

## 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
• <b>Safety, health and environmental certification (number of operations)</b>	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
• <b>HIV/Aids voluntary testing and counselling at pilot sites (%)</b>	95 <sup>4</sup>	30	41	54	40	
• <b>Human resources development (% spend of payroll)</b>	6,0	6,5	5,1	6,3	5,7	5,7
• <b>Procurement from HDSA companies (%)</b>	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

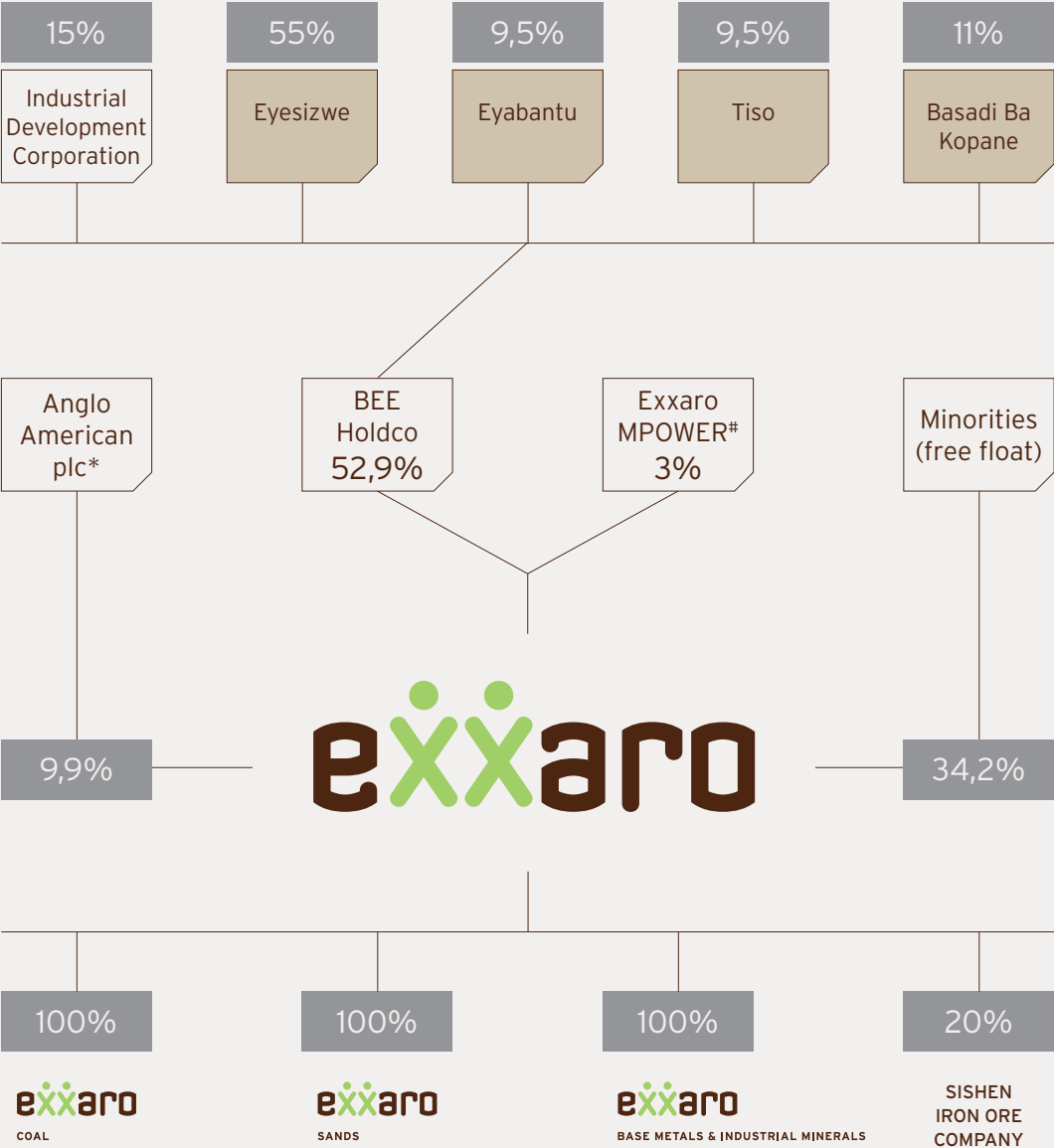
- Successful merger at operational and corporate levels of the former Kumba Resources and Eyesizwe Coal
- Revenue exceeds R10 billion
- Total dividend of R1,60 per share paid to shareholders, including R17 million to Exxaro's employee share incentive scheme, MPOWER
- Commissioning of the 1,5Mtpa export-dedicated 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	
	<div>COAL</div> <p>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. Grooteegeluk 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.</p>
	<div>MINERAL SANDS</div> <p>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.</p>
	<div>BASE METALS &amp; INDUSTRIAL MINERALS</div> <p>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.</p>
<div>INVESTMENTS</div>	<div>IRON ORE</div> <p>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.</p>

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 Exarro Resources Limited	Zircon Rutile Ilmenite Synthetic rutile Leucoxene	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 | Grootegeeluk              | 8  | Belfast            |
| 2 | Leeuwpans                 | 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 Grooteegeluk 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**

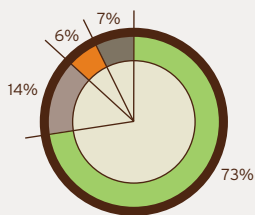
- 19 Chifeng Zinc Refinery
- 20 Rosh Pinah
- 21 Zincor
- 22 Glen Douglas
- 23 FerroAlloys
- 24 Black Mountain
- 25 Sishen Iron Ore Company



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

## we create value for all stakeholders

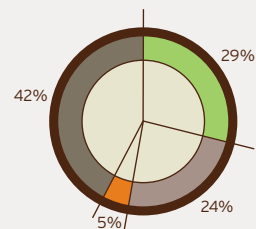
CASH DISBURSED AMONG  
STAKEHOLDERS 2007



- 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

		12 months ended 31 December			
000 tonnes	2007	2006	2005	2004	2003
COAL					
Coking coal					
Production					
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
Power station coal (Eskom)					
Production <sup>1</sup>					
Grootegeluk	14 510	14 268	14 060	14 017	13 869
Leeuwpan	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
Steam coal					
Production					
	4 112	4 665	2 993	2 652	2 933
Grootegeluk	1 486	1 585	1 551	1 403	1 323
Leeuwpan	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
MINERAL SANDS - SOUTH AFRICA					
Production					
– 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

AREA	KEY ISSUES	PROGRESS
<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>	<p>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:</p> <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
Health and safety in the work environment	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>
Labour relations	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>
Corporate governance	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>
Human resource development	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>
Shareholders' rights	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>
Supplier relations/developmental procurement	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>

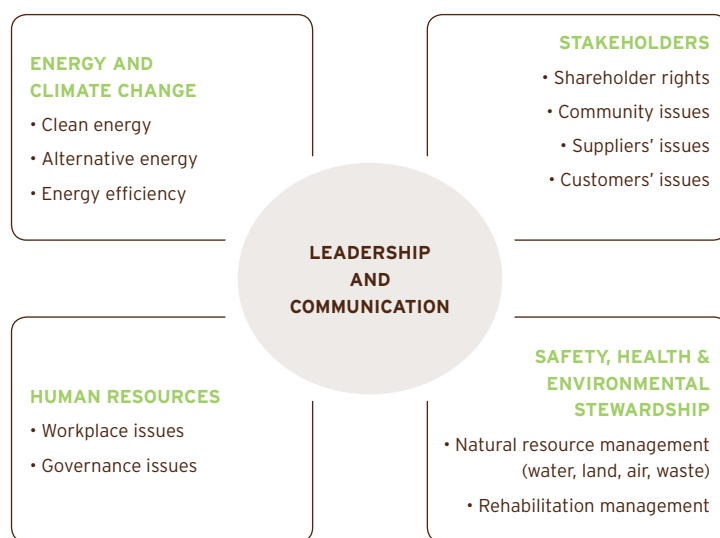
## STRUCTURE AND MODEL FOR IMPLEMENTING SUSTAINABLE DEVELOPMENT

### 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.

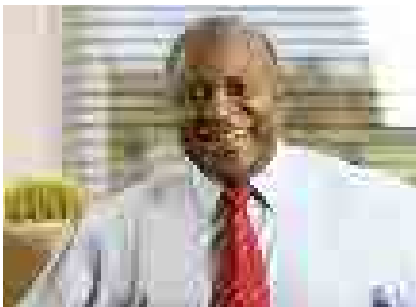
This report also excludes the following operations where we do not exercise management control:

- 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.

## 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.



  
**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.
- Grooteegeluk'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.

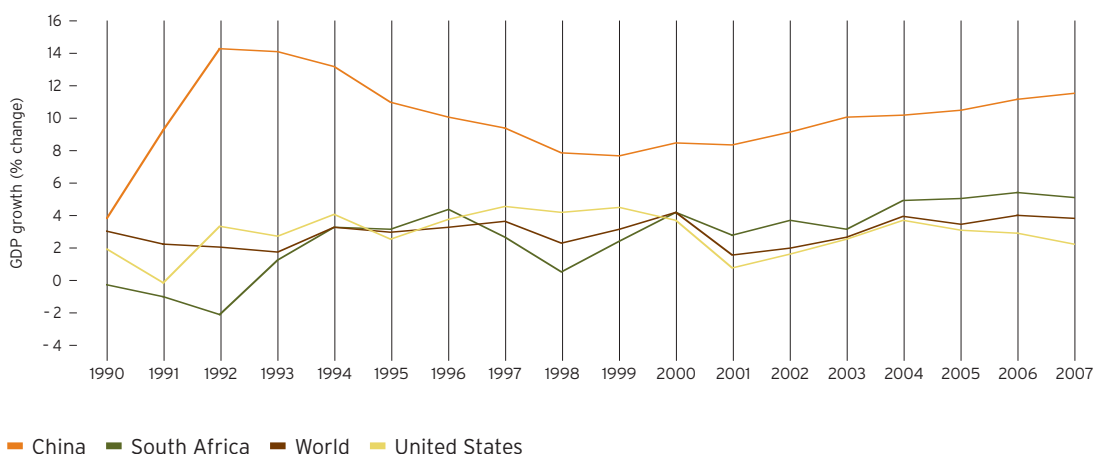
In China, real GDP increased by 11,5%, driven by fixed investment and exports. Industrial production expanded by a phenomenal 17,9%. The consensus view is that the Chinese economy continues to show signs of overheating, which could result in slower growth in the next few years as the Chinese government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

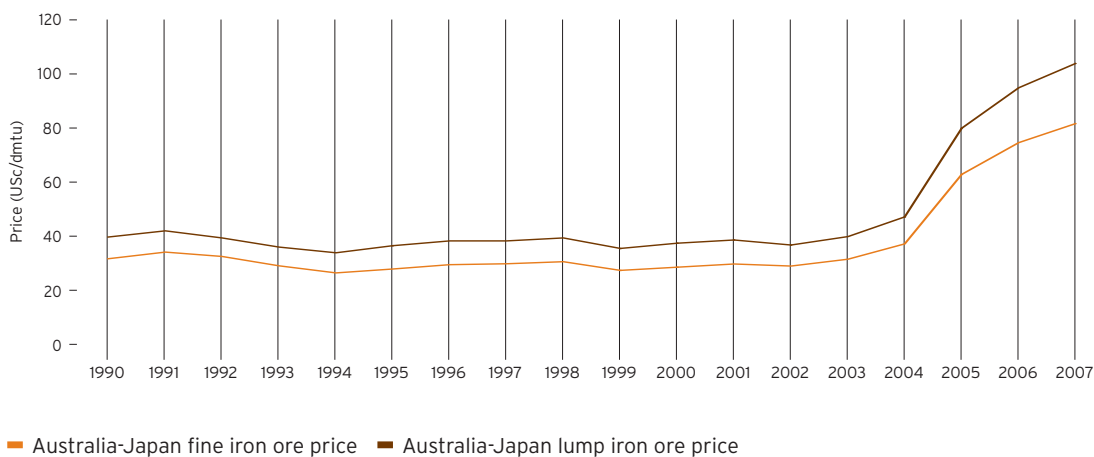
The US dollar generally weakened against the currencies of major commodity-exporting countries in 2007, especially after monetary easing in response to the credit crisis in the US. Commodity price increases in the currencies of these countries were thus lower than in dollar terms. Except for South Africa, 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.

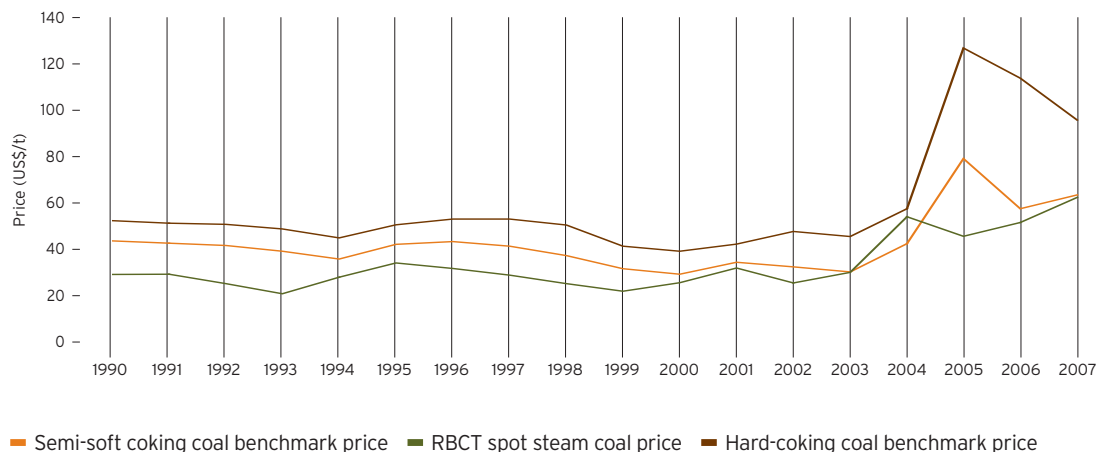
Global bulk freight rates increased significantly in 2007, following ongoing strong demand for bulk commodities from China and other emerging economies. This was reflected in a 150% surge in the Baltic Dry Freight Index during the year. The year 2007 was also characterised by major infrastructure bottlenecks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

