfast to supply 1Mtpa power station coal to Eskom could begin in 2008, subject to environmental approvals being obtained. The feasibility study on the project has been completed and a mine authorisation has been received.

A feasibility study for accessing the **Dipspruit** reserve at New Clydesdale has been completed, with implementation expected in the third quarter of 2008. The R136 million project will produce 1,3Mtpa run-of-mine coal which will be beneficiated at the existing New Clydesdale beneficiation plant to supply coal to the export market.

Exploration and related work at the **Moranbah** hard-coking coal project, in the Bowen Basin in Queensland Australia, is progressing according to plan. Exploration during 2008 will focus on geophysical work to delineate potential long-wall mining resources and, pending the success of this work, there is the possibility of fast-tracking an initial phase board-and-pillar/open-cut operation.



Proximity of KZN Sands operations to central processing complex near Empangeni, KwaZulu-Natal

### Mineral sands

The start of construction of the **Fairbreeze** mine, south of KZN Sands' existing Hillendale mine in KwaZulu-Natal, has been delayed to October 2008 subject to the approval of mining rights. The water-use licence has been approved and production is planned to start in July 2010.

Feasibility studies on the **Port Durnford** project, located to the immediate south-west of Hillendale mine, are on track for completion by December 2008. The project, if viable, could potentially supply the current KZN Sands furnaces for over 25 years.

The **Toliara Sands** project in south-western Madagascar comprises two exploration areas, Ranobé and Monombo-Marombe. Hand-auger drilling in the Monombo-Marombe area indicates resources capable of supplying long-term ilmenite feedstock to the KZN Sands furnace complex. Further exploration drilling in this area is planned for 2008. Completion of the feasibility study for the Ranobé deposit is targeted for the end of 2008.

The feasibility study on the pigment plant expansion by 40ktpa to 160ktpa at **Tiwest's Kwinana plant** (at a revised capital estimate of US\$45 million for Exxaro's share), was completed in the last quarter of 2007. A decision on implementation by Exxaro and its joint venture partner, Tronox Inc, is planned for the first half of 2008.

Bankable feasibility studies on the **Dongara** project, which forms part of the Tiwest joint venture, are ongoing. With a 20Mt reserve and 10% heavy minerals, the project will provide supplementary feedstock for Tiwest's mineral separation plant and synthetic rutile facility. As a result of increased life expectancy at the Tiwest dry mine at Cooljarloo, production at Dongara is planned to start in early 2011.

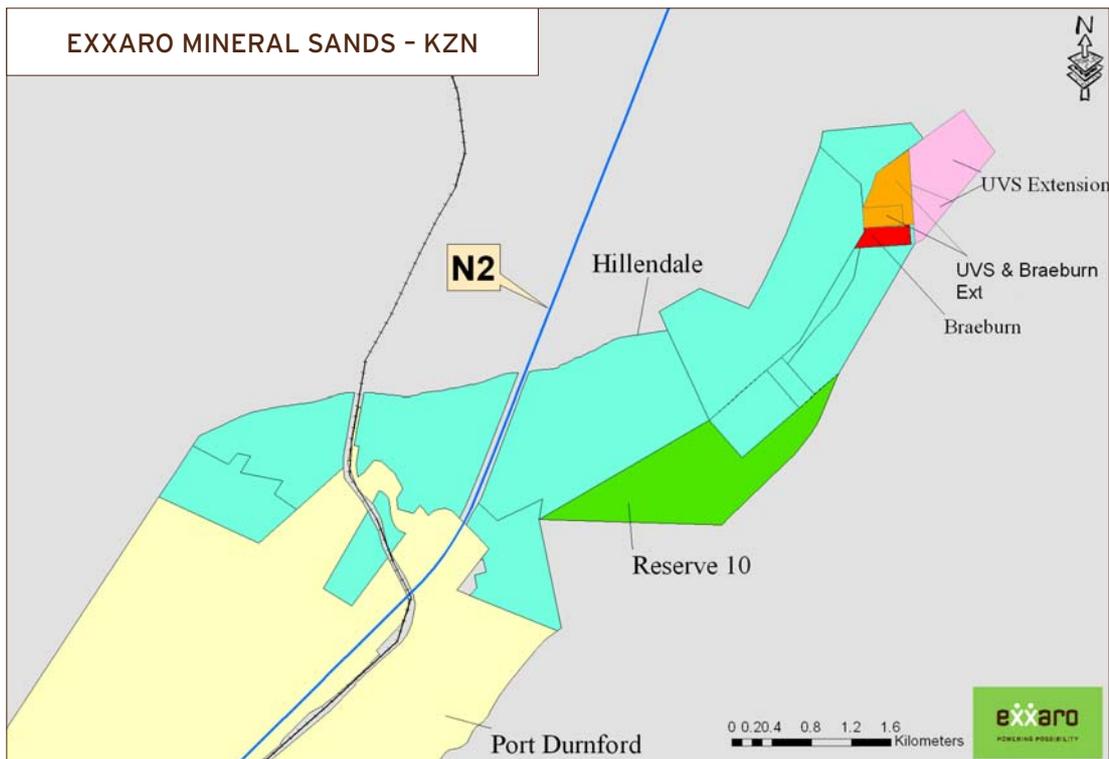
The acquisition of **Namakwa Sands** was approved by Exxaro shareholders early in 2007 subject to the cession of the mining right, which is expected in 2008. With this acquisition, Exxaro will be strategically positioned as one of the world's top three suppliers of zircon and high-grade titanium dioxide feedstock to the pigment industry, with a well-balanced mineral sands portfolio.

### Base metals and industrial minerals

A feasibility study is being undertaken on further expansion of the Chifeng refinery to increase capacity by around 130ktpa. The outcome of this study is expected in 2008. This project could also include consolidating the three phases and mining into one company. Exxaro would review its participation at that time.

### AlloyStream

The commercialisation of **AlloyStream™** technology, which allows for the beneficiation of manganese ore into ferromanganese, is advancing according to plan. Following the positive outcome of a pre-feasibility study for a 20ktpa demonstration furnace in November 2007, it has been decided to proceed with a bankable feasibility study for the project.



Expanded view of graphic on page 64.

## review of mineral resources and reserves

The mineral resources and ore reserves attributed to Exxaro's current operations and growth projects are summarised in the tables on pages 68 to 73. In 2006 immediately after the split into Exxaro Resources and Kumba Iron Ore, Exxaro published only a statutory report and mineral resources and ore reserves were not reported. Note that mineral resources are reported inclusive of ore reserves and at 100% irrespective of the percentage attributable to Exxaro. Mineral resources and ore reserves were estimated by competent persons on an operational basis and in accordance with the Samrec Code (2007) for South African properties and the Jorc Code (2004) for Australian properties. Ore reserves in the context of this report have the same meaning as mineral reserves, as defined by the Samrec Code of 2007. All associated people have sufficient relevant experience in the style of mineralisation, type of deposit, mining method and activity for which they have taken responsibility to qualify as a "competent person" as defined in these codes. These competent persons have signed off their respective estimates in the original mineral resources and ore reserve statements for the various operations and consent to the inclusion of the information in this report in the form and context in which it appears. A list of Exxaro's competent persons is available from the company secretary upon written request.

The processes and calculations associated with the estimates have been audited by internal competent persons and, on a three- to four-year cycle basis, by external consultants. In the case of the former Eyesizwe mines, this process was started in 2007 and will be completed during 2008. Therefore the figures on Matla and North Block Complex in the tables represent the tonnages quoted in the pre-listing independent competent person's report, depleted by the tonnages mined post the pre-listing statement. The person within Exxaro designated to take corporate responsibility for mineral resources and ore reserves, HJ van der Berg, the undersigned, has reviewed and endorsed the reported estimates.



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## Comment

Exxaro's tenure over its mineral assets as listed in the tables was audited and is confirmed with the following considerations. The appeal against the refusal of a prospecting right over several farms included in the Leeuwpan and Strehla mineral resource figures is still pending. This issue is being addressed at senior level and progress has been made. Exxaro has also submitted a new mining right application over the Leeuwpan properties.

Exxaro has applied for the conversion of all former Kumba Resources old-order mining licences to new-order mining rights. Additional information requested by the DME has been provided. It is anticipated that the conversion process will result in Exxaro being granted new-order mining rights in due course. The compilation of conversion applications for former Eyesizwe mine licences (excluding New Clydesdale, which was granted a new-order mining right in the second half of 2007) is under way and submission of these documents is planned for April 2008, well ahead of the 2009 cut-off date. The mining right for Inyanda was granted and the new mine came into production during 2007.

Exxaro's mineral assets in the Waterberg coalfield and Eskom's expansion of electricity generation in this area have created an excellent growth opportunity for the company. As a result, the status of the Grootegeluk mineral resources and ore reserves has been reviewed and adjusted as explained in the accompanying tables. The Grootegeluk mineral assets, combined with the expected additional resources associated with prospecting right assets in the area, put Exxaro in a strong position to support Eskom's future growth commitments in electricity supply.

One of the strategic drivers in Exxaro is management of its mineral assets. The strategy has three goals: firstly to sustain existing operations through the optimal use of on-mine ore reserves and the addition of near-mine mineral resources. Secondly, replacing depleted ore reserves to maintain present production levels over the longer term. Thirdly, to grow the mineral asset base of the company both in tonnage and commodity portfolio to ensure that Exxaro's growth aspirations are based on a sound mineral resource foundation. The first objective is pursued by focusing on on-mine and near-mine exploration. At Rosh Pinah, for example, the life of the mine was extended from four to 11 years. This excludes the large low-grade orebody, which may become economically mineable in future. To support objectives two and three, Exxaro holds 27 prospecting rights (21 coal and six mineral sands) in South Africa. Exploration activities will continue in 2008 to evaluate these opportunities and, if viable, progress them to feasibility study. These objectives are also promoted internationally. Exxaro is evaluating its Moranbah South coking coal asset in Australia.

## review of mineral resources and reserves continued

**TABLE 1: EXXARO'S MINERAL RESOURCE ESTIMATES FOR 2005 AND 2007**

(Mineral resource estimates reported here are inclusive of ore reserve estimates reported in table 2; resources have been estimated in accordance with the Samrec and Jorc codes with respect to South African and Australian operations/projects respectively)

COMMODITY	Operation	% attrib. to Exxaro	Resource category	2007		2005		% change
				Tonnes (million)	Grade	Tonnes (million)	Grade	
Coal	Arnot mine (captive market)	100,0	Measured	171,7	Raw coal	102,6	Raw coal	
			Indicated	74,0	Raw coal	113,5	Raw coal	
			Inferred	17,1	Raw coal	48,0	Raw coal	
			TOTAL	262,8	Raw coal	264,1	Raw coal	
	Matla mine <sup>(1)</sup> (captive market)	100,0	Measured	302,3	Raw coal	329,0	Raw coal	
			Indicated	112,8	Raw coal	112,8	Raw coal	
			Inferred	-	-	-	-	
	TOTAL	415,1	Raw coal	441,8	Raw coal	(6,0)		
	Tshikondeni mine (captive market)	100,0	Measured	25,3	Raw coal	25,7	Raw coal	
			Indicated	10,1	Raw coal	10,1	Raw coal	
			Inferred	-	-	-	-	
	TOTAL	35,4	Raw coal	35,8	Raw coal	(1,1)		
	Grootegeluk mine <sup>(2)</sup>	100,0	Measured	774	Raw coal	1 428	Raw coal	
			Indicated	3 534	Raw coal	2 075	Raw coal	
			Inferred	1 107	Raw coal	2 513	Raw coal	
			TOTAL	5 415	Raw coal	6 016	Raw coal	
	Grootegeluk West Project	100,0	Measured	-	-	Not reported		
			Indicated	-	-			
			Inferred	5 290	Raw coal			
	TOTAL	5 290	Raw coal	-	-	-		
Inyanda mine <sup>(3)</sup>	100,0	Measured	18,1	Raw coal	15,3	Raw coal		
		Indicated	-	-	-	-		
		Inferred	-	-	-	-		
TOTAL	18,1	Raw coal	15,3	Raw coal	18,9			
Leeuwpan mine	100,0	Measured	163,1	Raw coal	169,1	Raw coal		
		Indicated	6,5	Raw coal	9,8	Raw coal		
		Inferred	-	-	-	-		
TOTAL	169,6	Raw coal	178,9	Raw coal	(5,2)			
Mafube mine	50,0	Measured	58,2	Raw coal	25,3	Raw coal		
		Indicated	41,9	Raw coal	79,2	Raw coal		
		Inferred	81,8	Raw coal	81,8	Raw coal		
TOTAL	182,0	Raw coal	186,3	Raw coal	(2,4)			
NBC <sup>(1) (4)</sup> (North Block Complex)	100,0	Measured	7,1	Raw coal	1,6	Raw coal		
		Indicated	8,3	Raw coal	8,3	Raw coal		
		Inferred	-	-	-	-		
TOTAL	15,4	Raw coal	9,9	Raw coal	55,8			

COMMODITY	Operation	% attrib. to Exxaro	Resource category	2007		2005		% change
				Tonnes (million)	Grade	Tonnes (million)	Grade	
Mineral Sands	New Clydesdale mine (NCC) <sup>(5)</sup>	100,0	Measured	12,1	Raw coal	21,7	Raw coal	
			Indicated	0,6	Raw coal	1,7	Raw coal	
			Inferred	-	-	-	-	
			TOTAL	12,7	Raw coal	23,4	Raw coal	(45,5)
	New Clydesdale mine (NCC) (additional resources) <sup>(5a)</sup>	100,0	Measured	1,6	Raw coal	1,88	Raw coal	
			Indicated	26,8	Raw coal	15,4	Raw coal	
			Inferred	-	-	-	-	
			TOTAL	28,4	Raw coal	17,3	Raw coal	64,6
	NCC (all included)			41,1	Raw coal	40,7	Raw coal	1,3
	Belfast	100,0	Measured	23,9	Raw coal	23,9	Raw coal	
			Indicated	24,0	Raw coal	24,0	Raw coal	
			Inferred	4,8	Raw coal	4,8	Raw coal	
			TOTAL	52,7	Raw coal	52,7	Raw coal	0,0
	Moranbah South, Australia	100,0	Measured	-	-	-	-	
			Indicated	586	Raw coal	586	Raw coal	
			Inferred	124	Raw coal	124	Raw coal	
			TOTAL	710	Raw coal	710	Raw coal	0,0
	Strehla <sup>(6)</sup>	100,0	Measured	-	-	-	-	
			Indicated	22,5	Raw coal	22,5	Raw coal	
			Inferred	-	-	-	-	
TOTAL			22,5	Raw coal	22,5	Raw coal	0,0	
Hillendale Mine + Braeburn + Braeburn Extension <sup>(7)</sup>	100,0	Measured	62,6	% ilmenite 3,53	48,7	% ilmenite 3,8		
		Indicated	-	-	-	-		
		Inferred	-	-	-	-		
		TOTAL	62,6	3,53	48,7	3,8	28,5	
Fairbreeze A+B+C+ ext	100,0	Measured	202	3,7	202	3,7		
		Indicated	27	2,5	27	2,5		
		Inferred	-	-	-	-		
		TOTAL	229	3,6	229	3,6	0,0	
Gravelotte Sand	100,0	Measured	75,1	9,1	75,1	9,1		
		Indicated	-	-	-	-		
		Inferred	-	-	-	-		
		TOTAL	75,1	9,1	75,1	9,1	0,0	
KwaZulu-Natal – Block P – Block P extension	100,0	Measured	-	-	-	-		
		Indicated	40,6	3,1	40,6	3,1		
		Inferred	42	2,7		Not reported		
		TOTAL	82,6	2,9	40,6	3,1	103,4	

## review of mineral resources and reserves continued

COMMODITY	Operation	% attrib. to Exxaro	Resource category	2007		2005		% change	
				Tonnes (million)	Grade	Tonnes (million)	Grade		
Mineral Sands (continued)	KwaZulu-Natal	51,0	Measured	–	–	Not reported			
			Indicated	1 004,6	2,8				
	Port Dunford			Inferred	117,3	2,9			
				TOTAL	1 121,9	2,9			
	– Fairbreeze D	100,0		Measured	–	–	–	–	
				Indicated	9,2	2,5	9,2	2,5	
				Inferred	–	–	–	–	
				TOTAL	9,2	2,5	9,2	2,5	0,0
	Eastern Cape (Nombanjana, Ngcizele, Sandy Point old and recent)	100,0		Measured	232,9	4,5	232,9	4,5	
				Indicated	–	–	–	–	
				Inferred	–	–	–	–	
				TOTAL	232,9	4,5	232,9	4,5	0,0
	Limpopo Sand (Gravelotte pebbles and Letsitele sand)	100,0		Measured	12,5	10,5	12,5	10,5	
				Indicated	–	–	–	–	
				Inferred	31,3	4,0	31,3	4,0	
				TOTAL	43,8	5,9	43,8	5,9	0,0
	Limpopo Rock (Gravelotte rock and Letsitele rock)	100,0		Measured	–	–	–	–	
				Indicated	53,6	25,9	53,6	25,9	
				Inferred	112,3	20,7	112,3	20,7	
				TOTAL	165,9	22,4	165,9	22,4	0,0
	Ranobé, Madagascar <sup>(B)</sup> – Upper sand unit	100,0		Measured	208,8	4,8	–	–	
Indicated				320,4	4,0	553	4,6		
Inferred				181,3	3,5	–	–		
			TOTAL	710,5	4,1	553	4,6	28,5	
Tiwest, Australia – Cooljarloo	50,0			% THM					
			Measured	117	2,7	157	2,7		
			Indicated	297	2,4	302	2,4		
			Inferred	25	1,8	25	1,8		
			TOTAL	439	2,4	484	2,5	(9,3)	
Tiwest, Australia – Jurien	50,0		Measured	–	–	–	–		
			Indicated	25,6	6,0	25,6	6,0		
			Inferred	–	–	–	–		
			TOTAL	25,6	6,0	25,6	6,0	0,0	
Tiwest, Australia – Dongara	50,0		Measured	1,3	6,9	1,3	6,9		
			Indicated	75,4	6,6	75,4	6,6		
			Inferred	–	–	–	–		
			TOTAL	76,7	6,6	76,7	6,6	0,0	