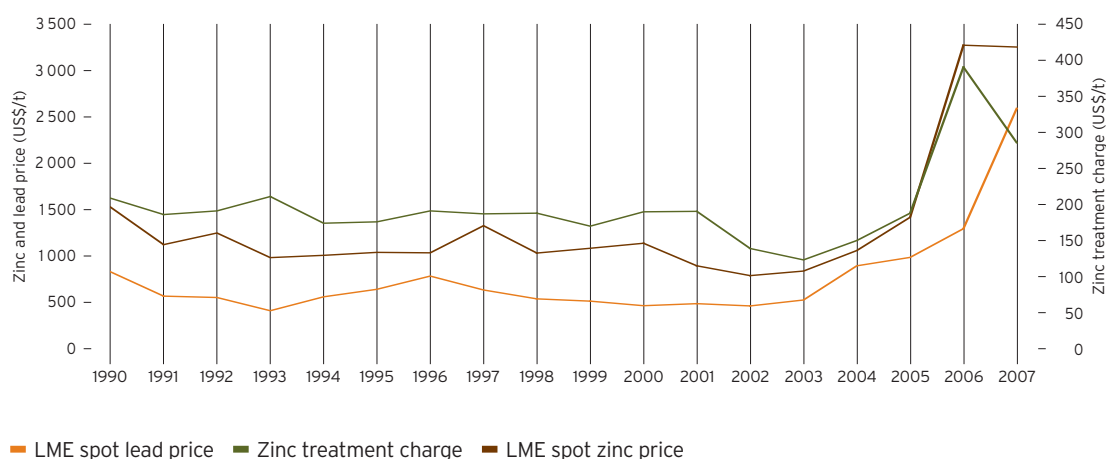
### NOMINAL HISTORICAL BENCHMARK IRON ORE PRICES



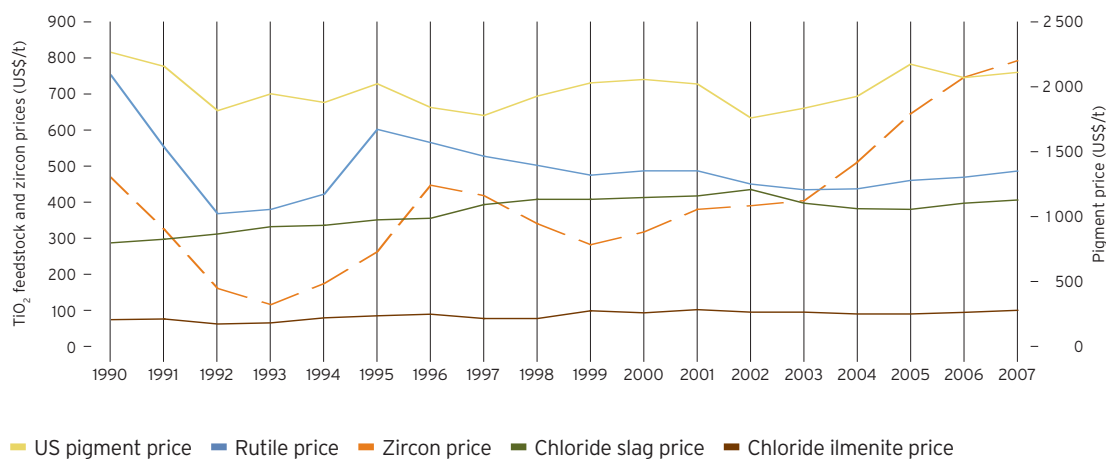
### NOMINAL HISTORICAL COAL PRICES



### 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

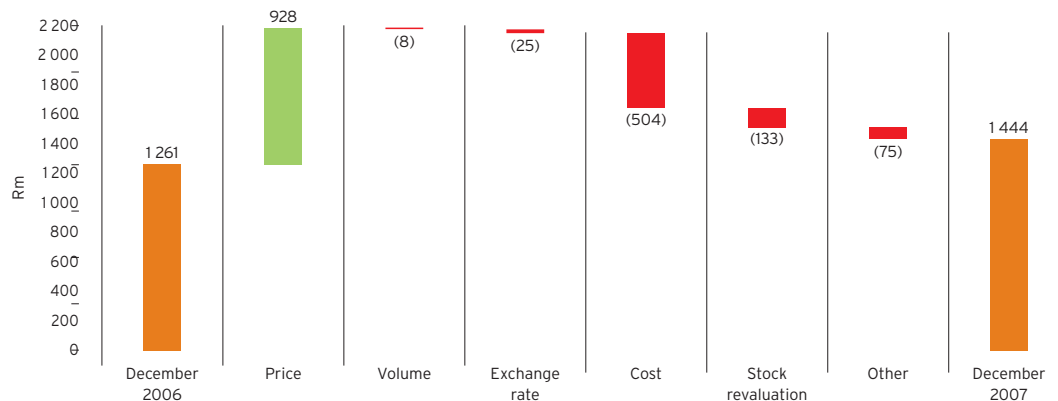
Revenue increased by 15% to R2 732 million with a net operating margin of 25% as a result of the 2% increase in the rand zinc price for the year to R22 824/tonne, compared with R22 311/tonne in the corresponding period in 2006. The increased revenue was partially offset by inflationary production cost 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**

	<b>12 months ended 31 December</b>	
<b>R million</b>	<b>2007</b>	<b>2006</b>
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:

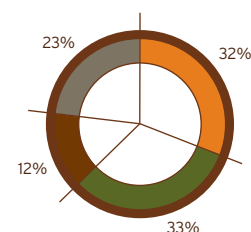
	<b>12 months ended 31 December</b>	
<b>R million</b>	<b>2007</b>	<b>2006</b>
Interest expense and loan costs	153	241
Finance leases (IAS 17 and IFRIC 4)	59	39
Interest income	(96)	(12)
	116	268
Interest adjustment on non-current provisions	99	47
Total	215	315

## Income from equity-accounted investments

**TABLE 5**

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

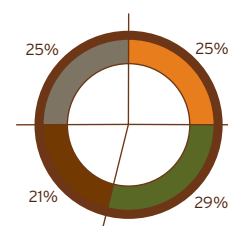
## EBITDA CONTRIBUTION



## 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 31 December	
	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 reline 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	<b>1 168</b>	569	640
Expansion			
• Coal	<b>1 179</b>	679	235
• Mineral sands	<b>63</b>	16	29
• Base metals	<b>40</b>	25	8
• Industrial minerals and other	<b>20</b>	7	11
Total	<b>2 470</b>	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

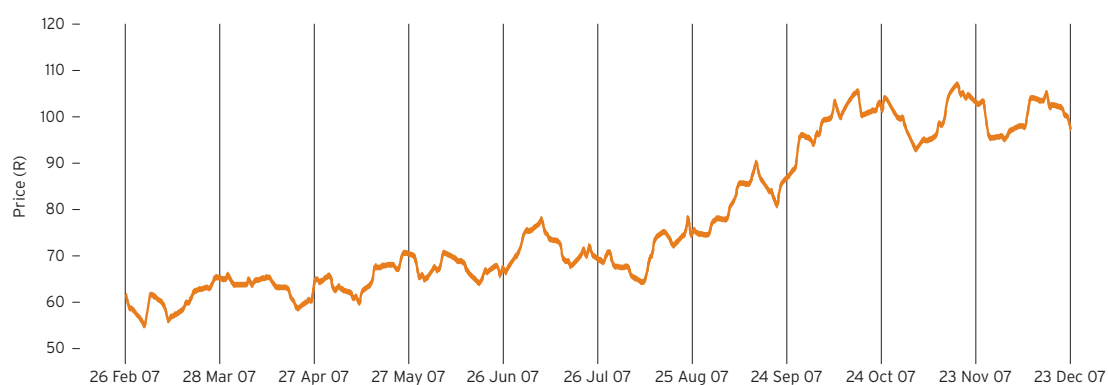
A year-on-year 12 months to 31 December 2007 comparison shows that the volume-weighted average share price was R75,49 against R54,86 for the previous year, while the daily trade in shares averaged 849 137 in 2007 compared to 453 084 in the previous period. During the year under review, the share price 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.

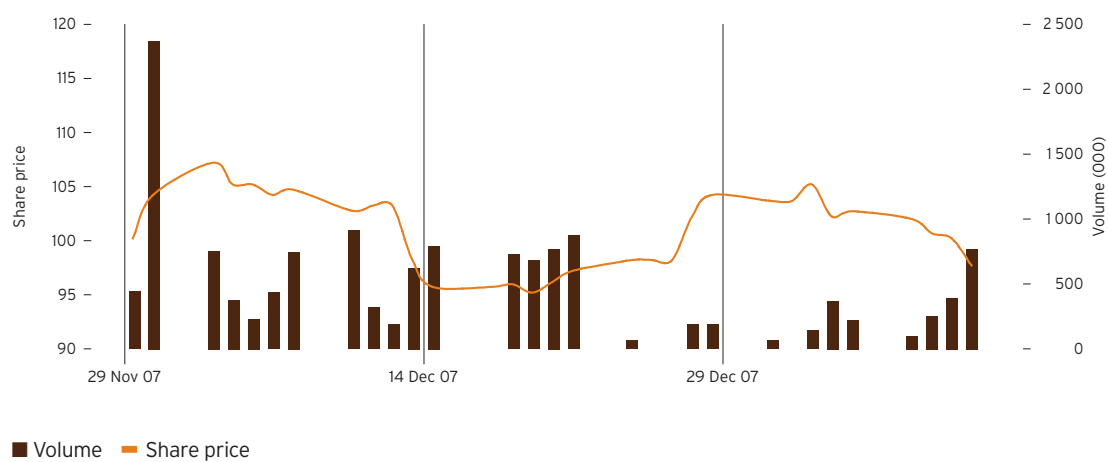
## SHARE PRICE AND RELATIVE PERFORMANCE SECTOR AND MARKET COMPARISON OVER ONE YEAR



## SHARE PRICE PERFORMANCE



## VOLUMES TRADED SINCE LISTING



## business operations review

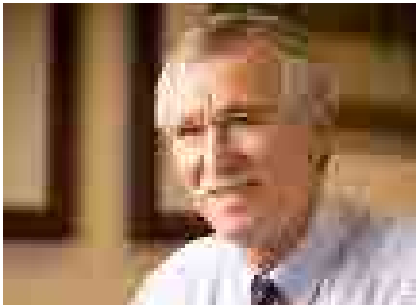
### Overview

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 stylized, 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.
- Grooteegeluk 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, Leeuwpan 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.

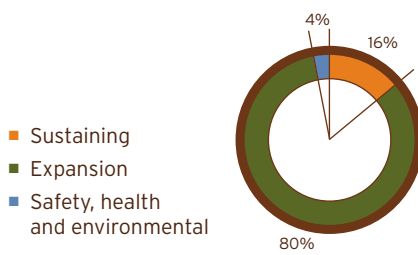
The export-orientated opencast Inyanda mine is on track to full production of 1,5Mtpa. Since establishment, Inyanda has been supplying run-of-mine product to New Clydesdale. Inyanda's beneficiation plant should be commissioned in the second quarter of 2008.

# 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 Grootegeeluk 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.

Leeuwpan 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, Leeuwpan 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 Vetli (42)**  
*General manager: Arnot,  
New Clydesdale and Tshikondeni*

**Johan Wepener (50)**  
*General manager: Leeuwpan, 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
Total	1 474

<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.

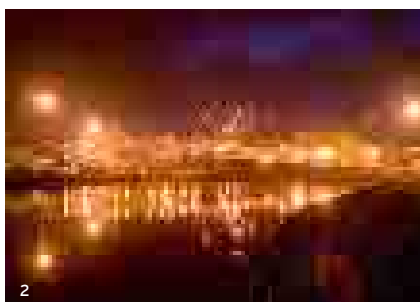
Exxaro Coal expects improved coking coal and coke prices during 2008 with continued strong demand driven by Asia, particularly China. Steam coal prices are expected to increase due to high demand and global logistical constraints.

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.

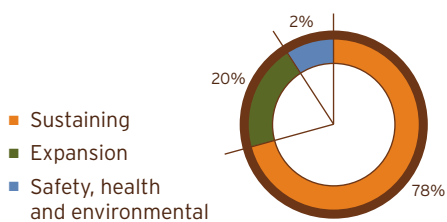


# Mineral Sands

- 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.

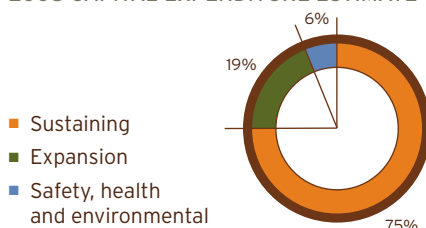
The demand for low manganese pig iron remains strong, although industry analysts believe the market is peaking. The strong upward trend in the price is attributed primarily to China, the largest exporter of pig iron, curtailing exports to meet local demand. Japanese steel producers have announced plans 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>	122	115	7	6,1
– 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

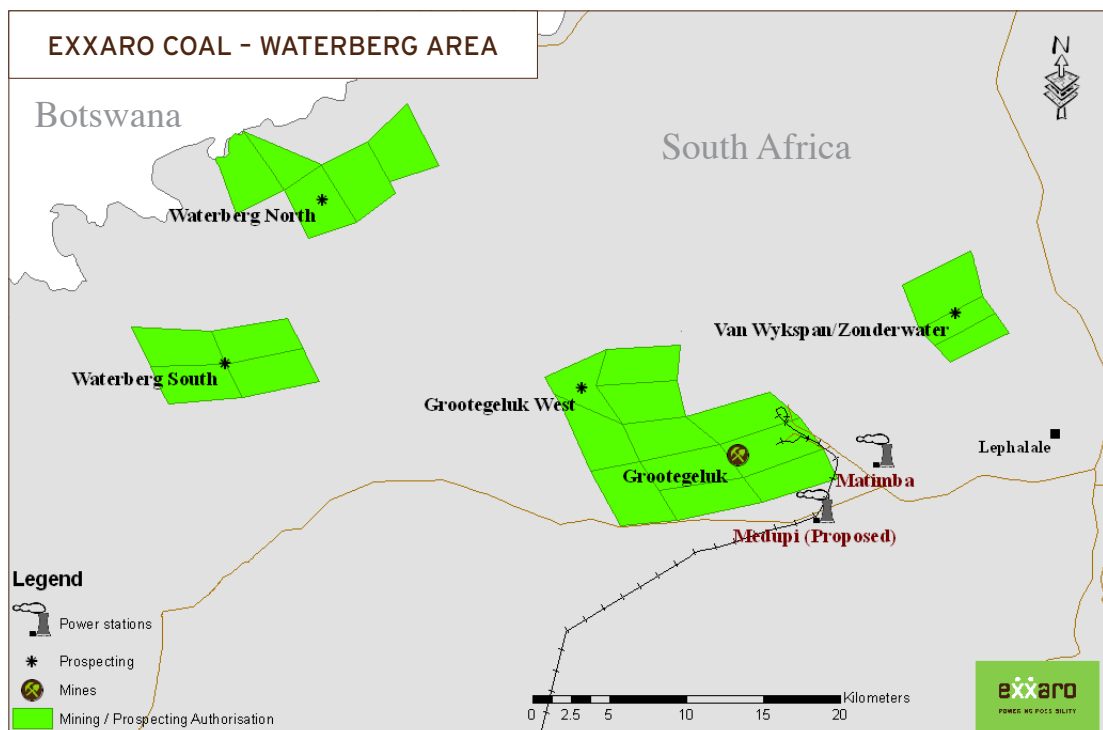
### Coal

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.

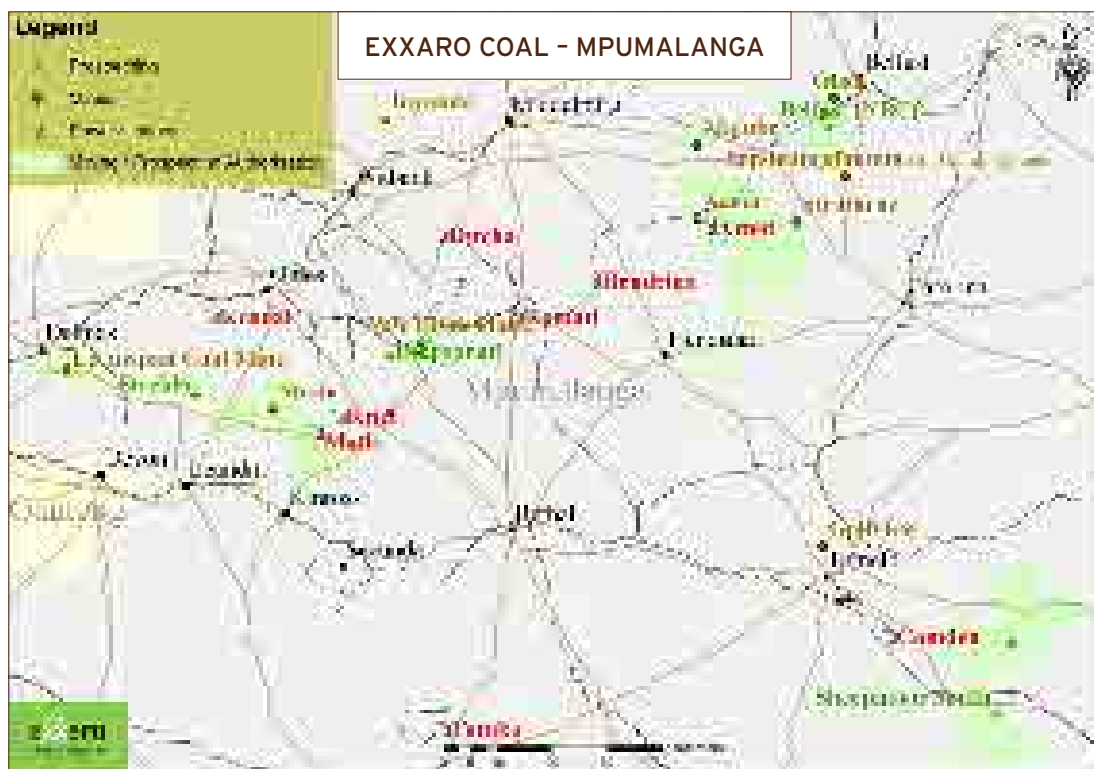
Construction of a four-retort **Sintel char plant** is almost complete and hot commissioning will begin in the first quarter of 2008. The Sintel plant will produce char for the ferroalloy industry from coal sourced from Grootegeeluk. Production is expected to ramp-up to 160ktpa by the third quarter of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

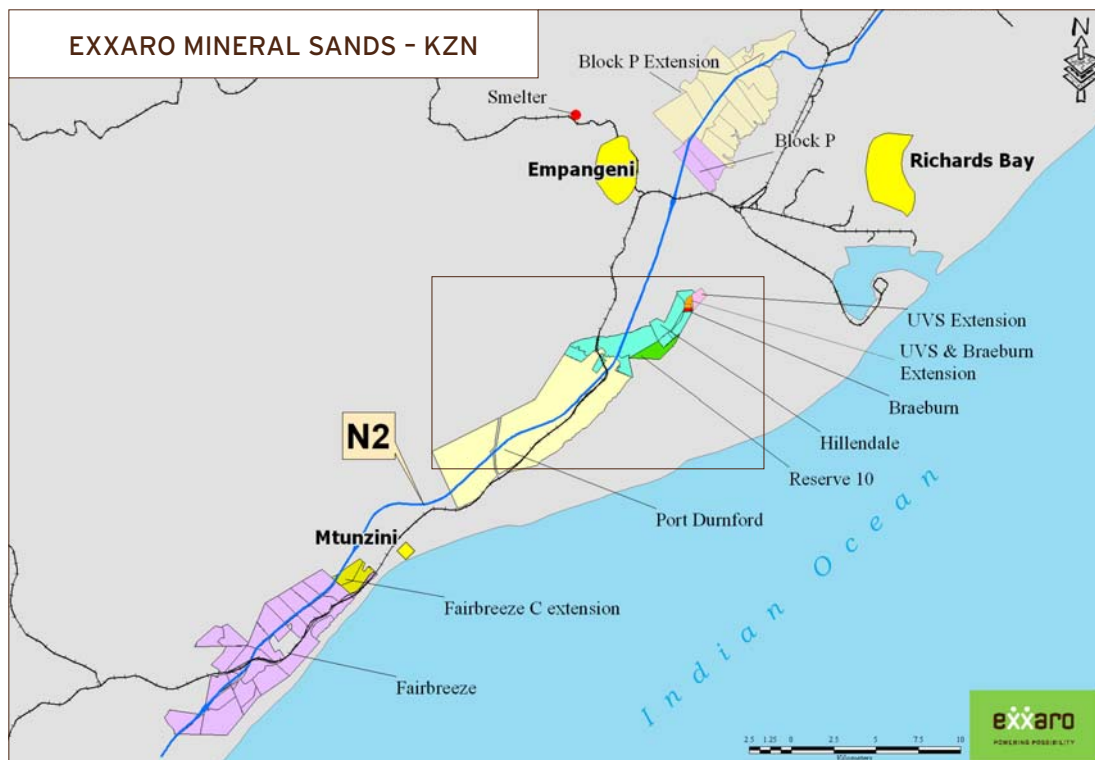
The **Mafube** expansion project, in which Exxaro is a 50:50 joint venture partner with Anglo Coal, is expected to cost approximately R1,9 billion on completion. Construction started in July 2006 with the first coal-to-washing plant delivered in January 2008 and ramp-up to full capacity under way. This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

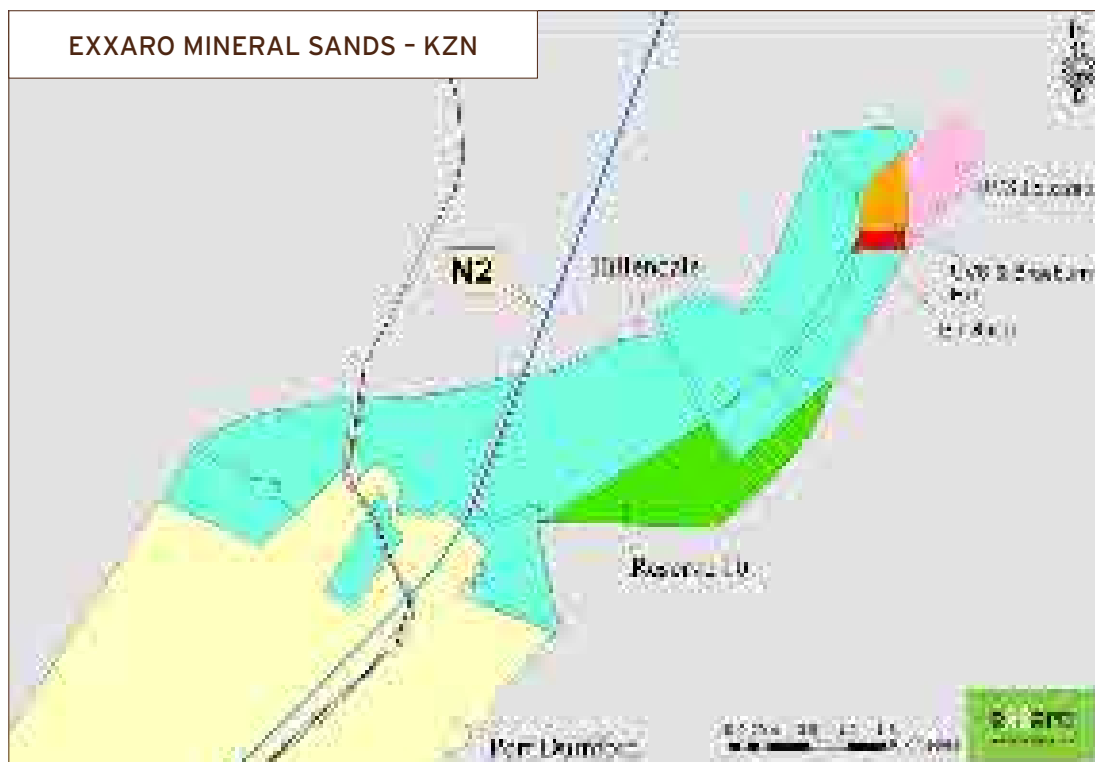
The acquisition of **Namakwa Sands** was approved by Exxaro shareholders early in 2007 subject to the cession of the mining right, which is expected in 2008. With this acquisition, Exxaro will be strategically positioned as one of the world's top three suppliers of zircon and high-grade titanium dioxide 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 Grootegeeluk mineral resources and ore reserves has been reviewed and adjusted as explained in the accompanying tables. The Grootegeeluk 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	
	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	
	Grootegeeluk 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	
	Grootegeeluk 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	
	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	
	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	
	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	

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+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	100,0	Measured	–	–	–	–	
			Indicated	40,6	3,1	40,6	3,1	
	– Block P extension		Inferred	42	2,7	Not reported		
			TOTAL	82,6	2,9	40,6	3,1	103,4



## review of mineral resources and reserves continued

				2007		2005			
COMMODITY	Operation	% attrib. to Exxaro	Resource category	Tonnes (million)	Grade	Tonnes (million)	Grade	% change	
Mineral Sands (continued)	KwaZulu–Natal	51,0	Measured	% ilmenite		% ilmenite		Not reported	
	Port Dunford		Indicated	–	–				
	Inferred		1 004,6	2,8					
				TOTAL	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>(8)</sup>	100,0	Measured	208,8	4,8	–	–		
	– Upper sand unit		Indicated	320,4	4,0	553	4,6		
	Inferred		181,3	3,5	–	–			
				TOTAL	710,5	4,1	553	4,6	28,5
					% THM				
	Tiwest, Australia	50,0	Measured	117	2,7	157	2,7		
	– Cooljarloo		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	50,0	Measured	–	–	–	–		
	– Jurien		Indicated	25,6	6,0	25,6	6,0		
Inferred	–		–	–	–				
			TOTAL	25,6	6,0	25,6	6,0	0,0	
Tiwest, Australia	50,0	Measured	1,3	6,9	1,3	6,9			
– Dongara		Indicated	75,4	6,6	75,4	6,6			
Inferred		–	–	–	–				
			TOTAL	76,7	6,6	76,7	6,6	0,0	

				2007			2005			
COMMODITY	Operation	% attrib. to Exxaro	Resource category	Tonnes (million)	Grade		Tonnes (million)	Grade		% change
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	93,9	Measured	—	—	—	Not reported			
	(Additional resource excluded from LOM)		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	% SiO <sub>2</sub> 180,3		<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		

**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				
				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
	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
	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	
	Grooteegeluk 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
	Inyanda mine <sup>(15)</sup>	100,0	Proved	16,3	–	A-grade export steam coal			14,6	–	A-grade export steam coal		
			Probable	–	–	–			–	–	–		
			TOTAL	16,3	–	10,2			14,6	–	10,1		
	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	
	Mafube mine <sup>(16)</sup>	50,0	Proved	44,3	–	23,92	12,08	N/A	2,0	–	–	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
	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
	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
	Belfast	100,0	Proved	22,0	–	14,6	7,4	N/A	22,0	–	14,6	7,4	N/A
			Probable	21,1	–	10,3	9,0	N/A	21,1	–	10,3	9,0	N/A
			TOTAL	43,1	–	24,9	16,4	N/A	43,1	–	24,9	16,4	N/A

				2007						2005						
COMMODITY	Operation	% attrib. to Exxaro	Reserve category	ROM (Mt)	Grade	Total heavy mineral (THM) composition				ROM (Mt)	Grade	Total heavy mineral (THM) composition				% change
Mineral Sands					% THM	% Ilmenite	% Rutile	% Zircon	% Leuco-xene		% THM	% Ilmenite	% Rutile	% Zircon	% Leuco-xene	
	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	
			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	
															(27,3)	
	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	
			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	
															0,0	
	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	
			Probable	—	—	—	—	—	—	—	—	—	—	—	—	
			TOTAL	52,4	13,0	85	N/A	N/A	N/A	52,4	13,0	85	N/A	N/A	N/A	
														0,0		
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		
		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		
														(22,0)		
Tiwest, Australia – Jurien	50,0	Proved	—	—	—	—	—	—	—	—	—	—	—	—		
		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		
														0,0		
Tiwest, Australia – Dongara	50,0	Proved	—	—	—	—	—	—	—	—	—	—	—	—		
		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		
														0,0		
				2007					2005							
COMMODITY	Operation	% attrib. to Exxaro	Reserve category	ROM (Mt)	Grade	Saleable product			ROM (mt)	Grade	Saleable product			% change		
Base metals (zinc and lead)					% Zn	% Pb	Zinc metal (x1,000t)	lead metal (x1,000t)		% Zn	% zinc metal Pb (x1,000t)	lead metal (x1,000t)				
	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			
			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	80,3		
Industrial minerals							Metallurgical dolomite (Mt)					Metallurgical dolomite (Mt)				
	Glen Douglas dolomite mine	100,0	Proved	43,4	% SiO <sub>2</sub> <2,5		40,8		40,3	%SiO <sub>2</sub> <2,5		38,3				
			Probable	—	—		—		—	—		—				
			TOTAL	43,4	<2,5		40,8		40,3	<2,5		38,3		7,7		
							Aggregate (Mt)					Aggregate (Mt)				
	Glen Douglas <sup>(23)</sup> dolomite mine	100,0	Proved	11,3	Raw dolomite		10,6		13,0	Raw dolomite		12,3				
		Probable	—	—		—		—	—		—					
		TOTAL	11,3	Raw dolomite		10,6		13,0	Raw dolomite		12,3		(13,0)			

#### 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>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*

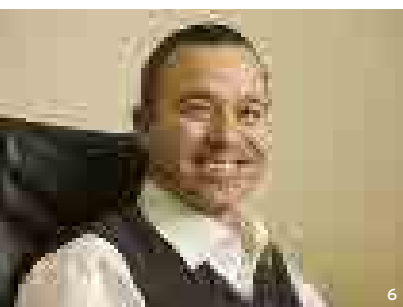
CA(SA), TEP, EMP (Harvard)

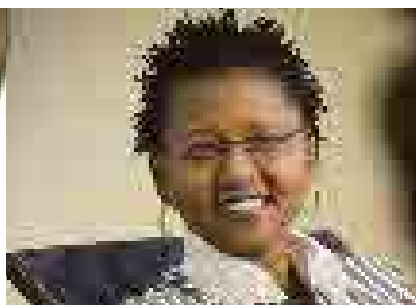
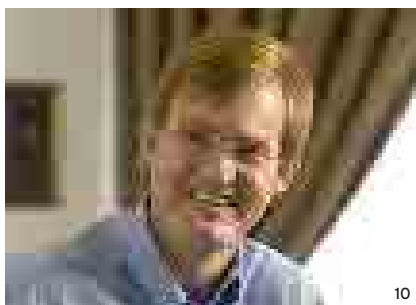
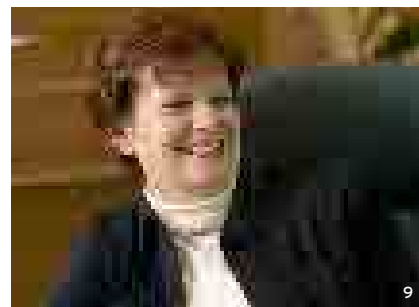
Wim has served on the executive management team of Iscor, responsible for strategy and continuous improvement. Since 2001, he has been responsible for the mineral sands commodity business.

### 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)**

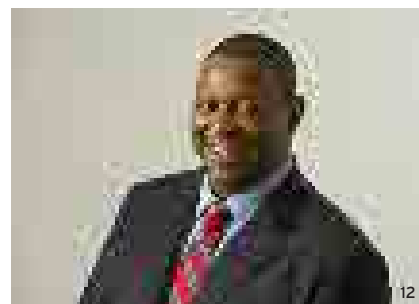
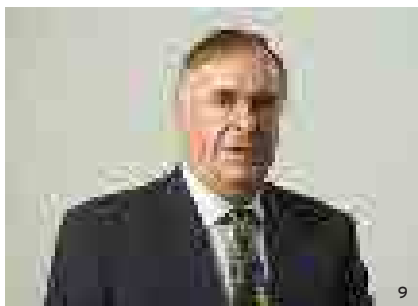
*Non-executive director*

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	(8 713)	(7 553)
<b>NET OPERATING PROFIT</b>	<b>1 444</b>	1 261
Net financing costs	(215)	(315)
Income from investments	2	
Share of profit from equity accounted investments	728	638
<b>PROFIT BEFORE TAXATION</b>	<b>1 959</b>	1 584
Taxation	(512)	(595)
<b>PROFIT FOR THE YEAR</b>	<b>1 447</b>	989
<b>Attributable to:</b>		
Equity holders of the parent	1 427	962
Minority interest	20	27
	<b>1 447</b>	<b>989</b>
Ordinary shares (million)		
– in issue	353	351
– weighted average number of shares	341	313
– diluted weighted average number of shares	355	318
<b>ATTRIBUTABLE EARNINGS PER SHARE (CENTS)</b>		
– basic	418	307
– diluted	402	302
Dividend per share for the year (cents)	160	525
<b>RECONCILIATION OF HEADLINE EARNINGS</b>		
Net profit attributable to ordinary shareholders	1 427	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	23	
– IAS 16 Gains or losses on disposal of property, plant and equipment	17	(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	(3)	(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	(7)	
– IAS 36 Impairment reversal of investment	(6)	
Taxation on adjustments	(3)	10
<b>HEADLINE EARNINGS</b>	<b>1 448</b>	<b>893</b>
<b>HEADLINE EARNINGS PER SHARE (CENTS)</b>		
– basic	425	285
– diluted	408	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	10 861	10 060
<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	4 312	4 421
<b>Non-current assets classified as held for sale</b>	2	2
<b>TOTAL ASSETS</b>	15 175	14 483
<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	9 804	9 160
Minority interest	19	27
Total equity	9 823	9 187
<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	3 665	3 261
<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	1 687	2 035
<b>TOTAL EQUITY AND LIABILITIES</b>	15 175	14 483
<b>NET DEBT</b>	483	460
<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	(65)	528

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>	205	188
Net financing costs	(30)	(47)
Income from equity accounted investments	104	95
<b>PROFIT BEFORE TAXATION</b>	279	236
Taxation	(73)	(89)
<b>PROFIT FOR THE YEAR</b>	206	147
<b>Attributable to:</b>		
Equity holders of the parent	203	143
Minority interest	3	4
	206	147
<b>ATTRIBUTABLE EARNINGS PER SHARE (CENTS)</b>	60	46
<b>HEADLINE EARNINGS FROM OPERATIONS</b>	206	133
<b>HEADLINE EARNINGS PER SHARE (CENTS)</b>	60	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>

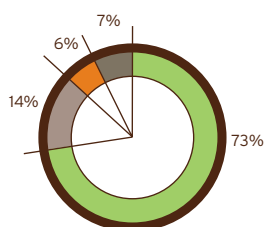
# group cash value added statement

for the period ended 31 December 2007 (unaudited)

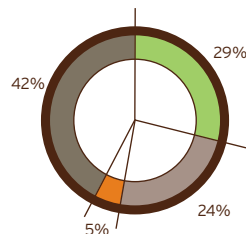
The value added statement shows the wealth the group has created through mining, beneficiation, trading and investing operations. The statement below summarises the total cash wealth created and how it was disbursed among the group's stakeholders, leaving a retained amount which was re-invested in the 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.