COMMODITY	Operation	% attrib. to Exxaro	Resource category	2007			2005			% change	
				Tonnes (million)	Grade		Tonnes (million)	Grade			
Base metals	Rosh Pinah mine <sup>(9)</sup> (zinc and lead)	93,9	Measured	5,0	%Zn 8,6	%Pb 1,9	3,5	%Zn 10,1	%Pb 2,3		
			Indicated	6,4	6,4	1,8	2,3	8,1	2,6		
			Inferred	1,7	4,9	0,9	1,1	8,8	2,4		
			TOTAL	13,1	7,0	1,8	6,9	9,2	2,4		90,4
	Rosh Pinah mine low grade  (Additional resource excluded from LOM)	93,9	Measured	—	—	—	Not reported				
			Indicated	—	—	—					
			Inferred	19,2	2,5	0,6					
			TOTAL	19,2	2,5	0,6	—	—	—		—
	Industrial minerals	Glen Douglas mine (metallurgical dolomite)	100,0	Measured	180,3	% SiO <sub>2</sub> <2,5		142,3	% SiO <sub>2</sub> <2,5		
				Indicated	—	—		—	—		
Inferred				125,2	<2,5		163,9	<2,5			
TOTAL				305,5	<2,5		306,2	<2,5		(0,2)	
Glen Douglas mine <sup>(10)</sup> (aggregate dolomite)		100,0	Measured	37,7	Raw material		40,1	Raw material			
			Indicated	—	—		—	—			
			Inferred	193,7	Raw material		145,1	Raw material			
			TOTAL	231,4	Raw material		185,2	Raw material			25,0

#### Note

The tonnages are quoted in metric tonnes, and million tonnes are abbreviated as Mt.

Rounding-off of figures may cause computational discrepancies.

Figures are reported at 100% irrespective of percentage attributable to Exxaro.

All changes more than 10% (significant) are explained.

<sup>1</sup> Figures were calculated by depleting the SRK audited resource statement (Exxaro competent person's report, January 2006)

<sup>2</sup> The decrease is the result of mining depletion and an update of the geological model in 2006 with all available information. Movements in categories are based on a re-classification of resources according to borehole density (SAMREC compliant).

<sup>3</sup> Increase in resource is a result of less-than-predicted weathering determined by additional drilling.

<sup>4</sup> Resources, reported in the SRK statement as reserves only, were added.

<sup>5</sup> The decrease in the resources is the result of mine depletion and termination of pillar extraction for safety reasons.

<sup>5a</sup> The increase is the result of the Middeldrift resources transfer from the LOM based on current economic factors.

<sup>6</sup> The mineral resource occurs in an area for which the prospecting right is under appeal.

<sup>7</sup> The increase in mineral resources is mainly the result of the addition of Braeburn extension.

<sup>8</sup> The significant increase in the mineral resource is the result of in-fill drilling and a model upgrade during the reporting period.

<sup>9</sup> The increase in the mineral resources is the result of additional ore identified by drilling.

<sup>10</sup> The increase in aggregate resource is the result of an upgrade of the geological model in 2007, incorporating all available information.

## review of mineral resources and reserves continued

**TABLE 2: EXXARO'S ORE RESERVES ESTIMATES FOR 2005 AND 2007**

(Ore reserve estimates reported here are included in the mineral resource estimates of table 1. They have been estimated in accordance with the SAMREC and JORC codes with respect to South African and Australian operations/projects respectively)

COMMODITY	Operation	% attrib. to Exxaro	Reserve category	2007					2005					% change	
				ROM (Mt)	Grade	Saleable product (Mt)			ROM (Mt)	Grade	Saleable product (Mt)				
						Coking coal	Power station coal	Steam coal			Coking coal	Power station coal	Steam coal		
Coal	Arnot mine <sup>(11)</sup> (captive market)	100,0	Proved	97,3	-	N/A	94,3	N/A	70,3	-	N/A	67,1	N/A		
			Probable	-	-	N/A	-	N/A	0,0	-	N/A	-	N/A		
			TOTAL	97,3	-	N/A	94,3	N/A	70,3	-	N/A	67,1	N/A	38,4	
	Matla mine <sup>(12)</sup> (captive market)	100,0	Proved	203,3	-	N/A	201,3	N/A	230,0	-	N/A	223,6	N/A		
			Probable	67,3	-	N/A	66,6	N/A	67,3	-	N/A	66,6	N/A		
			TOTAL	270,6	-	N/A	267,9	N/A	297,3	-	N/A	290,2	N/A	(9,0)	
	Tshikondeni mine <sup>(13)</sup> (captive market)	100,0	Proved	4,3	-	2,4	N/A		6,9	-	3,6	N/A			
			Probable	-	-	-	N/A		-	-	-	N/A			
			TOTAL	4,3	-	2,4	N/A		6,9	-	3,6	N/A		(38,5)	
	Grootegeluk mine <sup>(14)</sup>	100,0	Proved	739	-	37,9	348	35,7	673	-	41,9	245	38,4		
			Probable	2 041	-	111,9	954	59,9	67	-	6,3	25,3	0,7		
			TOTAL	2 780	-	149,8	1302	95,6	740	-	48,2	270	39,2	275,9	
	Inyanda mine <sup>(15)</sup>	100,0	Proved	16,3	-	A-grade export steam coal			14,6	-	A-grade export steam coal				
			Probable	-	-		10,2		-	-		10,1			
			TOTAL	16,3	-		10,2		14,6	-		10,1		11,7	
	Leeuwpans mine	100,0	Proved	95,2	-	N/A	53,0		95,1	-	N/A	45,8			
			Probable	42,4	-	N/A	23,9		47,6	-	N/A	27,1			
			TOTAL	137,6	-	N/A	76,9		142,7	-	N/A	72,9		(3,6)	
	Mafube mine <sup>(16)</sup>	50,0	Proved	44,3	-	Export	23,92	Power station 12,08	N/A	2,0	-	Export	2	Power station 2	N/A
			Probable	-	-		-		N/A	9,1	-		-	9,1	N/A
TOTAL			44,3	-	23,92	12,08	N/A	11,1	-	-	11,1	N/A	297,6		
NBC <sup>(12/17)</sup> (North Block Complex)	100,0	Proved	4,9	-	N/A	4,8	N/A	7,9	-	N/A	7,6	N/A			
		Probable	-	-	N/A	-	N/A	-	-	N/A	-	N/A			
		TOTAL	4,9	-	N/A	4,8	N/A	7,9	-	N/A	7,6	N/A	(37,3)		
NCC <sup>(18)</sup> (New Clydesdale mine)	100,0	Proved	10,5	-	N/A	7,7	N/A	13,0	-	N/A	9,1	N/A			
		Probable	0,61	-	N/A	0,4	N/A	1,4	-	N/A	1,1	N/A			
		TOTAL	11,1	-	N/A	8,1	N/A	14,4	-	N/A	10,2	N/A	(22,7)		
Belfast	100,0	Proved	22,0	-	Export	14,6	Power station 7,4	N/A	22,0	-	Export	14,6	Power station 7,4	N/A	
		Probable	21,1	-		10,3		N/A	21,1	-		10,3		N/A	
		TOTAL	43,1	-	24,9	16,4	N/A	43,1	-	24,9	16,4	N/A	0,0		