... committed to  
excellence

CREATING VALUE FOR  
ALL STAKEHOLDERS IS  
THE CORNERSTONE OF  
EXXARO'S LONG-TERM  
FINANCIAL VIABILITY.  
EXCEPTIONAL FINANCIAL  
MANAGEMENT IS A KEY  
ELEMENT OF CREATING  
SUSTAINABLE VALUE



Haul truck fitted with pantograph system that enables alternate use of diesel and electric power at Grootegeeluk mine, Limpopo





# Group annual financial statements

for the year ended 31 December 2007

## CONTENTS

Directors' responsibility for financial reporting	155
Certificate by company secretary	155
Independent auditor's report	156
Report of the directors	157
Directors' remuneration	161
Income statements	174
Balance sheets	175
Cash flow statements	176
Group statement of changes in equity	178
Company statement of changes in equity	180
Notes to annual financial statements	181

## annexures

1. Non-current interest bearing borrowings	264
2. Investments in associates, joint ventures and other investments	266
3. Investments in subsidiaries	268

# directors' responsibility for financial reporting

## TO THE MEMBERS OF EXXARO RESOURCES LIMITED

The directors of the company are responsible for maintaining adequate accounting records, the preparation of the annual financial statements of the company and the group and to develop and maintain a sound system of internal control to safeguard shareholders' investments and the group's assets. In presenting the accompanying financial statements, International Financial Reporting Standards have been followed, applicable accounting policies have been used and prudent judgements and estimates have been made.

In order for the directors to discharge their responsibilities, management has developed and continues to maintain a system of internal control aimed at reducing the risk of error or loss in a cost-effective manner. Such systems can provide reasonable but not absolute assurance against material misstatement or loss. The directors, primarily through the audit, risk and compliance committee which consists of non-executive directors, meet periodically with the external and internal auditors, as well as executive management to evaluate matters concerning accounting policies, internal control, auditing, financial reporting and risk management. The group's internal auditors independently evaluate the internal controls and co-ordinate their audit coverage with the external auditors. The external auditors are responsible for reporting on the financial statements. The external and internal auditors have unrestricted access to all records, property and personnel as well as to the audit, risk and compliance committee. The directors are not aware of any material breakdown in the functioning of these controls and systems during the year under review.

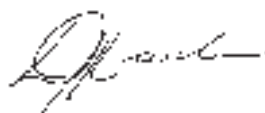
The directors are of the opinion, based on the information and explanations given by management and the internal auditors, and on comments made by the external auditors on the results of their audit conducted for the purpose of expressing their opinion on the annual financial statements, that the internal accounting controls are adequate, such that the financial records may be relied on for preparing the financial statements and maintaining accountability for assets and liabilities.

The directors have reviewed the group's financial budgets with its underlying business plans for the period to 31 December 2008. In the light of the current financial position and existing borrowing facilities, they consider it appropriate that the annual financial statements be prepared on the going-concern basis.

Against this background, the directors of the company accept responsibility for the annual financial statements, which were approved by the board of directors on 19 February 2008 and are signed on its behalf by:



**SA Nkosi**  
*Chief Executive Officer*



**DJ van Staden**  
*Chief Financial Officer*

The external auditors have audited the annual financial statements of the company and group and their unmodified report appears on page 156.

## certificate by company secretary

In terms of the Companies Act 61 of 1973 of South Africa, as amended, I, MS Viljoen, in my capacity as company secretary, confirm that for the year ended 31 December 2007, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.



**MS Viljoen**  
*Company secretary*

19 February 2008

# independent auditor's report to the members of exxaro resources limited

We have audited the annual financial statements and group annual financial statements of Exxaro Resources Limited, which comprise the directors' report, the balance sheet and the consolidated balance sheet as at 31 December 2007, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity and the cash flow statement and the consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 157 to 269.

## Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group as at 31 December 2007, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.



**Deloitte & Touche**

*Registered Auditors*

**Per BW Smith**

*Partner*

19 February 2008

Buildings 1 and 2, Deloitte Place  
The Woodlands Office Park  
Woodlands Drive  
Sandton

National Executive: GG Gelink (Chief Executive), AE Swiegers (Chief Operating Officer), GM Pinnock (Audit), DL Kennedy (Tax), L Geeringh (Consulting), L Bam (Strategy), CR Beukman (Finance), TJ Brown (Clients and Markets), NT Mtoba (Chairman of the Board), J Rhynes (Deputy Chairman of the Board)

*A full list of partners and directors is available on request*

# report of the directors

The directors have pleasure in presenting the annual financial statements of Exxaro Resources Limited (Exxaro) and the group for the year ended 31 December 2007.

## Nature of business

Exxaro, incorporated in South Africa, is a mining group of companies focusing on extracting and processing a range of minerals and metals including coal, heavy minerals, base metals, and selected industrial minerals. Exxaro also holds a 20% interest in Sishen Iron Ore Company (Pty) Limited which extracts and processes iron ore.

## Corporate governance

The board endorses the Code of Corporate Practice and Conduct as set out in the King II Report on Corporate Governance and has satisfied itself that Exxaro has complied throughout the period in all material aspects with the King II code. A detailed report appears on page 80.

## Registration details

Exxaro is a listed company on the JSE Limited. The company registration number is 2000/011076/06. The registered office is Roger Dyason Road, Pretoria West, Republic of South Africa, 0183.

## Activities and financial results

Detailed reports on the activities and performance of the group and the various divisions of the group are contained in the reports on pages 6 and 7 and pages 13 and 14 and in the business operations review on pages 48 to 61. These reports are unaudited.

## Capital management

As a diversified mining company Exxaro is exposed to the cyclical price movements associated with its suite of commodities. The group's policy is therefore to ensure that the group maintains a robust capital structure with strong financial metrics which can withstand a significant downturn in commodity cycles. Growth opportunities, debt levels and dividend distributions to shareholders are considered against this backdrop.

The board of directors is ultimately responsible for monitoring debt levels, return on capital as well as compliance with contractually agreed loan covenants. For the year under review the following key metrics were achieved:

	2007	2006 <sup>1</sup>
Net debt/equity ratio (%)	5	5
Net financing cost cover – EBITDA (times)	10	6
Return on capital employed (refer definitions on page 151)	24	22

The capital base consists of total shareholders' equity as disclosed, as well as interest bearing borrowings. As a new generation empowerment company with a 55,861% BEE shareholding, Exxaro is constrained from issuing equity, and its memorandum and articles accordingly incorporate various provisions limiting the issue of new shares or alterations of its share capital that could result in a loss of its empowerment status.

The group aims to cover its annual net funding requirements through longer-term loan facilities with maturities spread evenly over time.

Although the intention is to progress to distributing 50% of attributable earnings to shareholders, adequate provision is made for future commitments and working capital requirements in determining the level of interim and final dividends to shareholders.

The group may from time to time repurchase its own shares in the market depending on prevailing market prices. These share repurchases are primarily intended to settle the group's various employee share incentive schemes and decisions are made on a specific transaction basis by the executive committee. The group does not, however, have a defined share buy-back plan.

<sup>1</sup> For comparable purposes 2006 metrics were calculated on the assumption that the empowerment transaction had been implemented with effect from 1 January 2005. The investment in Sishen Iron Ore Company (Pty) Limited has therefore been equity accounted from 1 January 2005 and Eyesizwe Coal (Pty) Limited consolidated from the same date.

## report of the directors continued

During the year under review the group complied with all its contractually agreed loan covenants.

There were no changes in the group's approach to capital management during the year.

Neither the company nor any of its subsidiaries are subject to externally imposed regulatory capital requirements.

### Property, plant and equipment

Capital expenditure for the period amounted to R1 296 million (2006: R2 010 million).

### Shareholders' resolutions

In terms of the resolution passed at the general meeting on 2 November 2006, Exxaro, on 13 April 2007, exercised its option to acquire 10 million shares from Anglo South Africa Capital (Pty) Limited at R45,99 per share and subsequently issued 10 million new Exxaro shares at R64 per share.

At the sixth annual general meeting of shareholders, held on 25 April 2007, the following resolutions were passed:

- renewal of the authority that the unissued shares be placed under the control of the directors;
- general authority to issue shares for cash;
- special resolution to authorise directors to repurchase company shares.

Exxaro and its subsidiaries have passed no other special or ordinary shareholders' resolutions of material interest or of substantive nature.

### Share capital

The total number of shares in issue increased during the year to 352 907 400.

The increase can be summarised as follows:

	Date of issue	Number of shares
Opening balance		351 277 206
Repurchase of shares	13 April 2007	(10 000 000)
Issued in terms of repurchase agreement	13 April 2007	10 000 000
Issued in terms of the Kumba Management Share Option Scheme due to options exercised at prices ranging from R3,86 to R97,74	2 January 2007 to 20 December 2007	1 630 194
Closing balance		352 907 400

### Shareholders

In addition to selling 10 million shares back to Exxaro in terms of a special resolution taken at the general meeting of shareholders held on 2 November 2006, Anglo South Africa Capital (Pty) Limited placed an additional nine million shares in the market to dilute the Anglo group's shareholding in Exxaro to 9,9%, simultaneously resulting in Exxaro's free float increasing to 34,2%.

An analysis of shareholders and shareholdings appears on page 90 of the annual report.

### Dividend payments

#### Dividend number nine

Interim dividend number nine of 60 cents per share was declared in South African currency in respect of the period ended 30 June 2007. The dividend was paid on Monday, 10 September 2007 to shareholders recorded in the books of the company at the close of business on Friday, 7 September 2007. To comply with the requirements of STRATE the last day to trade cum dividend was Friday, 31 August 2007. The shares commenced trading ex dividend on Monday, 3 September 2007 and the record date was Friday, 7 September 2007.

#### Dividend number 10

Final dividend number 10 of 100 cents per share was declared in South African currency in respect of the period ended 31 December 2007. The dividend payment date is Monday, 17 March 2008 to shareholders recorded in the books of the company at the close of business on Friday, 14 March 2008. To comply with the requirements of STRATE the last day to trade cum dividend was Friday, 7 March 2008. The shares commenced trading ex dividend on Monday, 10 March 2008 and the record date was Friday, 14 March 2008.

### Investments and subsidiaries

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

### Subsequent events

The directors are not aware of any matter or circumstance that has arisen since the end of the financial period not dealt with in this report or in the group financial statements that would significantly affect the operations or the results of the group.

### Namakwa Sands and Black Mountain/Gamsberg acquisition

Although Exxaro announced on 19 January 2007 that it had exercised the option to acquire the Namakwa Sands mineral sands operation and a 26% interest in a company to be formed to hold the Black Mountain lead-zinc mine and the Gamsberg zinc project, it has not yet acquired operational control as conversion and subsequent cession of mining rights is still outstanding.



## report of the directors continued

### Directorate and shareholdings

The names of the directors in office at the date of this report are set out on page 76.

During the period under review Mr M Msimang was appointed as non-executive director on 28 February 2007 and resigned on 28 May 2007 to pursue his career as Director-General at the Department of Home Affairs. Dr CJ Fauconnier retired as chief executive officer and director on 31 August 2007. Mr SA Nkosi was appointed as chief executive officer on 1 September 2007.

On 29 February 2008, Ms N Nyembezi-Heita resigned as non-executive director.

The directors below are required to retire by rotation in terms of article 16.1 of the articles of association and, being eligible, offer themselves for re-election at the forthcoming annual general meeting:

U Khumalo  
Dr D Konar  
RP Mohring  
PKV Ncetezo

### Company secretary

The company secretary is MS Viljoen. The company secretary's registered address is:

Roger Dyason Road	PO Box 9229
Pretoria West	Pretoria
0183	0001
Republic of South Africa	Republic of South Africa

### Independent auditors

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

### Change in accounting policies

The accounting policies are consistent with those applied in the annual financial statements for the year ended 31 December 2006, except for the adoption of IFRS 7 Disclosure of Financial Instruments during the year. This is a disclosure standard which has no impact on the measurement or recognition of financial instruments and accordingly the adoption thereof has had no effect on the profit or equity for this period or previously reported periods.

## directors' remuneration

This report on remuneration and related matters covers issues which are the concern of the board as a whole, in addition to those which were dealt with by the transformation, human resources, remuneration and nomination committee ("TREMCO").

### Remuneration policy

TREMCO has a clearly defined mandate from the board aimed at:

- ensuring that the company's chairman, directors and senior executives are fairly rewarded for their individual contributions to the company's overall performance;
- ensuring that the company's remuneration strategies and packages, including the incentive schemes, are related to performance, are suitably competitive and give due regard to the interests of the shareholders and the financial and commercial health of the company.

### Directors' service contracts

There are no restraints of trade associated with the contracts of executive directors. Non-executive directors are not bound by service contracts.

The service contract of Dr CJ Fauconnier terminated on 31 August 2007. Mr SA Nkosi assumed the office of chief executive officer on 1 September 2007.

The service contracts of messrs MJ Kilbride and DJ van Staden terminate on 31 August 2008, however, both will use their best endeavours to ensure that their retirement from Exxaro does not coincide within a period of six months from such date of termination.

## directors' remuneration continued

for the year ended 31 December 2007

Summary of remuneration for the year ended 31 December 2007

Name	Basic salary R	Fees for services R	Performance bonuses <sup>1</sup> R	Benefits and allowances <sup>2</sup> R	Retirement fund contributions R
<b>Executive directors</b>					
Dr CJ Fauconnier <sup>4</sup>	2 784 242		4 248 157	324 313	
SA Nkosi	3 270 291		1 332 094	71 309	277 110
MJ Kilbride	2 375 206		2 939 037	314 740	271 960
DJ van Staden	2 441 726		2 939 037	303 820	271 960
	10 871 465		11 458 325	1 014 182	821 030
Less gains on share scheme					
Add share-based payment expense					
Total remuneration paid by Exxaro					
<b>Non-executive directors</b>					
PM Baum <sup>5</sup>		191 657			
JJ Geldenhuys		240 659		3 676	
U Khumalo		154 562			
Dr D Konar		253 481			
VZ Mntambo		176 201			
RP Mohring		183 414		5 737	
M Msimang <sup>6 &amp; 7</sup>		23 852			
PKV Ncetezo		176 201		7 383	
NMC Nyembezi-Heita		197 840			
NL Sowazi		183 414			
D Zihlangu		179 292		9 233	
		1 960 573		26 029	

At 31 December 2007, Exxaro Resources Limited did not have a chairperson of the board. The chairman for board meetings is nominated from the ranks of the independent non-executive directors.

<sup>1</sup> All incentive schemes are performance related and were approved by the board. The three-tier short-term incentive scheme applies to all employees throughout the group.

<sup>2</sup> Includes travel allowances.

<sup>3</sup> Includes interest accrued on gains held in trust until vested.

<sup>4</sup> Retired on 31 August 2007.

<sup>5</sup> Fees paid to the respective employer and not the individual.

<sup>6</sup> Appointed as non-executive director on 28 February 2007.

<sup>7</sup> Resigned as non-executive director on 28 May 2007.

Retirement amounts paid or received by executive directors are paid or received under defined contribution retirement funds.

	Medical fund contributions R	Gains on management share option scheme <sup>3</sup> R	Compensation on retirement from executive office R	Other R	Total R
	10 856	216 691	4 248 157	2 043	11 834 459
	17 564			5 524	4 973 892
	16 284	130 678		1 916	6 049 821
	16 284	114 490		4 918	6 092 235
	60 988	461 859	4 248 157	14 401	28 950 407
					(461 859)
					958 837
					29 447 385
					191 657
					244 335
					154 562
					253 481
					176 201
					189 151
					23 852
					183 584
					197 840
					183 414
					188 525
					1 986 602

## directors' remuneration continued

for the year ended 31 December 2007

### Summary of remuneration for the year ended 31 December 2006

Name	Basic salary R	Fees for services R	Performance bonuses <sup>1</sup> R	Benefits and allowances <sup>2</sup> R	Retirement fund contributions R
<b>Executive directors</b>					
Dr CJ Fauconnier	3 207 532		8 309 065	537 422	
MJ Kilbride	1 833 508		4 451 315	933 911	218 058
CF Meintjes <sup>6</sup>	1 534 643		3 998 642	370 283	160 823
SA Nkosi <sup>3</sup>	236 122			4 790	19 422
DJ van Staden	1 890 538		4 476 453	297 958	218 032
	8 702 343		21 235 475	2 144 364	616 335
Less gains on share scheme					
Add share-based payment expense					
Total remuneration paid by Exxaro					
<b>Non-executive directors</b>					
PM Baum <sup>4</sup>		177 460			
BE Davison <sup>8</sup>		131 187			
TL de Beer <sup>5</sup>		85 868			
JJ Geldenhuys		246 154			
U Khumalo <sup>7</sup>					
Dr D Konar		234 705			
VZ Mntambo <sup>7</sup>					
RP Mohring <sup>7</sup>					
AJ Morgan <sup>8</sup> (Chairman)		293 858		6 787	
WA Nairn <sup>4 &amp; 8</sup>		162 672			
PKV Ncetezo <sup>7</sup>					
SA Nkosi <sup>3</sup>		162 672			
NMC Nyembezi-Heita <sup>7</sup>					
CML Savage <sup>8</sup>		131 187			
Dr NS Segal <sup>8</sup>		173 166		11 281	
NL Sowazi <sup>7</sup>					
F Titi <sup>8</sup>		162 672			
D Zihlangu <sup>7</sup>					
PL Zim <sup>4 &amp; 8</sup>		131 187			
		2 092 788		18 068	

<sup>1</sup>Performance bonuses include the following:

- Board approved performance related incentive scheme applicable to all employees in the group;
- An incentive payment for developing and implementing an empowerment transaction as fully disclosed in the Kumba Circular to Shareholders and Exxaro revised listing particulars dated 9 October 2006;
- Unwinding of the 2005 long term incentive plan (LTIP); and
- Compensation for 2006 share appreciation rights and LTIP awards not awarded due to the postponement of the effective date of implementation of the empowerment transaction.

<sup>2</sup>Includes travel allowances.

<sup>3</sup>Appointed as executive director on 28 November 2006.

<sup>4</sup>Fees paid to their respective employers and not to them as individuals.

<sup>5</sup>Retired on 12 April 2006.

<sup>6</sup>Resigned as executive director on 28 November 2006.

<sup>7</sup>Appointed as non-executive director on 28 November 2006.

<sup>8</sup>Resigned as non-executive director on 28 November 2006.

Retirement amounts paid or receivable by executive directors are paid or received under defined contribution retirement funds.

Medical fund contributions R	Gains on management share option scheme R	Gains on management cash settled option R	Compensation on retirement from executive office R	Other R	Total R
24 105	44 896 507	1 831 948		3 718	58 810 297
23 603	27 569 844	1 641 866		2 884	36 674 989
18 054	26 682 788	1 481 684		2 478	34 249 395
				299	260 633
34 672	25 672 966			2 883	32 593 502
100 434	124 822 105	4 955 498		12 262	162 588 816
					(129 777 603)
					3 635 848
					36 447 061
					177 460
					131 187
					85 868
					246 154
					234 705
					300 645
					162 672
					162 672
					131 187
					184 447
					162 672
					131 187
					2 110 856

## directors' remuneration continued

for the year ended 31 December 2007

Directors' beneficial interest in Exxaro shares at 31 December 2007

Director	Direct	Indirect
SA Nkosi		7 607 567
MJ Kilbride	586	
DJ van Staden	565	
PM Baum		
JJ Geldenhuys		
U Khumalo		
Dr D Konar	168	
VZ Mntambo		5 248 077
RP Mohring		
PKV Ncetezo		724 564
NMC Nyembezi-Heita	1 000	
NL Sowazi		2 181 590
D Zihlangu		2 818 552

Directors' beneficial interest in Exxaro shares at 31 December 2006

Director	Direct	Indirect
Dr CJ Fauconnier	42 905	
MJ Kilbride	586	
CF Meintjes		
DJ van Staden	565	
SA Nkosi		6 747 301
PM Baum		
BE Davison		
TL de Beer		
JJ Geldenhuys		
U Khumalo		
Dr D Konar	168	
VZ Mntambo		4 654 623
RP Mohring		
AJ Morgan (Chairman)	20 000	
WA Nairn		
PKV Ncetezo		724 564
NMC Nyembezi-Heita		
CML Savage		
Dr NS Segal		
NL Sowazi		3 286 825
F Titi		
D Zihlangu		2 818 552
PL Zim		

There has been no change to the interest of directors in share capital since the year end.

On 31 December 2007 Mr SA Nkosi held 1,9% and Mr MZ Mntambo held 1,3% directly or indirectly in the share capital of the company.

No director held any non-beneficial interest in Exxaro shares at either 31 December 2007 or 2006.



## directors' remuneration continued

for the year ended 31 December 2007

### Directors' share options and restricted share awards

The following options and rights in shares in the company were outstanding in favour of directors of the company under the company's share option schemes:

#### Management share option scheme for the year ended December 2007

Name	Options held at 31 December 2007	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2007 R	Pre-tax gain if exercisable at 31 December 2007 <sup>1</sup> R
<b>Executive directors</b>					
DJ van Staden	12 440	12,90	16/3/2011	1 286 918	1 126 442
Total	12 440			1 286 918	1 126 442

<sup>1</sup>Based on a share price of R103,45 which prevailed on 31 December 2007.

#### Management share option scheme for the year ended December 2006

Name	Options held at 31 December 2006	Exercise price <sup>1</sup> R	Exercisable period	Proceeds if exercisable at 31 December 2006 R	Pre-tax gain if exercisable at 31 December 2006 <sup>2</sup> R
<b>Executive directors</b>					
Dr CJ Fauconnier					
Total					
MJ Kilbride					
Total					

Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised R

Options exercised during the year <sup>3</sup>	Exercise price <sup>4</sup> R	Sale price/ market price R	Pre-tax gain R	Date exercised R
50 840	25,85	125,10	5 045 870	9/10/06
5 000	25,85	125,50	498 250	9/10/06
34 050	25,85	126,50	3 427 133	10/10/06
5 950	25,85	125,90	595 298	10/10/06
150 000	25,85	125,99	15 021 000	10/10/06
41 680	25,85	126,00	4 174 252	10/10/06
20 000	25,85	125,00	1 983 000	10/10/06
65 440	32,80	126,00	6 099 008	10/10/06
92 880	39,30	126,00	8 052 696	10/10/06
465 840			44 896 507	
25 000	16,54	125,20	2 716 500	9/10/06
10 840	16,54	125,25	1 178 416	9/10/06
151 320	25,85	125,25	15 041 208	9/10/06
40 710	32,80	125,25	3 763 640	9/10/06
30 220	39,30	125,25	2 597 409	9/10/06
15 430	39,30	150,00	1 708 101	20/10/06
5 100	39,30	150,00	564 570	23/10/06
278 620			27 569 844	

## directors' remuneration continued

for the year ended 31 December 2007

Management share option scheme for the year ended December 2006 (continued)

Name	Options held at 31 December 2006	Exercise price <sup>1</sup> R	Exercisable period	Proceeds if exercisable at 31 December 2006 R	Pre-tax gain if exercisable at 31 December 2006 <sup>2</sup> R
------	--	-------------------------------------	-----------------------	---	--

### Executive directors

CF Meintjes

Total

DJ van Staden

12 440	12,90	16/3/2011	696 640	536 164
--------	-------	-----------	---------	---------

Total	12 440		696 640	536 164
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<sup>1</sup>The exercise price of options not yet exercised on 31 December 2006 was re-priced by R2,20 per share, and further re-calculated by reference to the 21 day volume weighted average price split between Exxaro shares and Kumba Iron Ore shares of 32,81% and 67,19% respectively.

<sup>2</sup>Based on a share price of R56,00 which prevailed on 31 December 2006.

<sup>3</sup>Certain options were exercised prior to their vesting date and will remain in trust until such vesting date. Vesting dates vary up to the earliest date of service contract termination or 16 March 2011.

<sup>4</sup>Options awarded and not yet exercised on 8 September 2005 were re-priced by R2,20 per share subsequent to the special dividend declared to shareholders on 12 September 2005 from the post-tax option- and settlement proceeds of the Hope Downs project.

Options exercised during the year <sup>3</sup>	Exercise price <sup>4</sup> R	Sale price/ market price R	Pre-tax gain R	Date exercised R
20 490	16,30	125,00	2 227 263	10/10/06
24 890	16,54	125,00	2 699 569	10/10/06
130 936	25,85	125,00	12 982 304	10/10/06
4 704	25,85	125,01	466 449	10/10/06
17 610	32,80	125,00	1 623 642	10/10/06
8 800	32,80	125,00	811 360	11/10/06
3 810	32,80	142,75	418 910	18/10/06
5 000	32,80	142,70	549 500	18/10/06
14 410	39,30	125,00	1 234 937	10/10/06
10 000	39,30	146,00	1 067 000	19/10/06
4 000	39,30	148,35	436 200	20/10/06
6 000	39,30	148,00	652 200	20/10/06
8 624	39,30	150,50	958 989	6/11/06
5 006	39,30	150,06	554 465	6/11/06
264 280			26 682 788	
8 601	16,54	126,50	945 766	10/10/06
5 000	16,54	126,15	548 050	10/10/06
14 209	16,54	126,00	1 555 317	10/10/06
9 270	16,54	149,00	1 227 904	20/10/06
42 140	25,85	126,00	4 220 321	10/10/06
360	25,85	126,10	36 090	10/10/06
10 100	25,85	125,90	1 010 505	10/10/06
19 900	25,85	125,60	1 985 025	10/10/06
14 706	25,85	125,20	1 461 041	10/10/06
1 000	25,85	125,11	99 260	10/10/06
2 664	25,85	125,10	264 402	10/10/06
50 480	25,85	125,00	5 005 092	10/10/06
1 136	32,80	125,10	104 853	10/10/06
1 000	32,80	125,05	92 250	10/10/06
24 584	32,80	125,00	2 266 645	10/10/06
6 010	32,80	150,50	707 377	6/11/06
2 900	32,80	150,25	340 605	6/11/06
14 910	39,30	125,00	1 277 787	10/10/06
9 950	39,30	146,00	1 061 665	19/10/06
12 430	39,30	157,00	1 463 011	13/11/06
251 350			25 672 966	

## directors' remuneration continued

for the year ended 31 December 2007

### Management cash-settled options for the year ended December 2007

The cash-settled options represent phantom option awards made to executive directors and a number of senior managers as compensation for not being eligible to receive share option grants due to their involvement in the empowerment transaction.

The phantom option awards also have a grant price, vesting periods and lapse periods as other share option awards but are classified as cash-settled since shares will not be issued when exercised.

Name	Options held at 31 December 2007	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2007 R	Pre-tax gain/ (loss) if exercisable at 31 December 2007 <sup>1</sup> R
<b>Executive directors</b>					
DJ van Staden	17 550	19,62	22/4/2012	1 815 548	1 471 217

<sup>1</sup>Based on a share price of R103,45 which prevailed on 31 December 2007

### Management cash-settled options for the year ended December 2006

Name	Options held at 31 December 2006	Exercise price <sup>1</sup> R	Exercisable period	Proceeds if exercisable at 31 December 2006 R	Pre-tax gain/ (loss) if exercisable at 31 December 2006 <sup>2</sup> R
<b>Executive directors</b>					
Dr CJ Fauconnier					
MJ Kilbride					
CF Meintjes					
DJ van Staden	17 550	19,62	22/4/2012	982 800	638 469
SA Nkosi					

<sup>1</sup>The exercise price of options not yet exercised on 31 December 2006 re-calculated by reference to the 21 day volume weighted average price split between Exxaro shares and Kumba Iron Ore shares of 32,81% and 67,19% respectively.

<sup>2</sup>Based on a share price of R56,00 which prevailed on 31 December 2006.

### Management share appreciation right scheme<sup>1</sup> for the year ended December 2007

Name	Options held at 31 December 2007	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2007 R	Pre-tax gain/ (loss) if exercisable at 31 December 2007 <sup>2</sup> R
<b>Executive directors</b>					
SA Nkosi	38 680	60,60	1/3/2014	4 001 446	1 657 438

### Management share scheme – long term incentive plan<sup>1</sup> for the year ended December 2007

Name	Options held at 31 December 2007	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2007 R	Pre-tax gain/ (loss) if exercisable at 31 December 2007 <sup>2</sup> R
<b>Executive directors</b>					
SA Nkosi	38 682		31/12/2009	4 001 653	4 001 653

### Management share scheme – deferred bonus plan<sup>1</sup> for the year ended December 2007

Name	Options held at 31 December 2007	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2007 R	Pre-tax gain/ (loss) if exercisable at 31 December 2007 <sup>2</sup> R
<b>Executive directors</b>					
SA Nkosi	361	86,45	31/12/2009	37 345	6 137

<sup>1</sup>Schemes initiated 1 January 2007.

<sup>2</sup>Based on a share price of R103,45 which prevailed on 31 December 2007.

Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised

Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
28 020	59,80	125,18	1 831 948	9/10/2006
18 450	59,80	148,79	1 641 866	20/10/2006
16 650	59,80	148,79	1 481 684	20/10/2006

Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised

Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised

Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised

# income statements

for the year ended 31 December 2007

		GROUP		COMPANY	
	Notes	2007 Rm	2006 Rm	2007 Rm	2006 Rm
CONTINUING OPERATIONS					
Revenue	2	10 157	7 263	636	706
Operating expenses	3	(8 713)	(7 627)	(697)	(1 655)
Fair value adjustment on unbundling of subsidiary			17 963		18 329
NET OPERATING PROFIT/(LOSS)		1 444	17 599	(61)	17 380
Interest income	4	96	5	10	36
Interest expense	4	(311)	(312)	(94)	(145)
Income from investments	5	2		610	4 566
Income from equity accounted investments	15	728	159		
PROFIT BEFORE TAXATION		1 959	17 451	465	21 837
Taxation	7	(512)	(578)	(42)	(369)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		1 447	16 873	423	21 468
PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS	8		2 323		
PROFIT FOR THE YEAR		1 447	19 196	423	21 468
Attributable to:					
Equity holders of the parent		1 427	19 169	423	21 468
Minority interest		20	27		
		1 447	19 196	423	21 468
ATTRIBUTABLE EARNINGS PER SHARE (CENTS)					
– basic		418	6 124		
– diluted		402	6 028		
ATTRIBUTABLE EARNINGS PER SHARE FROM CONTINUING OPERATIONS (CENTS)					
– basic	9	418	5 382		
– diluted		402	5 297		
ATTRIBUTABLE EARNINGS PER SHARE FROM DISCONTINUED OPERATIONS (CENTS)					
– basic	9		742		
– diluted			731		
Dividend paid per share (cents) in respect of the previous financial period			160		
Dividend paid per share (cents) in respect of the interim period		60	180		
Special dividend paid per share (cents) on unbundling			185		
Final dividend paid per share (cents) in respect of the financial year		100			

# balance sheets

at 31 December 2007

		GROUP		COMPANY	
	Notes	2007 Rm	2006 Rm	2007 Rm	2006 Rm
ASSETS					
Non-current assets					
Property, plant and equipment	12	8 235	7 583	133	109
Biological assets	13	30	26		
Intangible assets	14	76	69		
Investments in associates and joint ventures	15	757	384		
Investments in subsidiaries	16			1 964	1 918
Deferred taxation	24	732	748	97	76
Financial assets	17	1 031	693	10	42
Total non-current assets		10 861	9 503	2 204	2 145
Current assets					
Inventories	18	1 531	1 391		
Trade and other receivables	19	1 931	1 663	4 583	5 059
Cash and cash equivalents		850	906	306	290
Total current assets		4 312	3 960	4 889	5 349
Non-current assets classified as held for sale	20	2	2		
TOTAL ASSETS		15 175	13 465	7 093	7 494
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	21	2 067	5 139	2 244	5 316
Non-distributable reserves		1 502	1 205	883	783
Retained earnings/(loss)		6 235	1 798	3 118	(280)
Equity attributable to equity holders of the parent		9 804	8 142	6 245	5 819
Minority interest		19	27		
Total equity		9 823	8 169	6 245	5 819
Non-current liabilities					
Interest-bearing borrowings	22	1 259	1 214	450	405
Non-current provisions	23	1 329	931	24	21
Deferred taxation	24	1 077	1 116		
Total non-current liabilities		3 665	3 261	474	426
Current liabilities					
Trade and other payables	25	1 449	1 321	327	646
Interest-bearing borrowings	22	74	613	55	619
Taxation		137	67	(8)	(16)
Current provisions	23	27	30		
Shareholders for dividend			4		
Total current liabilities		1 687	2 035	374	1 249
TOTAL EQUITY AND LIABILITIES		15 175	13 465	7 093	7 494
NET DEBT					
		483	921	199	734



# cash flow statements

for the year ended 31 December 2007

		GROUP		COMPANY	
	Notes	2007 Rm	2006 Rm	2007 Rm	2006 Rm
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated by/(utilised in) operations	26.1	2 308	5 068	(90)	(189)
Net financing costs	26.2	(116)	(278)	(83)	(108)
Normal taxation paid	26.3	(462)	(1 927)	(55)	(411)
Dividends paid	26.4	(223)	(3 396)	(211)	(3 391)
		1 507	(533)	(439)	(4 099)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investments to maintain operations	26.5	(569)	(689)	(34)	(60)
Investments to expand operations	26.6	(727)	(1 321)		
Investment in intangible assets		(1)			
Proceeds from disposal of property, plant and equipment		50	170		6
Proceeds from disposal of associate			48		12
Investment in other non-current assets	26.7	(249)	(347)	33	10
Acquisition of subsidiary	27	(8)	(1 545)		
Proceeds from disposal of investments			26		3
Income from equity accounted investments	26.8	377			
Income from investments	5	2		610	4 566
Foreign currency translations	26.9	6	300	5	2
		(1 119)	(3 358)	614	4 539
NET CASH INFLOW/(OUTFLOW)		388	(3 891)	175	440
CASH FLOWS FROM FINANCING ACTIVITIES					
Non-current interest-bearing borrowings raised		437	4 196	300	434
Non-current interest-bearing borrowings repaid		(465)	(2 388)	(10)	(3 777)
Current interest-bearing borrowings (repaid)/raised		(539)	(290)	(563)	315
Proceeds from issuance of share capital		114	2 199	114	2 372
		(453)	3 717	(159)	(656)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS					
		(65)	(174)	16	(216)
Cash and cash equivalents at beginning of year		906	1 483	290	506
Less cash and cash equivalents of unbundled subsidiaries			(403)		
Special purpose entities consolidated		9			
CASH AND CASH EQUIVALENTS AT END OF YEAR		850	906	306	290

		GROUP		COMPANY	
	Notes	2007 Rm	2006 Rm	2007 Rm	2006 Rm
CALCULATION OF MOVEMENT IN NET DEBT:					
Net cash inflow/(outflow) as above		388	(3 891)		
Add:					
– shares issued		114	2 199		
– share-based payments			(54)		
– increase in net debt on acquisition of subsidiary		(25)	(120)		
– special purpose entities consolidated		9			
– non-cash flow movements in net debt applicable to currency translation differences of transactions denominated in foreign currency		59	16		
– non-cash flow movements in net debt applicable to currency translation differences of net debt items of foreign entities	26.9	(107)	(195)		
– net debt of unbundled subsidiaries			2 762		
DECREASE IN NET DEBT		438	717		

# group statement of changes in equity

for the year ended 31 December 2007

	Non-distributable reserves		
	Share capital Rm	Share premium Rm	Foreign currency translation Rm
<b>OPENING BALANCE AT 31 DECEMBER 2005</b>	<b>3</b>	<b>2 937</b>	<b>(29)</b>
Net gains/(losses) not recognised in income statement <sup>1</sup>			433
Currency translation differences			438
Share of reserve movements of associates			6
Share-based payments movement			
Financial instruments fair value movements recognised in equity <sup>3</sup>			
– recognised in current year profit or loss			
– recognised in equity			
Deferred taxation			(11)
Net profit <sup>1</sup>			
Dividends paid <sup>2</sup>			
Share repurchase <sup>2</sup>			
Dividend in specie – fair value			(25)
Dividend in specie – fair value adjustment			
Dividend in specie – net asset value			(25)
Issue of share capital	1	2 371	
Issue of share capital to share trusts		(173)	
<b>BALANCE AT 31 DECEMBER 2006</b>	<b>4</b>	<b>5 135</b>	<b>379</b>
Net gains/(losses) not recognised in income statement <sup>1</sup>			148
Currency translation differences			179
Share of reserve movements of associates			(13)
Share-based payments movement			
Financial instruments fair value movements recognised in equity <sup>3</sup>			
– recognised in current year profit or loss			
– recognised in equity			
– fair value adjustment			
Deferred taxation			(18)
Net profit <sup>1</sup>			
Dividends paid <sup>2</sup>			
Issue of share capital <sup>4</sup>		23	
Share placement <sup>5</sup>		91	
– issue		640	
– repurchase		(460)	
– expenses		(89)	
Transfer to retained income			
Minority share-buy out			
Special purpose entities now consolidated			
Prior year dividend in specie reclassification		(3 186)	
<b>BALANCE AT 31 DECEMBER 2007</b>	<b>4</b>	<b>2 063</b>	<b>527</b>

<sup>1</sup>Total recognised gains and losses R1 749 million (2006: R20 347 million).

<sup>2</sup>The STC on these dividends amount to Rnil million after taking into account STC credits (2006: R424 million).

<sup>3</sup>Gains or losses through hedging reserve.

<sup>4</sup>Issued to the Kumba Resources Management Share Trust due to options exercised.

<sup>5</sup>Repurchase of 10 million shares from Anglo South Africa (Pty) Limited on 13 April 2007 at R45,99 per share and the subsequent re-issue of 10 million new Exxaro shares at R64 per share. STC on the share repurchase of R57,5 million is included in net profit.

Non-distributable reserves						
Financial instruments revaluation Rm	Equity-settled reserve Rm	Insurance reserve Rm	Retained income Rm	Attributable to equity holders of the parent Rm	Minority interest Rm	Total equity Rm
(5)	88		4 325	7 319	9	7 328
31	714			1 178		1 178
1				439		439
(1)	3			8		8
	711			711		711
8				8		8
33				33		33
(10)				(21)		(21)
			19 169	19 169	27	19 196
			(1 628)	(1 628)	(9)	(1 637)
			(1 763)	(1 763)		(1 763)
(2)			(18 305)	(18 332)		(18 332)
			(17 966)	(17 966)		(17 966)
(2)			(339)	(366)		(366)
				2 372		2 372
				(173)		(173)
24	802		1 798	8 142	27	8 169
(17)	182		9	322	(4)	318
(3)				176		176
1	49		9	46		46
	133			133		133
(36)				(36)	(4)	(40)
1				1		1
20				2		2
			1 427	1 427	20	1 447
			(208)	(208)	(11)	(219)
				23		23
				91		91
				640		640
				(460)		(460)
				(89)		(89)
	(16)		16			
			7	7	(13)	(13)
			3 186			7
7	968		6 235	9 804	19	9 823

#### Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities that are not integral to the operations of the group.

#### Financial instruments revaluation reserve

The financial instruments revaluation reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transaction has not yet occurred.

#### Equity-settled reserve

The equity-settled reserve represents the fair value of services received and settled by equity instruments granted.

#### Insurance reserve

The insurance reserve represents the unrealised portion of commission receivable from re-insurers.

# company statement of changes in equity

for the year ended 31 December 2007

	Share capital	Share premium	Non-distributable reserves			Retained income	Total equity
			Foreign currency translation	Financial instruments revaluation	Equity-settled reserve		
<b>AT 31 DECEMBER 2005</b>	<b>3</b>	<b>2 941</b>			<b>72</b>	<b>(25)</b>	<b>2 991</b>
Net gains not recognised in income statement <sup>1</sup>					711		711
Share-based payment movement					711		711
Net profit <sup>1</sup>						21 468	21 468
Share repurchase <sup>2</sup>						(1 763)	(1 763)
Dividends paid <sup>2</sup>						(1 628)	(1 628)
Dividend in specie – fair value						(18 332)	(18 332)
Dividend in specie – fair value adjustment						(18 329)	(18 329)
Dividend in specie – net carrying amount						(3)	(3)
Issue of share capital	1	2 371					2 372
<b>BALANCE AT 31 DECEMBER 2006</b>	<b>4</b>	<b>5 312</b>			<b>783</b>	<b>(280)</b>	<b>5 819</b>
Net gains not recognised in income statement <sup>1</sup>					100		100
Share-based payment movement					100		100
Net profit <sup>1</sup>						423	423
Cash dividends paid <sup>2</sup>						(211)	(211)
Issue of share capital <sup>3</sup>		23					23
Share placement <sup>4</sup>		91					91
– issue		640					640
– repurchase		(460)					(460)
– expenses		(89)					(89)
Prior year dividend in specie reclassification		(3 186)				3 186	
<b>BALANCE AT 31 DECEMBER 2007</b>	<b>4</b>	<b>2 240</b>			<b>883</b>	<b>3 118</b>	<b>6 245</b>

<sup>1</sup>Total recognised gains and losses R523 million (2006: R22 179 million).

<sup>2</sup>The STC on these dividends amount to Rnil million after taking into account STC credits (2006: R424 million).

<sup>3</sup>Issued to the Kumba Resources Management Share Trust due to options exercised.

<sup>4</sup>Repurchase of 10 million shares from Anglo South Africa (Pty) Limited on 13 April 2007 at R45,99 per share and the subsequent re-issue of 10 million new Exxaro shares at R64 per share. STC on the share repurchase of R57,5 million is included in net profit.

# notes to the annual financial statements

for the year ended 31 December 2007

## 1. ACCOUNTING POLICIES

### Principal accounting policies

The principal accounting policies of the group and the disclosures made in the annual financial statements comply with International Financial Reporting Standards effective for the group's financial year.

The financial statements are prepared on the historical cost basis modified by the restatement of financial instruments and biological assets to fair value.

Where comparative financial information is reported, the accounting policies have been applied consistently for all periods.

### Adoption of new and revised standards

The following standards and interpretations have been applied, where relevant, to the financial statements for the period ended 31 December 2007:

- IFRIC 7 *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies*, effective for annual periods beginning on or after 1 March 2006.
- IFRIC 8 *Scope of IFRS 2*, effective for annual periods beginning on or after 1 May 2006.
- IFRIC 9 *Reassessment of Embedded Derivatives*, effective for annual periods beginning on or after 1 June 2006.
- IFRIC 10 *Interim Financial Reporting and Impairment*, effective for annual periods beginning on or after 1 November 2006.
- IFRS 7 *Financial Instruments: Disclosure*, effective for annual periods beginning on or after 1 January 2007.
- Circular 08/07 *Headline Earnings*, effective for annual periods ending on or after 31 August 2007.

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

- IFRIC 11 *IFRS 2: Group and Treasury Share transactions*, effective for annual periods beginning on or after 1 March 2007.
- IFRIC 12 *Service Concession Arrangements*, effective for annual periods beginning on or after 1 January 2008.
- IFRIC 13 *Customer Loyalty Programmes*, effective for annual period beginning on or after 1 July 2008.
- IFRIC 14 *IAS 10 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction*, effective for annual periods beginning on or after 1 January 2008.
- IFRS 8 *Operating Segments*, effective for annual periods beginning on or after 1 January 2009.
- Revised IAS 1 *Presentation of Financial Statements*, effective for annual periods beginning on or after 1 January 2009.
- Revised IFRS 2 *Share-based Payment*, effective for annual periods beginning on or after 1 January 2009.
- Revised IAS 23 *Borrowing Costs*, effective for annual periods beginning on or after 1 January 2009.
- Revised IAS 27 *Consolidated and Separate Financial Statements*, effective for annual periods beginning on or after 1 July 2009.
- Revised IFRS 3 *Business Combinations*, effective for annual periods beginning on or after 1 July 2009.

The directors believe that none of these new or revised standards and interpretations will have an effect other than enhanced disclosure.

### Basis of consolidation

The group annual financial statements present the consolidated financial position and changes therein, operating results and cash flow information of the company and its subsidiaries. Subsidiaries are those entities in which the group has an interest of more than half of the voting rights or the power to exercise control so as to obtain benefits from their activities.

The results of subsidiaries are included for the duration of the period in which the group exercises control over the subsidiary. All intercompany transactions and resultant profits and losses between group companies are eliminated on consolidation. Where necessary, accounting policies for subsidiaries are changed to ensure consistency with the policies adopted by the group. If it is not practical to change the policies, the appropriate adjustments are made on consolidation to ensure consistency within the group.

The results of special purpose entities that, in substance, are controlled by the group, are consolidated.

The company carries its investments in subsidiaries at cost less accumulated impairment losses.

# notes to the annual financial statements continued

## for the year ended 31 December 2007

### 1. ACCOUNTING POLICIES (continued)

#### Goodwill

Goodwill is reflected at cost less accumulated impairment losses, if any. It represents the excess of the cost of a business combination over the fair value of the group's share of the identifiable net assets and contingent liabilities of that entity at the date of acquisition. Goodwill is assessed for impairment on an annual basis.

The gain or loss on disposal of an entity includes the balance of goodwill relating to the entity.

Negative goodwill arising on a business combination represents the excess of the fair value of the net identifiable assets and contingent liabilities of the entity acquired over the cost of acquisition, and is recognised immediately in profit or loss.

#### Investments in associates and joint ventures

The company carries its investments in associates and joint ventures at cost less accumulated impairment losses.

An associate is an entity over which the group has the ability to exercise significant influence, but which it does not control.

A joint venture is an entity jointly controlled by the group and one or more other venturers in terms of a contractual arrangement requiring unanimous consent for strategic financial and operating decisions. It may involve a corporation, partnership or other entity in which the group has an interest.

Investments in associates are accounted for in the group financial statements using the equity method for the duration of the period in which the group has the ability to exercise significant influence. Equity accounted income represents the group's proportionate share of profits of these entities and the share of taxation thereon. The retained earnings of an associate, net of any dividends, are classified as distributable reserves.

Where the group's share of losses of an associate exceeds the carrying amount of the associate, the investment in the associate is carried at nil value. Additional losses are only recognised to the extent that the group has incurred further funding obligations or provided guarantees or sureties in respect of the associate.

Investments in joint ventures are accounted for in the group financial statements using the proportionate consolidation method.

Where necessary, the results of associates and joint ventures are restated to ensure consistency with group policies. Unrealised profits and losses are eliminated.

The group's interest in associates is carried in the balance sheet at an amount that reflects its share of the net assets and the unimpaired portion of goodwill on acquisition. Goodwill on the acquisition of associates and joint ventures is treated in accordance with the group's accounting policy for goodwill.

#### Property, plant and equipment

Land and extensions under construction are stated at cost and are not depreciated. Buildings, including certain non-mining residential buildings and all other items of property, plant and equipment are reflected at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged on a systematic basis over the estimated useful lives of the assets after taking into account the estimated residual value of the assets. Useful life is either the period of time over which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of the asset.

Moulds and refractory furnace relines are depreciated based on the usage thereof.

Items of property, plant and equipment are capitalised in components where components have a different useful life to the main item of property, plant and equipment to which the component can be logically assigned.