COMMODITY	Operation	% attrib. to Exxaro	Reserve category	2007						2005						% change
				ROM (Mt)	Grade	Total heavy mineral (THM) composition				ROM (Mt)	Grade	Total heavy mineral (THM) composition				
						% THM	% Ilmenite	% Rutile	% Zircon			% Leuco-xene	% THM	% Ilmenite	% Rutile	
Mineral Sands	Hillendale Mine <sup>19</sup> (including Braeburn)	100,0	Proved	19,1	8,2	53,0	4,0	6,0	2,0	30,0	6,9	60	3,5	8	1,6	(27,3)
			Probable	2,7	5,0	63,0	4,0	8,0	2,0	0,0	—	—	—	—	—	
			TOTAL	21,8	7,8	54,0	4,0	6,0	2,0	30,0	6,9	60	3,5	8	1,6	
	Fairbreeze A+B+C+C ext <sup>20</sup>	100,0	Proved	137,4	6,1	60	3,1	8	1,4	137,4	6,1	60	3,1	8	1,4	0,0
			Probable	44,1	7,2	61	3,4	8	1,8	44,1	7,2	61	3,4	8	1,8	
			TOTAL	181,5	6,4	60	3,3	8	1,7	181,5	6,4	60	3,3	8	1,7	
	Gravelotte Sand	100,0	Proved	52,4	13,0	85	N/A	N/A	N/A	52,4	13,0	85	N/A	N/A	N/A	0,0
			Probable	—	—	—	—	—	—	—	—	—	—	—	—	
			TOTAL	52,4	13,0	85	N/A	N/A	N/A	52,4	13,0	85	N/A	N/A	N/A	
	Tiwest, Australia – Cooljarloo <sup>21</sup>	50,0	Proved	41	2,7	59	4,7	10	2,8	25	3,7	60	4,8	10	2,7	(22,0)
Probable			95	2,9	61	4,4	9	3,1	149	2,7	61	4,5	10	3,1		
TOTAL			136,0	2,8	61	4,5	10	3,0	174	2,8	61	4,6	10	3,0		
Tiwest, Australia – Jurien	50,0	Proved	—	—	—	—	—	—	—	—	—	—	—	—	0,0	
		Probable	15,7	7,9	54	6,8	10	2,3	15,7	7,9	54	6,8	10	2,3		
		TOTAL	15,7	7,9	54	6,8	10	2,3	15,7	7,9	54	6,8	10	2,3		
Tiwest, Australia – Dongara	50,0	Proved	—	—	—	—	—	—	—	—	—	—	—	—	0,0	
		Probable	20,2	10,2	50	6,7	8	1,3	20,2	10,2	50	6,7	9	1,3		
		TOTAL	20,2	10,2	50	6,7	9	1,3	20,2	10,2	50	6,7	9	1,3		
Base metals (zinc and lead)	Rosh Pinah mine <sup>22</sup>	93,9	Proved	3,3	9,4	2,0	310	64	2,7	11,1	2,4	300	65	80,3		
			Probable	5,0	6,2	1,9	312	96	1,9	7,7	2,3	148	44			
			TOTAL	8,3	7,5	1,9	622	160	4,6	9,7	2,4	448	110			
	Glen Douglas dolomite mine	100,0	Proved	43,4	% SiO <sub>2</sub> <2,5	Metallurgical dolomite (Mt)			40,3	%SiO <sub>2</sub> <2,5	Metallurgical dolomite (Mt)			7,7		
			Probable	—	—	—			—	—	—					
			TOTAL	43,4	<2,5	40,8			40,3	<2,5	38,3					
	Glen Douglas <sup>23</sup> dolomite mine	100,0	Proved	11,3	Raw dolomite	Aggregate (Mt)			13,0	Raw dolomite	Aggregate (Mt)			(13,0)		
			Probable	—	—	—			—	—	—					
			TOTAL	11,3	Raw dolomite	10,6			13,0	Raw dolomite	12,3					

Note

The tonnages are quoted in metric tonnes, and million tonnes are abbreviated as Mt.

Rounding-off of figures may cause computational discrepancies.

Figures are reported at 100% irrespective of percentage attributable to Exxaro.

All changes more than 10% (significant) are explained.

<sup>11</sup> ~35Mt has been added to the reserve through the upgrade of the resource. Mining depletion is 8Mt.

<sup>12</sup> Matla and NBC figures were calculated by depleting the SRK audited reserve statement (CPR, January 2006).

<sup>13</sup> The change is the result of 1.4Mt mining depletion and the exclusion of ~2.3Mt from the LOM as a result of structural complexity.

<sup>14</sup> The increase in the reserves reported is the result of the expansion of the pit layout after the reclassification of the resources.

<sup>15</sup> Change reported is the result of the increase in the resource base.

<sup>16</sup> Only the measured resource within the LOM is converted to reserves. The significant increase in reserves is the result of an upgrade of indicated resources to measured resources in the LOM.

<sup>17</sup> The significant decrease is the result of mining depletion.

<sup>18</sup> The decrease in the reserve (3.3Mt) is the result of mine depletion and termination of pillar extraction for safety reasons.

<sup>19</sup> Braeburn is included for the first time as a reserve (~2.7Mt). A gain of ~2Mt is due to the review of the model and mining outside the current reserve boundary. The overall decrease in reserve is mainly the result of mining depletion (~13Mt).

<sup>20</sup> Fairbreeze C is included pending the approval of the mining right application.

<sup>21</sup> The decrease is primarily the result of mining depletion (42.7Mt) and a 1.6Mt loss after reoptimisation. ~8.5Mt was added through reviewed mine design.

<sup>22</sup> The increase in reserves is the result of an increase in indicated and measured resources.

<sup>23</sup> The decrease is the result of mining depletion and an upgrade of the geological model.

## executive committee

### 1 SIPHO NKOSI (53)

#### Chief executive officer

BCom, BCom (Hons)(Econ), MBA (Univ Mass, USA), Diploma in Marketing Management

Sipho began his career as a market analyst with Ford Motor Company South Africa in 1980. In 1986 he moved to Anglo American Coal Corporation where he worked as a marketing coordinator. In 1992 he joined Southern Life Association as senior manager, strategic planning. In 1993 he accepted the position of marketing manager, new business development at Trans-Natal Coal Corporation, which later became Ingwe Coal Corporation. In 1997 he joined Asea Brown Boveri (South Africa) Limited as vice president marketing. He joined ABB Power Generation in 1998 as managing director. As founder of Eyesizwe Holdings, he served as chief executive officer. On 1 September 2007 he was appointed chief executive officer.



### 2 DIRK VAN STADEN (58)

#### Chief financial officer

BJuris; LLB; Advanced Management Programme (Insead)

Dirk joined Iscor in 1997 as general manager, corporate treasury. Prior to that he was employed by the IDC as general manager responsible for international finance, treasury

operations and legal services. In June 2001 he was appointed executive director, finance at Kumba.

### 3 MIKE KILBRIDE (56) Chief operating officer

BSc (Hons)(Min Eng)(RSM), Senior Executive Programme (London Business School)

After his initial years working in the gold industry, Mike joined Iscor and gained experience in all the commodities of the group. Mike was appointed executive director, business operations at Kumba in June 2001 and was responsible for iron ore, coal, mineral sands, base metals and industrial minerals operations.

### 4 TREVOR ARRAN (40) Executive general manager: corporate affairs and investor relations

BSc (Hons)(Econ Geo), AMP (UP/GIBS), BEP, Diploma Project Management

Trevor is responsible for corporate affairs and investor relations, incorporating the company's sustainable development department. He has a wide mining background supplemented by financial experience gained in equity markets, investment banking and new business.

### 5 WIM DE KLERK (44) Executive general manager: mineral sands

CA(SA), TEP, EMP (Harvard)

Wim has served on the executive management team of Iscor, responsible for strategy and continuous improvement. Since 2001, he has been responsible for the mineral sands commodity business.

### 6 RIAAN KOPPESCHAAR (37) General manager: corporate finance and treasury

CA(SA), Advanced Certificate (Taxation), member of the Association of Corporate Treasurers, Advanced Management Programme (Insead)

Riaan joined Iscor in 1993. In 2001 he was appointed manager: corporate finance and treasury. He has extensive experience in structuring complex financing and other corporate transactions.





**7 DR HUMPHREY MATHE (57)** *Executive general manager: corporate services*  
MSc (Expl Geol), PhD (Univ Natal), Advanced Management Programme (Insead)

Responsibilities include engineering, projects and research and development. Previously at Eyesizwe Coal, he served as head of the technical and new business development division.

**8 MXOLISI MGOJO (47)** *Executive general manager: base metals and industrial minerals*  
BSc (Hons), MBA

Previously at Eyesizwe Coal he was responsible for marketing. Since June 2006, Mxolisi has been responsible for the base metals and industrial minerals commodity business.

**9 RETHA PIATER (53)** *Executive general manager: human resources*  
BCom (Hons), MBA, Advanced Management Programme (Insead)

Retha has 21 years of human resources experience across the various business units and commodities, specifically in the area of remuneration.

**10 RIAN STRYDOM (42)** *General manager: financial accounting*  
CA(SA)

After fulfilling several financial management functions at Iscor, Rian was appointed head of Kumba's financial accounting function in 2001 and has gained extensive experience in statutory and management reporting in a listed environment, as well as enterprise-wide risk management.

**11 DR NOMBASA TSENGWA (43)** *General manager - safety, health and environment*  
Senior secondary teacher's diploma, BSc (hons), MSc, PhD (biotechnology)  
(Univ of Maryland, USA), Advanced Management Programme (Insead)

Prior to her appointment in 2003, Nombasa was the deputy director-general for the Department of Environmental Affairs and Tourism, and served as a corporate manager at the Council for Scientific and Industrial Research (CSIR). She is a board member of South African National Parks.