The estimated useful life of assets and their residual values, are re-assessed periodically with any changes in such accounting estimates being adjusted in the financial year of re-assessment and applied prospectively.

The estimated useful lives of items of property, plant and equipment are:

2007	Coal	Mineral sands	Base metals
Buildings and infrastructure (including residential buildings)	2 – 25 years	3 – 40 years	8 years – indefinite
Mineral properties	2 – 25 years	3 – 25 years	
Fixed plant and equipment	2 – 25 years	2,5 – 25 years	2 – 50 years
Mobile equipment, built-in process computers, underground mining equipment and reconditionable spares	16 000 – 40 000 hours or 2 – 16 years	2,5 – 20 years	2 – 15 years
Loose tools and computer equipment	2 – 5 years	2,5 – 10 years	2 – 8 years
Development costs	8 – 20 years	4 – 10 years	
Refractory relines		4 – 6 years	
Site preparation, mining development and exploration	2 – 25 years	3 – 25 years	
	<b>Industrial minerals</b>	<b>Other</b>	
Buildings and infrastructure (including residential buildings)	10 – 25 years	20 – 25 years	
Mineral properties			
Fixed plant and equipment	5 – 25 years	5 – 10 years	
Mobile equipment, built-in process computers, underground mining equipment and reconditionable spares	5 – 15 years	5 years	
Loose tools and computer equipment	5 years	5 years	
Site preparation, mining development and exploration	20 years	5 years	
2006	<b>Iron ore<sup>1</sup></b>	<b>Coal</b>	<b>Mineral sands</b>
Buildings and infrastructure (including residential buildings)	5 – 25 years	2 – 25 years	4 – 40 years
Mineral properties	10 – 25 years	2 – 25 years	10 – 25 years
Fixed plant and equipment	4 – 25 years	2 – 25 years	2,5 – 25 years
Mobile equipment, built-in process computers, underground mining equipment and reconditionable spares	2 – 25 years	16 000 – 40 000 hours or 2 – 17 years	2,5 – 20 years
Loose tools and computer equipment	5 years	2 – 10 years	2,5 – 10 years
Development costs	5 – 6 years	8 – 20 years	4 – 10 years
Refractory relines			4 – 6 years
Site preparation, mining development and exploration	5 – 25 years	2 – 25 years	3 – 25 years
	<b>Base metals</b>	<b>Industrial minerals</b>	<b>Other</b>
Buildings and infrastructure (including residential buildings)	7 years – indefinite	10 – 25 years	20 – 25 years
Mineral properties			
Fixed plant and equipment	5 – 25 years	5 – 25 years	5 – 10 years
Mobile equipment, built-in process computers, underground mining equipment and reconditionable spares	2 – 20 years	5 – 15 years	5 years
Loose tools and computer equipment	2 – 8 years	5 years	5 years
Site preparation, mining development and exploration	7 – 25 years	20 years	5 years

<sup>1</sup>Estimated useful life as applied up to 31 October 2006 before the unbundling of the iron ore business as part of the empowerment transaction.



# notes to the annual financial statements continued

## for the year ended 31 December 2007

### 1. ACCOUNTING POLICIES (continued)

Maintenance and repairs which neither materially add to the value of assets nor appreciably prolong their useful lives are taken to profit or loss.

Direct attributable expenses relating to mining and other major capital projects, site preparations and exploration are capitalised until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent that these are recognised as a provision.

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalised at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of group borrowings was utilised. Capitalisation of borrowing costs ceases when the asset is substantially complete.

Directly attributable costs associated with the acquisition, development and installation of certain software are capitalised. Such assets are depreciated using the amortisation methods and periods applicable to computer equipment.

Gains and losses on the disposal of property, plant and equipment are taken to profit or loss.

#### Leased assets

Leases involving plant and equipment whereby the lessor provides finance to the group with the asset as security and where the group assumes substantially all the benefits and risks of ownership, are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease and depreciated over the useful life of the asset. The capital element of future obligations under the leases is included as a liability in the balance sheet. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance charge is charged against income over the lease period using the effective interest rate method.

For a sale and leaseback transaction that results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and recognised on the straight-line basis over the period of the lease.

Leases of assets to the group under which all the risks and benefits of ownership are effectively retained by the lessor, are classified as operating leases. Payments made under operating leases are charged against income on the straight-line basis over the period of the lease.

Arrangements that contain the right to use an asset are evaluated for recognition, classification as a finance- or operating lease, measured, and accounted for accordingly.

#### Biological assets

Biological assets are measured on initial recognition and at each balance sheet date at their fair value less estimated point-of-sale costs and any change in value is included in the net profit or loss for the period in which it arises.

Plantations are measured at their fair value less estimated point-of-sale costs. The fair value of the plantations is determined by an independent appraiser, based on the Faustman Formula as applied within the forestry industry.

Livestock are measured at fair value less estimated point-of-sale costs, fair value being determined by the age and size of the animals and the market price. Market price is determined on the basis that the animal is sold to be slaughtered. Livestock held for sale is classified as consumable biological assets (inventories).

Game is measured at fair value less estimated point-of-sale costs, fair value being determined as the market price.

Market price is determined with reference to the most recent live auction selling prices. Game held for sale is classified as consumable biological assets (inventories).

### Intangible assets

An intangible asset is recognised at cost if it is probable that future economic benefits will flow to the enterprise and the cost can be reliably measured. Amortisation is charged on a systematic basis over the estimated useful lives of the intangible assets.

Subsequent expenditure on capitalised intangible assets is capitalised only if it increases the future benefits embodied in the specific asset to which it relates.

Intangible assets with finite useful lives are amortised on the straight-line basis over their estimated useful lives. The amortisation methods and estimated remaining useful lives are reviewed at least annually. The estimated maximum useful lives of intangible assets in respect of patents, licences and franchises are 25 years.

The carrying amounts are reviewed at each balance sheet date to determine whether there is any indication of impairment.

### Research, development and exploration costs

Research, development and exploration costs are charged against income until they result in projects that are evaluated as being technically or commercially feasible, the group has sufficient resources to complete development and can demonstrate how the asset will generate future economic benefits, in which event these costs are capitalised and amortised on the straight-line basis over the estimated useful life of the project or asset. The carrying amounts are reviewed at each balance sheet date to determine whether there is any indication of impairment.

### Impairment of assets

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated as the higher of the net selling price and the value in use.

In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years. For goodwill a recognised impairment loss is not reversed.

### Financial instruments

#### Recognition

A financial instrument is recognised when the group becomes a party to a contract which entitles it to receive contractually agreed cash flows on the instrument. All acquisitions of financial assets that require delivery within the time frame established by regulation or market convention (regular-way purchases) are recognised at trade date, which is the date on which the group commits to acquire the asset.

#### Derecognition

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in financial assets transferred that is created or retained by the group is recognised as a separate asset or liability.

# notes to the annual financial statements continued

## for the year ended 31 December 2007

### 1. ACCOUNTING POLICIES (continued)

#### *Derecognition (continued)*

The group may enter into transactions whereby it transfers assets recognised on its balance sheet, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the balance sheet.

The rights and obligations retained in the transfer of financial instruments are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

#### *Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity and debt instruments, trade and other payables, cash and cash equivalents, loans and borrowings and trade and other receivables.

Non-derivative financial instruments are recognised initially at fair value plus, in the case where financial instruments are not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand form an integral part of the group's cash management system and are included as a component of cash and cash equivalents for purposes of the cash flow statements. Cash and cash equivalents are measured at amortised cost.

#### *Financial instruments at fair value through profit or loss*

The group has designated financial assets and liabilities at fair value through profit or loss when either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the assets or liabilities contain an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract and has to be separately disclosed and fair-valued through profit or loss.

All of the group's financial instruments designated as at fair-value through profit or loss were designated as such as it is believed that the designation significantly reduces an accounting mismatch which would otherwise arise.

Subsequent to initial recognition, financial instruments designated or classified as at fair-value through profit or loss are measured at fair value with changes in fair value recognised in profit or loss.

#### *Available-for-sale financial assets*

The group has designated certain assets as available-for-sale financial assets. In other circumstances available-for-sale financial assets are classified as such because they do not fall within the classification of loans and receivables, held to maturity investments or financial assets at fair value through profit or loss. Gains or losses on available-for-sale financial assets are recognised directly in equity, except for impairment losses and foreign exchange gains and losses on monetary items. When the financial asset is derecognised, the cumulative gain or loss previously recognised in equity is recognised in profit or loss.

#### *Financial instruments not at fair value through profit or loss, and not available-for-sale*

##### – Receivables

Long-term receivables and trade and other receivables are measured at amortised cost using the effective interest rate method. Effective interest rate method is a method of calculating the amortised cost of a financial asset or liability (or group of financial assets or financial liabilities) and allocating the interest income or interest expense over the relevant period. Amortised cost is the amount at which the long-term receivables and trade and other receivables are measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment or uncollectibility.

– **Loans and borrowings**

Loans and borrowings are measured at amortised cost using the effective interest rate method.

– **Payables**

Trade and other payables are reported at amortised cost, namely original debt less principal repayments and any amortisation using the effective interest rate method.

– **Investment in equity instruments**

The fair value of investments is based on quoted bid prices for listed securities or valuations derived from discounted cash flow models for unlisted securities. Equity instruments for which fair values cannot be measured reliably are recognised at cost less impairment. When equity instruments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit or loss statement as gains and losses from investment securities.

– **Held-to-maturity investments**

Investments with a fixed maturity that management has the intent and ability to hold to maturity are classified as held-to-maturity. These investments are included in non-current assets, except for maturities within 12 months from the balance sheet date, which are classified as current assets.

Held-to-maturity investments are carried at amortised cost using the effective interest rate method.

**Derivative financial instruments**

The group holds derivative financial instruments to hedge its foreign currency, interest rate and price risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivative instruments are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivative instruments are measured at fair value, and changes in fair value accounted for as described below.

**Fair value hedges**

When a derivative is designated as a hedge of the change in fair value of a recognised asset or liability or a firm commitment, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is discontinued. Any adjustment up to that point, to a hedged item for which the effective interest rate method is used, is amortised to profit or loss as part of the re-calculated effective interest rate of the item over its remaining life.

**Cash flow hedges**

When a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative are recognised directly in equity. The amount recognised in equity is removed and included in profit or loss in the same period as the hedged item's cash flows affect profit or loss under the same income statement line item as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued and the amount recognised in equity remains in equity until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, then hedge accounting is discontinued and the balance in equity is recognised immediately in profit or loss.

# notes to the annual financial statements continued

## for the year ended 31 December 2007

### 1. ACCOUNTING POLICIES (continued)

#### *Economic hedges*

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as part of foreign currency gains and losses.

#### – Net investments in foreign operation hedges

When a derivative, or a non-derivative financial liability, is designated as a hedge of a net investment in a foreign operation instrument, the effective portion of changes in the fair value of the hedging instrument is recognised directly in equity, in the foreign currency translation reserve. Any ineffective portion of changes in the fair value of the derivative instrument is recognised immediately in profit or loss. The amount recognised in equity is removed and included in profit or loss on disposal of the foreign operation.

#### *Separable embedded derivatives*

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

#### *Impairment of financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. An impairment allowance is raised when there is an indication of impairment and a write-off is only effected when the debtor is deemed to be fully impaired and not recoverable.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

#### *Offset*

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### *Determining fair values*

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using generally accepted valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments like interest rate and currency swaps. For these financial instruments, inputs into models are available on the market.

The fair value of long and medium-term borrowings is calculated using quoted market prices, or where such prices are not available, discounted cash flow analyses using the applicable yield curve for the duration of the borrowing are used. The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets, is determined with reference to quoted market prices. The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analyses using prices from widely available current market transactions. The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

#### *Financial guarantee contracts*

Financial guarantees are contracts that require the group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment if a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

#### *Net finance costs*

Finance income comprises interest income on funds invested including available-for-sale financial assets and hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

Finance expenses comprise interest expense on borrowings and agreements for the use of assets classified as finance leases in terms of IFRIC 4, unwinding of the discount on provisions, and dividends on preference shares classified as liabilities. All borrowing costs are recognised in profit or loss using the effective interest rate method.

Foreign currency gains and losses are reported on a net basis.

#### *Fees and commission*

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission expense relate mainly to transaction and service fees and are expensed as the services are received.

#### *Inventories*

Inventories are valued at the lower of cost, determined on the moving average basis, and net realisable value.

The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and fixed production overheads, but excludes interest charges. Fixed production overheads are allocated on the basis of normal capacity. Write downs to net realisable value and inventory losses are expensed in the period in which the write downs or losses occur.

# notes to the annual financial statements continued

## for the year ended 31 December 2007

### 1. ACCOUNTING POLICIES (continued)

#### Foreign currencies

##### Transactions and balances

Transactions denominated in foreign currencies are translated at the rate of exchange ruling at the transaction date. Monetary items denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains or losses arising on translation are credited to or charged against income.

##### Foreign entities

The financial statements of foreign entities are translated into South African rand as follows:

- assets and liabilities at rates of exchange ruling at balance sheet date.
- income, expenditure and cash flow items at weighted average rates.
- goodwill and fair value adjustments arising on acquisition at rates of exchange ruling at balance sheet date.

All resulting exchange differences are reflected as part of shareholders' equity. On disposal, such translation differences are recognised in the income statement as part of the cumulative gain or loss on disposal.

##### Foreign currency hedges

Foreign currency hedges are dealt with in the financial instruments accounting policy.

##### Exchange rates used

The average US dollar to South African rand conversion rate, where applicable, 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 at the last day of the reporting period US\$1:R6,7964 (2006: US\$1:R6,9750).

##### Revenue recognition

Revenue, which excludes value added tax, represents the gross value of goods invoiced. Export revenues are recorded according to the relevant sales terms, when the risks and rewards of ownership are transferred.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Revenue arising from services and royalties is recognised on the accrual basis in accordance with the substance of the relevant agreements.

##### Interest and dividend income

Interest is recognised on the time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the group.

Dividends are recognised when the right to receive payment is established.

##### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years in determination of taxable profit (temporary differences), and it further excludes items that are never taxable or deductible (non-temporary differences). The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

### Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money, and where appropriate, the risk specific to the liability.

### Decommissioning and environmental rehabilitation

Provision is made for environmental rehabilitation and decommissioning costs where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances.

Where a provision is made for dismantling and site restoration costs, an asset of similar initial value is raised and amortised in accordance with the group's accounting policy for property, plant and equipment.

Annual contributions are made to the group's Environmental Rehabilitation Fund, created in accordance with statutory requirements, to provide for the funding of the estimated cost of pollution control and rehabilitation during, and at the end of the life of mines. The Exxaro Environmental Rehabilitation Fund is consolidated.

Expenditure on plant and equipment for pollution control is capitalised and depreciated over the useful lives of the assets whilst the cost of ongoing current programmes to prevent and control pollution and to rehabilitate the environment is charged against profit or loss as incurred.

### Deferred taxation

Deferred taxation is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated using taxation rates that have been enacted at balance sheet date. The effect on deferred taxation of any changes in taxation rates is charged to the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

### Employee benefits

#### Post-employment benefits

##### *Retirement*

The group provides defined contribution retirement funds for the benefit of employees, the assets of which are held in separate funds. These funds are funded by contributions from employees and the group, taking account of the recommendations of independent actuaries. The group's contribution to the defined contribution fund is charged to the income statement in the year to which it relates.

The group does not provide guarantees in respect of returns in the defined contribution funds.

Exxaro is no longer a participating employer in any defined benefit funds.

##### *Medical*

A post-retirement medical contribution obligation exists for a selective number of in-service and retired employees of the accredited medical aid funds. This benefit is no longer offered to employees. The actuarially determined liability is raised as a non-current provision.



# notes to the annual financial statements continued

## for the year ended 31 December 2007

### 1. ACCOUNTING POLICIES (continued)

#### *Short and long-term benefits*

The cost of all short-term employee benefits, such as salaries, bonuses, housing allowances, medical and other contributions, are recognised during the period in which the employee renders the related service.

The vesting portion of long-term benefits is recognised and provided for at balance sheet date, based on current total cost to company.