**12 ERNST VENTER (51)**

*Executive general manager: coal*  
BEng (Hons), MBA, Advanced Management Programme (Insead)

Ernst has headed a number of portfolios including base metals, Zincor, consulting services, mining technology, coal beneficiation, process development and plant metallurgy. Since November 2002 he has been responsible for the coal commodity business.

**13 MARIE VILJOEN (61)**

*Company secretary*

Marie has 21 years' experience in the field. She assumes responsibility for the group's corporate governance and business administration to ensure alignment with statutory and legal compliance requirements.

## directorate



**1 SIPHO ABEDNEGO NKOSI (53)**  
*Chief executive officer*  
 BCom, BCom (Hons)(Econ), MBA (Univ Mass, USA), Diploma in Marketing Management



**2 DIRK JOHANNES VAN STADEN (58)**  
*Chief financial officer*  
 BJuris, LLB, Advanced Management Programme (Insead)



**3 MICHAEL JAMES KILBRIDE (56)**  
*Chief operating officer*  
 BSc (Hons)(Min Eng)(RSM), Senior Executive Programme (London Business School)

**4 PHILIP MICHAEL BAUM (53) Non-executive director**  
 BCom, LLB, H DIP Tax Law

**5 JURIE JOHANNES GELDENHUYS (65)**  
*Non-executive director*  
 BSc (Eng)(Elec), BSc (Eng)(Min), MBA (Stanford), Pr Eng

**6 UFIKILE KHUMALO (42)**  
*Non-executive director*  
 BSc (Eng), MSc Eng, MAP, SEDP (Harvard)

**7 DEENADAYALEN KONAR (54)**  
*Non-executive director*  
 BCom, CA(SA), MAS, DCom



**8 VINCENT ZWELIBANZI MNTAMBO (50)**

*Non-executive director*

BJuris, LLB, LLM

**9 RICHARD PETER MOHRING (60)**

*Non-executive director*

BSc (Eng)(Mining), MDP, PMD (Harvard); Pr Eng

**10 PINKIE KEDIBONE VERONICA NCETEZO (51)**

*Non-executive director*

BA (Soc work), MBA, Diploma in Man, MAP, MEd (Ohio)



**11 NONKULULEKO MERINA CHERYL NYEMBEZI-HEITA (47)**

*Non-executive director*

BSc (Hons)(Elec Eng), MSc, MBA (Open Univ Business School) (UK)

**12 NKULULEKO LEONARD SOWAZI (44)**

*Non-executive director*

BA, MA (Urban and reg plan) (UCLA)

**13 DALIKHAYA ZIHLANGU (41)**

*Non-executive director*

BSc (Min Eng), MDP, MBA (Wits)



- Dr Con Fauconnier retired as chief executive officer and director of Exxaro on 31 August 2007, after which Siphon Nkosi assumed office.
- Mavuso Msimang was appointed to the board on 28 February 2007 and resigned on 28 May 2007 due to business commitments.
- Nonkululeko Nyembezi-Heita resigned with effect from 29 February 2008.

# supplementary information

## income statements for the year ended 31 December 2007

	2007 Audited Rm	2006 Unaudited Rm
<b>Revenue</b>	<b>10 157</b>	8 814
Operating expenses	<b>(8 713)</b>	(7 553)
<b>NET OPERATING PROFIT</b>	<b>1 444</b>	1 261
Net financing costs	<b>(215)</b>	(315)
Income from investments	<b>2</b>	
Share of profit from equity accounted investments	<b>728</b>	638
<b>PROFIT BEFORE TAXATION</b>	<b>1 959</b>	1 584
Taxation	<b>(512)</b>	(595)
<b>PROFIT FOR THE YEAR</b>	<b>1 447</b>	989
<b>Attributable to:</b>		
Equity holders of the parent	<b>1 427</b>	962
Minority interest	<b>20</b>	27
	<b>1 447</b>	989
Ordinary shares (million)		
– in issue	<b>353</b>	351
– weighted average number of shares	<b>341</b>	313
– diluted weighted average number of shares	<b>355</b>	318
<b>ATTRIBUTABLE EARNINGS PER SHARE (CENTS)</b>		
– basic	<b>418</b>	307
– diluted	<b>402</b>	302
Dividend per share for the year (cents)	<b>160</b>	525
<b>RECONCILIATION OF HEADLINE EARNINGS</b>		
Net profit attributable to ordinary shareholders	<b>1 427</b>	962
Adjusted for:		
– IFRS 3 Excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost		(36)
– IAS 16 Impairment of property, plant and equipment	<b>23</b>	
– IAS 16 Gains or losses on disposal of property, plant and equipment	<b>17</b>	(3)
– IAS 28 Gains or losses on the disposal of associates or joint ventures		(39)
– IAS 28 Share of associate's IAS 16 – Gains or losses on disposal of property, plant and equipment	<b>(3)</b>	(1)
– IAS 28 Share of associate's IAS 39 – Recycling of re-measurements from equity to the income statement, including a hedge of net investment in a foreign entity but excluding cash flow hedges	<b>(7)</b>	
– IAS 36 Impairment reversal of investment	<b>(6)</b>	
Taxation on adjustments	<b>(3)</b>	10
<b>HEADLINE EARNINGS</b>	<b>1 448</b>	893
<b>HEADLINE EARNINGS PER SHARE (CENTS)</b>		
– basic	<b>425</b>	285
– diluted	<b>408</b>	281

## balance sheets at 31 December

	2007 Audited Rm	2006 Unaudited Rm
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	8 235	8 367
Biological assets	30	26
Intangible assets	76	69
Investments in associates and joint ventures	757	384
Deferred taxation	732	521
Other financial assets	1 031	693
Total non-current assets	<u>10 861</u>	<u>10 060</u>
<b>Current assets</b>		
Inventories	1 531	1 391
Trade and other receivables	1 931	1 663
Cash and cash equivalents	850	1 367
Total current assets	<u>4 312</u>	<u>4 421</u>
<b>Non-current assets classified as held for sale</b>	<u>2</u>	<u>2</u>
<b>TOTAL ASSETS</b>	<u>15 175</u>	<u>14 483</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	2 067	4 560
Non-distributable reserves	1 502	1 205
Retained income	6 235	3 395
Equity attributable to equity holders of the parent	<u>9 804</u>	<u>9 160</u>
Minority interest	19	27
Total equity	<u>9 823</u>	<u>9 187</u>
<b>Non-current liabilities</b>		
Interest-bearing borrowings	1 259	1 214
Non-current provisions	1 329	931
Deferred taxation	1 077	1 116
Total non-current liabilities	<u>3 665</u>	<u>3 261</u>
<b>Current liabilities</b>		
Trade and other payables	1 449	1 321
Interest-bearing borrowings	74	613
Taxation	137	67
Current provisions	27	30
Shareholders for dividend		4
Total current liabilities	<u>1 687</u>	<u>2 035</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>15 175</u>	<u>14 483</u>
<b>NET DEBT</b>	<u>483</u>	<u>460</u>
<b>Cash flow statements for the year ended 31 December</b>		
Cash flows from operating activities	1 507	(1 173)
Cash flows from investing activities	(1 119)	(559)
Cash flows from financing activities	(453)	2 260
Net (decrease)/increase in cash and cash equivalents	<u>(65)</u>	<u>528</u>

Supplementary information is compiled using the following assumptions:

- the iron ore business is excluded and the investment in SIOC is equity accounted from 1 January 2005
- Eyesizwe is consolidated from 1 January 2005
- the non-recurring entries to give effect to the empowerment transaction are excluded
- the impairment of the mineral sands property, plant and equipment is excluded from the 2006 results
- net financing costs have been split on the assumption that Exxaro incurred the majority of external borrowings with SIOC being cash positive
- the taxation charge has been split on the assumption that STC incurred on dividend declaration was borne by Exxaro.

## selected group financial data translated into US dollars for the year ended 31 December 2007 (unaudited)

The group statutory 2007 financial statements have been expressed in US dollars for information purposes. For comparability the 2006 supplementary information as presented on pages 146 and 147, have been translated. The average US dollar/rand of US\$1:R7,03 (2006: US\$1:R6,70) has been used to translate the income and cash flow statements, while the balance sheet has been translated at the closing rate on the last day of the reporting period US\$1:R6,7964 (2006: US\$1:R6,9750).

	2007 USD million	2006 USD million
<b>INCOME STATEMENTS</b>		
<b>Revenue</b>	1 445	1 316
Operating expenses	(1 240)	(1 128)
<b>NET OPERATING PROFIT</b>	<b>205</b>	188
Net financing costs	(30)	(47)
Income from equity accounted investments	104	95
<b>PROFIT BEFORE TAXATION</b>	<b>279</b>	236
Taxation	(73)	(89)
<b>PROFIT FOR THE YEAR</b>	<b>206</b>	147
<b>Attributable to:</b>		
Equity holders of the parent	203	143
Minority interest	3	4
	<b>206</b>	147
<b>ATTRIBUTABLE EARNINGS PER SHARE (CENTS)</b>	<b>60</b>	46
<b>HEADLINE EARNINGS FROM OPERATIONS</b>	<b>206</b>	133
<b>HEADLINE EARNINGS PER SHARE (CENTS)</b>	<b>60</b>	43

	2007 USD million	2006 USD million
<b>BALANCE SHEETS AT 31 DECEMBER</b>		
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1 212	1 200
Biological assets	4	4
Intangible assets	11	10
Investments in associates and joint ventures	111	55
Deferred taxation	108	75
Financial assets	152	99
<b>Current assets</b>		
Cash and cash equivalents	125	196
Other	509	437
<b>TOTAL ASSETS</b>	<b>2 232</b>	<b>2 076</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>	<b>1 442</b>	<b>1 313</b>
<b>Minority interest</b>	<b>3</b>	<b>4</b>
<b>Non-current liabilities</b>		
Interest-bearing borrowings	185	174
Deferred taxation and provisions	354	293
<b>Current liabilities</b>		
Interest-bearing borrowings	11	88
Other	237	204
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 232</b>	<b>2 076</b>
<b>NET DEBT</b> (refer definitions on page 151)	<b>71</b>	<b>132</b>
<b>CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER</b>		
Cash flows from operating activities	214	(175)
Cash flows from investing activities	(159)	(83)
Cash flows from financing activities	(64)	337
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(9)</b>	<b>79</b>

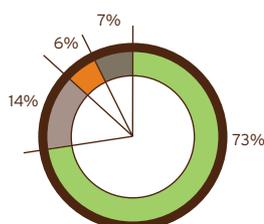
# group cash value added statement

for the period ended 31 December 2007 (unaudited)

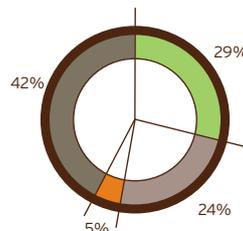
The value added statement shows the wealth the group has created through mining, beneficiation, trading and investing operations. The statement below summarises the total cash wealth created and how it was disbursed among the group's stakeholders, leaving a retained amount which was re-invested in the group for the replacement of assets and further development of operations.

	31 December 2007 Rm	Wealth created %	31 December 2006 Rm	Wealth created %
<b>Cash generated</b>				
Cash derived from sales and services	9 889		14 149	
Income from investments and interest received	379			
Paid to suppliers for materials and services	(5 457)		(6 605)	
<b>Cash value added</b>	<b>4 811</b>	<b>100</b>	<b>7 544</b>	<b>100</b>
<b>Cash utilised to:</b>				
Remunerate employees for services	2 407	50	2 362	31
Pay direct taxes to the state	462	10	1 927	26
Provide lenders with a return on borrowings	212	4	392	5
Provide shareholders with cash dividends	223	5	3 396	45
<b>Cash disbursed among stakeholders</b>	<b>3 304</b>	<b>69</b>	<b>8 077</b>	<b>107</b>
<b>Cash retained in the group to maintain and develop operations</b>	<b>1 507</b>	<b>31</b>	<b>(533)</b>	<b>(7)</b>
<b>Notes to the group value added statement</b>				
<b>1. Taxation contribution</b>				
Direct taxes (as above)	462		1 927	
Value added taxes levied on purchases of goods and services	1 227		1 445	
Regional service council levies			10	
Rates and taxes paid to local authorities	42		51	
Gross contributions	1 731		3 433	
<b>2. Additional amounts collected by the group on behalf of government</b>				
Value added tax and other duties charged on turnover	1 363		1 032	
Employees' tax deducted from remuneration paid	431		759	
	1 794		1 791	

CASH DISBURSED AMONG STAKEHOLDERS 2007



CASH DISBURSED AMONG STAKEHOLDERS 2006



- Provide shareholders with cash dividends
- Remunerate employees for services
- Pay direct taxes to the state
- Provide lenders with a return on borrowings

## definitions

Attributable cash flow per ordinary share	→	Cash flow from operating activities after adjusting for minority participation therein, divided by the weighted average number of ordinary shares in issue during the year.
Capital employed	→	Total shareholders' equity plus net debt minus non-current financial asset investments.
Cash and cash equivalents	→	Comprise cash on hand and current accounts in bank, net of bank overdrafts, together with any highly liquid investments readily convertible to known amounts of cash and not subject to significant risk of changes in value.
Current ratio	→	Current assets divided by current liabilities.
Dividend cover	→	Headline earnings per ordinary share divided by dividends per ordinary share.
Dividend yield	→	Dividends per ordinary share divided by the closing share price at the JSE Limited.
Earnings per ordinary share		
- Attributable earnings basis	→	Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.
- Headline earnings basis	→	Earnings attributable to ordinary shareholders adjusted for profits and losses on items of a capital nature recognising the taxation and minority impacts on these adjustments, divided by the weighted average number of ordinary shares in issue during the year.
Financing cost cover		
• EBIT	→	Net operating profit (before interest and tax) divided by net financing costs.
• EBITDA	→	Net operating profit (before interest, tax, depreciation, amortisation, impairment charges and net deficit/surplus on sale of investments and assets) divided by net financing costs.
Headline earnings yield	→	Headline earnings per ordinary share divided by the closing share price at the JSE Limited.
Invested capital	→	Total shareholders' equity, interest-bearing debt, non-current provisions and net deferred taxation less cash and cash equivalents.
Net assets	→	Total assets less current and non-current liabilities less minority interest which equates to ordinary shareholders' equity.
Net debt to equity ratio	→	Interest-bearing debt less cash and cash equivalents as percentage of total shareholders' equity.
Net equity per ordinary share	→	Ordinary shareholders' equity divided by the number of ordinary shares in issue at the year-end.
Number of years to repay interest-bearing debt	→	Interest-bearing debt divided by cash flow from operating activities before dividends paid.
Operating margin	→	Net operating profit as a percentage of revenue.
Operating profit per employee	→	Net operating profit divided by the average number of employees during the year.
Return on capital employed	→	Net operating profit plus income from non-equity accounted investments plus income from investments in associates as a percentage of average capital employed.
Return on ordinary shareholders' equity		
- Attributable earnings	→	Attributable earnings to ordinary shareholders as a percentage of average ordinary shareholders' equity.
- Headline earnings	→	Headline earnings attributable to ordinary shareholders as a percentage of average ordinary shareholders' equity.
Return on invested capital	→	Net operating profit plus income from non-equity accounted investments plus income from investments in associates as a percentage of the average invested capital.
Return on net assets	→	Net operating profit plus income from non-equity accounted investments plus income from investments in associates as a percentage of the average net assets.
Revenue per employee	→	Revenue divided by the average number of employees during the year.
Total asset turnover	→	Revenue divided by average total assets.
Weighted average number of shares in issue	→	The number of shares in issue at the beginning of the year, increased by shares issued during the year, weighted on a time basis for the period in which they have participated in the income of the group. In the case of shares issued pursuant to a share capitalisation award in lieu of dividends, the participation of such shares is deemed to be from the date of issue.

# notice of annual general meeting

Notice is hereby given that the seventh annual general meeting of members of Exxaro Resources Limited will be held at the Corporate Office, Roger Dyason Road, Pretoria West, South Africa, at 10:00 on Friday, 25 April 2008.

The following business will be transacted and resolutions, of which due and proper notice has been given, are proposed to be passed with or without modification:

## 1. ORDINARY RESOLUTION NUMBER 1

### Approval of financial statements

To receive and adopt the annual financial statements of the group for the period ended 31 December 2007, including the directors' report and the report of the auditors thereon.

## 2. ORDINARY RESOLUTION NUMBER 2

### Re-appointment of independent auditors

To ratify the re-appointment of Deloitte & Touche as auditors of the company for the ensuing year.

## 3. ORDINARY RESOLUTION NUMBER 3

### Auditors' fees

To authorise the directors to determine the auditors' remuneration for the period ended 31 December 2007.

## 4. ORDINARY RESOLUTION NUMBER 4

### Re-election of directors

To re-elect, by separate ordinary resolutions numbered 4.1 to 4.4, the following directors who are required in terms of article 16.1 of the articles of association, to retire by rotation as directors at the forthcoming annual general meeting and who are eligible for re-election at the annual general meeting:

- 4.1 U Khumalo
- 4.2 Dr D Konar
- 4.3 RP Mohring
- 4.4 PKV Ncetezo

An abbreviated curriculum vitae in respect of each director offering themselves for re-election is set out on page 273 of the annual report.

## 5. ORDINARY RESOLUTION NUMBER 5

### Remuneration of non-executive directors

To approve the proposed remuneration for the period 1 January 2008 to 31 December 2008:

	Current	Proposed
	R	R
Chairman :	309 123	333 853
Director :	154 562	166 927
Audit committee chairman :	98 919	106 833
Audit committee member :	49 460	53 417
Board committee chairman :	74 190	80 125
Board committee member :	37 095	40 063

## 6. ORDINARY RESOLUTION NUMBER 6

### Renewal of the authority that the unissued shares be placed under the control of the directors

"Resolved that subject to the provisions of article 3.2 of the articles of association of the company, the provisions of the Companies Act, 61 of 1973, as amended (the Act), and the Listings Requirements of JSE Limited (JSE), the directors are hereby authorised to allot and issue at their discretion until the next annual general meeting of the company, authorised but unissued shares for such purposes as they may determine, after setting aside so many shares as may, subject again to article 3.2 of the articles of association of the company, be required to be allotted and issued by the company pursuant to the company's approved employee share incentive schemes (the schemes)."

## 7. ORDINARY RESOLUTION NUMBER 7

### General authority to issue shares for cash

"Resolved that subject to article 3.2 of the articles of association of the company, the Act, and the Listings Requirements of the JSE, the directors are hereby authorised, by way of a general authority, to allot and issue ordinary shares for cash on the following basis, after setting aside so many shares as may, subject again to article 3.2 of the articles of association of

the company, be required to be allotted and issued by the company pursuant to the schemes, to any public shareholder, as defined by the Listings Requirements of the JSE, as and when suitable opportunities arise, subject to the following conditions:

- 7.1 this authority shall not extend beyond the next annual general meeting or fifteen months from the date of this annual general meeting, whichever date is earlier;
- 7.2 a press announcement giving full details, including the impact on net asset value and earnings per share, be published at the time of any issue representing, on a cumulative basis within one year, 5% or more of the number of shares in issue prior to the issue/s;
- 7.3 the shares be issued to public shareholders as defined by the JSE and not to related parties;
- 7.4 any issue in the aggregate in any one year shall not exceed 15% of the number of shares of the company's issued ordinary share capital; and
- 7.5 in determining the price at which an issue of shares be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of the shares over the thirty days prior to the date that the price of the issue is agreed in writing between the issuer and the party/parties subscribing for the securities. In the event that shares have not traded in the said thirty day period a ruling will be obtained from the committee of the JSE."

The approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the meeting is required for ordinary resolution number 7 to become effective.

## 8. SPECIAL RESOLUTION NUMBER 1

### Authority to repurchase shares

"Resolved that by way of a general authority, the company or any subsidiary of the company may, subject to the Act, article 36 of the articles of association of the company or articles of association of a subsidiary respectively and the Listings Requirements of the JSE, from time to time purchase shares issued by itself or shares in its holding company, as and when deemed appropriate."

Pursuant to the above, the following additional information, required in terms of the Listings Requirements of the JSE, is submitted.

It is recorded that the general repurchase will be subject to the following limitations:

- 8.1 that the repurchase is effected through the order book operated by the JSE trading system and is done without any prior understanding or arrangement between the company and the counterparty;
- 8.2 that this authority shall not extend beyond 15 months from the date of this resolution or the date of the next annual general meeting, whichever is the earlier date;
- 8.3 that an announcement containing full details of such repurchases is published as soon as the company has repurchased shares constituting, on a cumulative basis, 3% of the number of shares in issue prior to the repurchases and for each 3%, on a cumulative basis, thereafter;
- 8.4 that the repurchase of shares shall not, in the aggregate, in any one financial year, exceed 20% of the company's issued share capital at the time this authority is given;
- 8.5 that at any one time, the company may only appoint one agent to effect any repurchase;
- 8.6 that the repurchase of shares will not take place during a prohibited period (unless it forms part of a repurchase programme which meets the requirements of the JSE) and will not affect compliance with the shareholders' spread requirements as laid down by the JSE;
- 8.7 shares issued by the company may not be acquired at a price greater than 10% above the weighted average traded price of the company's shares for the five business days immediately preceding the date of repurchase;
- 8.8 The sponsor will sign off on working capital as per Schedule 25 of the Listings Requirements of the JSE prior to the commencement of the general repurchase;

The reason for this special resolution number 1 is, and the effect thereof will be to grant, in terms of the provisions of the Act and the Listings Requirements of the JSE, and subject to the terms and conditions embodied in the articles of the company or any subsidiary and the said special resolution, a general authority to the directors to approve the repurchase by the company of its own shares.

At the present time the directors have no specific intention with regard to the utilisation of this authority, which will only be used if the circumstances are appropriate.

9. To transact such other business as may be transacted at an annual general meeting.

## notice to annual general meeting continued

### DISCLOSURES REQUIRED IN TERMS OF THE LISTINGS REQUIREMENTS OF THE JSE

In accordance with paragraph 11.26 of the Listings Requirements, the attention of shareholders is drawn to:

- authorise the company, or any of its subsidiaries, to repurchase any of its shares as set out in the special resolution above; and
- the general authority to issue shares for cash as set out in ordinary resolution number 7.

### Working capital statement

The directors of the company agree that they will not undertake any repurchase unless:

- the company and the group will be able, in the ordinary course of business, to pay its debts;
- the assets of the company and the group have been consolidated, fairly valued in accordance with International Financial Reporting Standards, in excess of its consolidated liabilities;
- the share capital and reserves of the company and the group will be adequate for ordinary business purposes; and
- the working capital resources of the company and the group will be adequate for ordinary business purposes.

### Litigation statement

Other than disclosed or accounted for in these annual financial statements, the directors of the company, whose names are given on page 76 of these annual financial statements, are not aware of any legal or arbitration proceedings, pending or threatened against the group, which may have or have had a material effect on the group's financial position in the 12 months preceding the date of this notice of annual general meeting.

### Directors' responsibility statement

The directors, whose names are given on page 76 of these financial statements, accept responsibility for the accuracy of the information given, and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statements false or misleading and that all reasonable enquiries to ascertain such facts have been made.

### Material changes

Other than the facts and developments reported on in these annual financial statements, there have been no material changes in the affairs, financial or trading position of the group since the signature date of this annual report and the posting date thereof.

The following further disclosures required in terms of the Listings Requirements of the JSE are set out in accordance with the reference pages in these annual financial statements of which this notice forms part:

- Directors and management – refer to pages 74 to 77 of this report;
- Major shareholders of the company – refer to page 90 of this report;
- Directors' interest in the company's shares – refer page 166 of this report;
- Share capital of the company – refer page 211 of this report.

By order of the board



MS Viljoen  
Company Secretary

Pretoria  
13 March 2008

## SHORT BIOGRAPHIES OF EXXARO DIRECTORS SEEKING RE-ELECTION

**Name:** U Khumalo – Ufikile (42)

**Designation:** Non-executive director

**Academic qualifications:** BSc (Eng); MSc Eng (UCT); MAP (Wits); Snr Exec Dev Programme (Harvard); AMP (Insead)

**Experience:** Ufikile served with Sasol and Eskom as a senior engineer and Bevcam as a manufacturing manager prior to joining the IDC. He held several positions during 1999 – 2005, including head, international finance; executive vice president industrial sectors and executive vice president; projects. He provided strategic direction in the industrial sectors on large projects. He was also involved in evaluating investment proposals thus contributing to successfully implementing the IDC's development mandate.

**Name:** Dr D Konar – Len (54)

**Designation:** Non-executive director and chairman of the audit, risk and compliance committee

**Academic qualifications:** BCom; CA(SA); MAS; DCom

**Experience:** Immediately after completing his articles of clerkship at Ernst & Young in Durban, Len began his career as an academic at the University of Durban-Westville. He then spent six years with the Independent Development Trust as head of investments and internal audit, prior to becoming a professional director of companies and consultant.

**Name:** RP Mohring – Rick (60)

**Designation:** Non-executive director

**Academic qualifications:** BSc Eng. (Mining); Professional Engineer

**Experience:** From 1998 until 2000, Rick was the chief executive officer of NewCoal, a black empowerment initiative set up by Anglo Coal and Ingwe Coal Corporation to identify a suitable BEE group to purchase certain assets belonging to the vendors and establish a new BEE coal company. Eyesizwe Coal, the largest BEE coal company in South Africa, was formed in November 2000 through this process. From 2000 until 2003, Rick was the deputy chief executive officer of Eyesizwe Coal. As such, he was responsible for the operational control of mines producing 25 million tonnes of coal per annum, new business development, technical services and health and safety. After 37 years in the mining industry, Rick retired from Eyesizwe Coal in December 2003, and set up a private consulting company, Mohring Mining Consulting.

**Name:** PKV Ncetezo – Pinkie (51)

**Designation:** Non-executive director

**Academic qualifications:** BA Social work (UniZul); MEd (Ohio University USA); MAP (Wits Business School); MBA (Open University UK); Diploma in Management (Open University UK)

**Experience:** Pinkie was chief executive officer of SAWIMIH from November 2003 to October 2007. She was a member of the business development committee of SAWIMA from May 2003 until February 2004. From 1983 to 1985 and 1988 to 2003, she held a number of positions at IBM, including Client Relationship Manager, Team Leader – Customer Service Operations and Business Administrator. Currently a non-executive director of Exxaro, Eyabantu Consortium, Main Street 333 (Pty) Limited and Basadi Ba Kopane (Pty) Limited. Currently a director of Tisang Investments and Thobo Holdings (Pty) Limited.

# notice to annual general meeting continued

## EXPLANATORY NOTES TO RESOLUTIONS FOR CONSIDERATION AT THE ANNUAL GENERAL MEETING

### ORDINARY BUSINESS

#### **Resolution 1: Approval of financial statements**

The directors must present to shareholders at the annual general meeting the annual financial statements incorporating the directors' report and the report of the auditors, for the period ended 31 December 2007. These are contained within the annual report.

#### **Resolution 2: Re-appointment of independent auditors**

The reason for proposing ordinary resolution number 2 is to confirm the re-appointment of Deloitte & Touche as external auditors of the company. Deloitte & Touche was appointed as the company's statutory auditors since 16 February 2004.

#### **Resolution 3: Auditors' fees**

It is usual for this matter to be left to the directors, as they will be conversant with the amount of work that was involved in the audit. The chairman will therefore move a resolution to this effect authorising the directors to attend to this matter.

#### **Resolution 4: Re-election of directors**

Under the articles of association, one third of the directors are required to retire at each annual general meeting and may offer themselves for re-election. In addition, any person appointed to fill a casual vacancy on the board of directors, or as an addition thereto, is similarly required to retire and is eligible for re-election at the next annual general meeting. Biographical details of the directors, who are offering themselves for re-election, appear on page 273.

#### **Resolution 5: Remuneration of non-executive directors**

The company in general meeting as per the articles of association shall from time to time determine the remuneration of directors, subject to shareholders' approval.

#### **Resolution 6 and 7: Directors' control of unissued ordinary shares**

The existing authorities relating to resolutions 6 and 7 are due to expire at the forthcoming annual general meeting. The directors consider it advantageous to renew these authorities to enable the company to take advantage of business opportunities, which might arise in the future.

### SPECIAL BUSINESS

#### **Special Resolution 1: General authority to permit the repurchase of shares**

The reason for the special resolution is to grant the directors of the company a general authority for the acquisition of the company's shares by the company, or a subsidiary of the company.

The effect of the special resolution, once registered, will be to permit the company or any of its subsidiaries to repurchase such securities subject to the limitations applicable. This authority will only be used if circumstances are appropriate.

## form of proxy



### EXXARO RESOURCES LIMITED

(Incorporated in the Republic of South Africa)

(Registration No. 2000/011076/06)

(Exxaro or the company)

JSE Share code: EXX

ISIN code: ZAE 000084992

### TO BE COMPLETED BY CERTIFICATED SHAREHOLDERS AND DEMATERIALISED SHAREHOLDERS WITH "OWN NAME" REGISTRATION ONLY

For completion by registered members of Exxaro unable to attend the annual general meeting of the Company to be held at 10:00 on Friday, 25 April 2008, at the Exxaro Corporate Centre, Roger Dyason Road, Pretoria West, South Africa or at any adjournment thereof,

I/We

of \_\_\_\_\_ (address)

being the holder/s of \_\_\_\_\_ shares in the company, do hereby appoint:

1. \_\_\_\_\_ or, failing him/her

2. \_\_\_\_\_ or, failing him/her

the chairman of the annual general meeting, as my/our proxy to attend, speak and, on a poll, vote on my/our behalf at the annual general meeting of members to be held at 10:00 on Friday, 25 April 2008 at Exxaro Corporate Centre, Roger Dyason Road, Pretoria West, Gauteng or at any adjournment thereof, and to vote or abstain from voting as follows on the ordinary and special resolutions to be proposed at such meeting:

	For	Against	Abstain
<b>Ordinary business</b>			
1. Resolution to adopt the 2007 audited group financial statements			
2. Resolution to re-appoint Deloitte & Touche as auditors			
3. Resolution to authorise the directors to determine auditors' remuneration			
4. Resolution to re-elect directors required to retire by rotation in terms of article 16.1 of the articles of association			
4.1 U Khumalo			
4.2 Dr D Konar			
4.3 RP Mohring			
4.4 PKV Ncetezo			
5. Resolution to approve the non-executive directors' remuneration for the period 1 January 2008 to 31 December 2008			
6. Resolution to authorise directors' to allot and issue unissued ordinary shares			
7. Resolution to authorise directors' to allot and issue ordinary shares for cash			
<b>Special business</b>			
1. Special resolution to authorise directors to repurchase company shares			

Please indicate with an "X" in the appropriate spaces provided above how you wish your vote to be cast. If no indication is given, the proxy may vote or abstain as he/she sees fit.

Signed at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 2008

Signature \_\_\_\_\_

Assisted by me, where applicable (name and signature) \_\_\_\_\_

Please read the notes on the reverse side.

## notes

1. A form of proxy is only to be completed by those ordinary shareholders who are:
  - 1.1 holding ordinary shares in certificated form; or
  - 1.2 recorded on sub-register electronic form in 'own name'.
2. If you have already dematerialised your ordinary shares through a Central Securities Depository participant (CSDP) or broker and wish to attend the annual general meeting, you must request your CSDP or broker to provide you with a Letter of Representation or you must instruct your CSDP or broker to vote by proxy on your behalf in terms of the agreement entered into between yourself and your CSDP or broker.
3. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space provided. The person whose name stands first on the form of proxy and who is present at the annual general meeting of shareholders will be entitled to act to the exclusion of those whose names follow.
4. On a show of hands a member of the company present in person or by proxy shall have one (1) vote irrespective of the number of shares he/she holds or represents, provided that a proxy shall, irrespective of the number of members he/she represents, have only one (1) vote. On a poll a member who is present in person or represented by proxy shall be entitled to that proportion of the total votes in the company, which the aggregate amount of the nominal value of the shares held by him/her bears to the aggregate amount of the nominal value of all the shares issued by the company.
5. A member's instructions to the proxy must be indicated by the insertion of the relevant numbers of votes exercisable by the member in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the member's votes exercisable thereat. A member or the proxy is not obliged to use all the votes exercisable by the member or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the member or by the proxy.
6. Forms of proxy must be lodged at, or posted to Computershare Investor Services 2004 (Pty) Limited, to be received not later than 48 hours before the time fixed for the meeting (excluding Saturdays, Sundays and public holidays).

**For shareholders on the South African register:**

Computershare Investor Services (Pty) Ltd  
Ground Floor, 70 Marshall Street, Johannesburg 2001  
PO Box 61051, Marshalltown 2107  
www.computershare.com  
Tel: +27 11 370 5000

**Over-the-Counter American Depositary Receipt (ADR) holders:**

Exxaro has an ADR facility with The Bank of New York (BoNY) under a deposit agreement. ADR holders may instruct BoNY as to how the shares represented by their ADRs should be voted.

American Depositary Receipt Facility (ADR)  
Bank of New York  
101 Barclay Street  
New York, NY 10286  
www.adrbny.com  
shareowners@bankofny.com  
Tel: +(00-1) 888 815 5133

7. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity or other legal capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.
9. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
10. Notwithstanding the foregoing, the chairman of the annual general meeting may waive any formalities that would otherwise be a prerequisite for a valid proxy.
11. If any shares are jointly held, all joint members must sign this form of proxy. If more than one of those members is present at the annual general meeting either in person or by proxy, the person whose name first appears in the register shall be entitled to vote.

# administration

## Secretary and registered office

MS Vijoen  
Exxaro Resources Limited  
Roger Dyason Road  
Pretoria West  
Pretoria  
0183  
PO Box 9229, Pretoria  
0001  
South Africa  
Telephone +27 12 307 5000

**Company registration number:** 2000/011076/06

**JSE share code:** EXX

**ISIN code:** ZAE000084992

## Auditors

Deloitte & Touche  
Private Bag X6  
Gallo Manor  
2052

## Commercial bankers

Absa Bank Limited

## Corporate law advisers

CLS Consulting Services (Pty) Limited

## United States ADR Depositary

The Bank of New York  
101 Barclay Street  
New York NY 10286  
United States of America

## Sponsor

JP Morgan Equities Limited  
1 Fricker Road  
Illovo  
Johannesburg  
2196

## Registrars

Computershare Investor Services (Pty) Limited  
Ground Floor, 70 Marshall Street  
Johannesburg, 2001  
PO Box 61051  
Marshalltown  
2107

# shareholders' diary

<b>FINANCIAL YEAR-END</b>	31 December
<b>ANNUAL GENERAL MEETING</b>	April/May
<b>REPORTS AND ACCOUNTS</b>	Published
Interim report for the half-year ending 30 June	August
Announcement of annual results	February
Annual report	March
<b>DISTRIBUTION</b>	
Final dividend declaration	February
Payment	March
Interim dividend declaration	August
Payment	September

*This report is printed on Cyclus, a paper made entirely from post-consumer waste in a fully environmentally friendly production process where even the by-products are recycled. This makes Cyclus 100% recycled. By printing on Cyclus, Exxaro is playing a part in eliminating a 120kt waste mountain instead of felling trees.*