#### *Termination benefits*

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The group recognises termination benefits when it has demonstrated its commitment to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If the benefits fall due more than 12 months after balance sheet date, they are discounted to present value.

#### *Equity compensation benefits*

Senior management, including executive directors, have been granted share options and share appreciation rights (SARs).

The share appreciation rights are subject to achievement of performance-related criteria before vesting. Grants are based on existing ordinary shares and can be purchased or the purchase can be deferred. The option or purchase price equals the market price on the date preceding the date of the grant.

When the options or SARs vest and are exercised, they can either be:

- purchased and if vesting according to the rules of the scheme, recorded in share capital and share premium at the amount of the option price, or
- payment can be deferred resulting in no increase in share capital or share premium until paid for and vesting according to the rules of the scheme.

The fair value of the options or SARs granted to senior management including executive directors, has been determined at grant date using a suitable option pricing model and expensed over the vesting period of the options or SARs with a corresponding increase in equity.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

#### *Dividend*

Dividends paid are recognised by the company when the shareholder's right to receive payment is established. These dividends are recorded and disclosed as dividends paid in the statement of changes in equity. Dividends proposed or declared subsequent to the year end are not recognised at the balance sheet date, but are disclosed in the notes to the financial statements.

#### *Secondary tax on companies*

Taxation costs incurred on dividends are included in the taxation line in the income statement in the year in which the related dividends are declared.

#### *Discontinued operations and non-current assets held for sale*

Discontinued operations are significant, distinguishable components of an enterprise that have been sold, abandoned or are the subject of formal plans for disposal or discontinuance.

The profit or loss on the sale or abandonment of a discontinued operation is determined from the formalised discontinuance date.

If the carrying amount of a non-current asset or disposal group will be recovered principally through a sale transaction rather than through continuing use, such an asset is classified as non-current assets held for sale and measured at the lower of carrying amount and fair value less cost to sell. This condition is regarded as met only when the sale is highly

probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

#### Segment reporting

The primary business segments are coal, mineral sands, base metals, and industrial minerals, whilst a significant equity accounted interest is held in iron ore.

On a secondary segment basis, significant geographic marketing regions have been identified.

The basis of segment reporting is representative of the internal structure used for management reporting.

#### Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the group unless otherwise stated. The carrying amount of these assets approximate their fair value.

#### Judgements made by management

The following judgements, apart from those involving estimates (as mentioned below) have been made by management in the process of applying the group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

- the identification of special purpose entities controlled by the group which must be consolidated (refer note 29);
- in applying IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, management has made judgements as to which non-current assets and discontinued operations fall within the scope of the standard and had to be reclassified and measured in terms of IFRS 5;
- in applying IFRS 2 *Share-based Payment*, management has made certain judgements in respect of the fair value option pricing models to be used in determining the various share-based arrangements in respect of employees, as well as the variable elements used in these models (refer note 31).
- in applying IFRIC 4 *Determining whether an arrangement contains a lease*, and IAS 17, *Leases*, contractual agreements were assessed to determine whether they convey the right to use an asset and their classification as either an operating or finance lease.

#### Key assumptions made by management in applying accounting policies

The following key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year if the assumption or estimation changes significantly:

#### Going concern

Management considers key financial metrics and loan covenant compliance in its approved medium-term budgets, together with its existing term facilities, to conclude that the going concern assumption used in the compiling of its annual financial statements, is relevant.

#### Environmental and decommissioning provision

Provision is made for environmental and decommissioning costs where either a legal or constructive obligation is recognised as a result of past events. Estimates are made in determining the present obligation of environmental and decommissioning provisions, which include the actual estimate, the discount rate used and the expected date of closure of mining activities in determining the present value of environmental and decommissioning provisions. Estimates are based upon costs that are regularly reviewed, by internal and external experts, and adjusted as appropriate for new circumstances. Refer note 23.

# notes to the annual financial statements continued

## for the year ended 31 December 2007

### 1. ACCOUNTING POLICIES (continued)

#### Key assumptions made by management in applying accounting policies (continued)

##### *Other provisions*

For other provisions, estimates are made of legal or constructive obligations resulting in the raising of provisions, and the expected date of probable outflow of economic benefits to assess whether the provision should be discounted. Refer note 23.

##### *Impairments and impairment reversals*

Impairment tests are performed when there is an indication of impairment of assets or a reversal of previous impairments of assets. Management therefore has implemented certain impairment indicators and these include movements in exchange rates, commodity prices and the economic environment its businesses operate in. Estimates are made in determining the recoverable amount of assets which include the estimation of cash flows and discount rates used. In estimating the cash flows, management base cash flow projections on reasonable and supportable assumptions that represent managements' best estimate of the range of economic conditions that will exist over the remaining useful life of the assets, based on publicly available information. The discount rates used are pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the assets for which the future cash flow estimates have not been adjusted. Refer note 6.

##### *Contingent liabilities*

Management considers the existence of possible obligations which may arise from legal action as well as the possible non-compliance of the requirements of completion guarantees and other guarantees provided. The estimation of the amount disclosed is based on the expected possible outflow of economic benefits should there be a present obligation. Refer note 32.

##### *Deferred taxation assets*

Deferred taxation assets are recognised based on the probability that sufficient future taxable income will be available to reduce the asset carried.

This requires management to make assumptions on a subsidiary by subsidiary level of future taxable income in determining the deferred taxation asset to be raised. Refer note 24.

##### *Useful life and residual values*

The depreciable amount of assets are allocated on a systematic basis over its useful life. In determining the depreciable amount management makes certain assumptions in respect to the residual value of assets based on the expected estimated amount that the entity would currently obtain from disposal of the asset, after deducting the estimated cost of disposal. If an asset is expected to be abandoned the residual value is estimated at zero.

In determining the useful life of assets management considers the expected usage of assets, expected physical wear and tear, legal or similar limits of assets such as mineral rights as well as obsolescence.

##### *Mineral resources*

Management make estimates of mineral resources and ore reserves in accordance with the SAMREC Code (2000) for South African properties and the JORC Code (2004) for Australian properties. Such estimates relate to the category for the resource (measured, indicated or inferred), the quantum and the grade.

##### *Black economic empowerment (BEE) credentials*

The difference between the fair value of equity instruments issued as part of an empowerment transaction, and the identifiable consideration received for such issue, represents a BEE credential expense that does not meet the recognition criteria of an intangible asset and has been expensed through the income statement.

	Notes	GROUP		COMPANY	
		2007 Rm	2006 Rm	2007 Rm	2006 Rm
<b>2. REVENUE</b>					
Sale of goods		10 157	13 746		3
Services				636	703
		10 157	13 746	636	706
Revenue from discontinued operations			6 483		
Revenue from continuing operations		10 157	7 263	636	706
<b>3. OPERATING EXPENSES</b>					
<b>Cost by type</b>					
– Raw materials and consumables		3 089	2 842	28	52
– Staff costs					
– salaries and wages		2 112	1 984	318	305
– share-based payments		105	185	37	116
– termination benefits		4	7	4	3
– pension and medical costs		185	186	27	26
– Income from sale of investment			(39)		(15)
– General charges		1 447	2 006	283	570
– Share-based payment: BEE credential expense			580		580
– Railage and transport		446	1 399	1	2
– Repairs and maintenance		1 068	937	4	3
– Impairment charges	6	17	784		
– Excess of minority interest over cost of acquisition			(36)		
– Energy		382	348	5	4
– Depreciation on property, plant and equipment	12	760	810	10	9
– Amortisation of intangible assets	14	3	3		
– Movement in inventories		(840)	(937)		
– Own work capitalised		(40)	(37)		
– Sublease rentals received		(25)	(10)	(20)	
		8 713	11 012	697	1 655
Operating expenses from discontinued operations			3 385		
Operating expenses from continuing operations		8 713	7 627	697	1 655
<b>Cost by function</b>					
– Costs of goods sold/services rendered		8 287	8 890	717	1 670
– Selling and distribution costs		434	1 423		
– Sublease rentals received		(25)	(10)	(20)	
– Impairment charges	6	17	784		
– Excess of minority interest over cost of acquisition			(36)		
– Income from sale of investment			(39)		(15)
		8 713	11 012	697	1 655
Operating expenses from discontinued operations			3 385		
Operating expenses from continuing operations		8 713	7 627	697	1 655

# notes to the annual financial statements continued

for the year ended 31 December 2007

	Notes	GROUP		COMPANY	
		2007 Rm	2006 Rm	2007 Rm	2006 Rm
<b>3. OPERATING EXPENSES</b> (continued)					
The above costs are stated after including:					
Auditors' remuneration					
– audit fees		12	10	4	4
– other services		1	5	1	4
Consultancy fees		75	254	22	181
Contingent rentals paid		9	8		
Contingent rentals received		(22)	(53)		
Cost of empowerment transaction, unbundling, integration and branding			241		241
Depreciation and amortisation					
– land and buildings	12	2			
– mineral properties	12	164	59		
– residential buildings	12	3			
– buildings and infrastructure	12	74	90		
– machinery, plant and equipment	12	486	615	10	9
– leased assets under finance leases	12	10	11		
– site preparation, mining development, exploration and rehabilitation	12	21	35		
– amortisation of intangible assets	14	3	3		
Directors' emoluments (refer to the report of the directors page 160)					
– executive directors					
– remuneration received as directors of the company				13	15
– bonuses and cash incentives				11	21
– compensation on retirement from executive office				4	
– non-executive directors					
– remuneration received as directors of the company				2	2
Excess of minority interest over cost of acquisition			(36)		
Exploration expenditure (equates to exploration cash flow for the year)		54	39		
Fair value (gains)/losses on financial assets at fair value through profit or loss:					
– designated upon initial recognition		(51)	(82)	(2)	(7)
– held for trading		(54)	260	(1)	(44)

	Notes	GROUP		COMPANY	
		2007 Rm	2006 Rm	2007 Rm	2006 Rm
<b>3. OPERATING EXPENSES (continued)</b>					
Fair value (gains)/losses on financial liabilities at fair value through profit or loss:					
–designated upon initial recognition			(2)		
–held for trading		(7)	(34)		
Loss on loans and receivables disclosed at amortised cost			77		
Impairment charges	6	17	784		
Inventories write down to net realisable value		155	1		
Inventories previously written down reversed			(18)		
Movement in provisions	23	241	227	2	6
Net loss/(profit) on disposal or scrapping of property, plant and equipment		13	(2)		(6)
Net profit on disposal of investment			(39)		(15)
Net realised losses/(profit) on currency exchange differences		42	(199)	12	37
Net unrealised losses on currency exchange differences		32	97	2	75
Operating lease rentals expenses					
– property		30	23	32	23
– equipment		51	77	15	16
Operating sublease rentals received					
– property		(25)	(10)	(20)	
Reconditionable spares usage		4	5		
Research and development costs		6	7	4	5
Impairment charges, reversals and write-offs of trade and other receivables		1	(3)	3	

Note:

#### Pensions

Retirement amounts paid or receivable by executive directors are paid or received under defined contribution retirement funds.

#### Lease arrangements – contingent rent received

The group has entered into various lease arrangements, of which some will include contingent rent received, the major arrangements' basis to determine contingent rent received are:

- 25% of all extraordinary maintenance of the building;
- the useful life of property, plant and equipment.

#### Lease arrangements – contingent rent paid

The basis to determine contingent rent paid is the difference between fixed escalations as specified in the contracts and PPI escalations.

# notes to the annual financial statements continued

for the year ended 31 December 2007

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
<b>4. NET FINANCING COSTS</b>				
Interest expense and loan costs	153	354	93	144
Finance leases	59	39		
Interest income	(96)	(115)	(10)	(36)
Net interest expense	116	278	83	108
Interest adjustment on non-current provisions (refer note 23)	99	58	1	1
	215	336	84	109
Financing charges attributable to discontinued operations included in net financing cost above:				
Interest income		(110)		
Interest expense		139		
		29		
Financing charges attributable to continuing operations included in net financing cost above:				
Interest income	(96)	(5)		
Interest expense	311	312		
	215	307		
No financing costs were capitalised during the year (2006: Rnil)				
Included in net interest expense is the following:				
Interest expense on financial liabilities measured at amortised cost	128	272	50	65
Interest expense on bank overdrafts	3		3	2
Included in interest income is the following:				
Interest income on unimpaired held to maturity investments	(2)			
Interest income on unimpaired loans and receivables	(11)	(2)	(1)	(2)
Interest income on cash and cash equivalents	(83)	(61)	(7)	(33)
Net fee costs on financial assets not at fair value through profit or loss		2		
Net fee costs on financial liabilities not at fair value through profit or loss	5	6	5	6

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
<b>5. INCOME FROM INVESTMENTS</b>				
<b>Subsidiaries</b>				
Unlisted shares				
– dividends			193	4551
– net interest received			42	15
			235	4 566
<b>Associates</b>				
– dividends			373	
<b>Other</b>				
Listed shares				
– dividends	2		2	
<b>Total</b>	2		610	4 566
<b>6. IMPAIRMENT CHARGES</b>				
Included in operating expenses are the following impairment losses:				
Impairment on property, plant and equipment	23	784		
<b>Total impairment charges</b>	23	784		
Reversal of impairment of investment	(6)			
<b>Total impairment reversals</b>	(6)			
<b>Net impairments</b>	17	784		
Taxation effect		(227)		
<b>Net effect on attributable earnings</b>	17	557		

Where further geological tests were done during the development phase of certain projects, the tests indicated that the expenditure incurred could possibly not be recovered, thus indicating possible impairment. These expenditures were fully impaired.

The impairment reversal relates to the preference shares that Exxaro group held in Rosh Pinah Mine Holdings. On 28 February 2007, the group acquired 100% of the equity of the company. At this date the impairment charge was reversed, after a valuation indicated that the value of the company had increased. The present value of future cash flows exceeds the cumulative preference share dividends payable.

In 2006, the combined impact of a stronger currency outlook over the life of the assets, a higher discount rate resulting from an increase in interest rates, and a projected surplus of high-grade titanium feedstock on world markets, necessitated a review of the carrying value of the local mineral sands operations. As a result the carrying value of the assets was impaired to a value in use, based on an 8,53% discount rate.



# notes to the annual financial statements continued

for the year ended 31 December 2007

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
<b>7. TAXATION</b>				
<b>Charge to income</b>				
South African normal taxation				
– Current – current year	298	1 028		
– prior year	2	(31)	5	
	300	997	5	
– Deferred – current year	(40)	(308)	(21)	(55)
– prior year	(8)	6		
	(48)	(302)	(21)	(55)
Foreign normal taxation				
– Current – current year	168	167		
– prior year	(4)	(77)		
	164	90		
– Deferred – current year	5	69		
– prior year	22	42		
	27	111		
Share of joint ventures taxation		(1)		
Capital gains tax		1		
Secondary Tax on Companies	58	424	58	424
Non-residents withholding tax	11	4		
<b>Total</b>	<b>512</b>	<b>1 324</b>	<b>42</b>	<b>369</b>
Taxation applicable to discontinued operations		746		
Taxation applicable to continuing operations	512	578		
<b>Reconciliation of taxation rates</b>	%	%	%	%
Taxation as a percentage of profit before taxation	26,1	6,5	9,0	1,7
Taxation effect of				
– assessed losses (not provided for)	(0,2)			
– capital profits	0,5	0,1		
– fair value adjustment on unbundling of subsidiary		25,4		24,4
– disallowable expenditure	(2,1)	(1,5)	(2,0)	(1,2)
– environmental rehabilitation asset		0,4		6
– exempt income	0,3		35,5	
– special tax allowances	0,2			
– share of associates' and joint ventures' differences	10,8	0,1		
– tax rate differences	(2,1)	(0,2)		
– temporary differences (not provided for)		(0,2)		
– Secondary Tax on Companies	(2,9)	(2,0)	(12,4)	(1,9)
– withholding tax	(0,5)			
– Controlled Foreign Company profits	(0,3)			
– foreign exchange differences	(0,1)	(0,1)		
– prior year adjustment	(0,7)	0,5	(1,1)	
<b>Standard tax rate</b>	<b>29,0</b>	<b>29,0</b>	<b>29,0</b>	<b>29,0</b>
Effective tax rate for continuing operations, excluding income from equity accounted investments, impairment charges and share of taxation thereon	41,0	4,5		

		GROUP	
		2007 Rm	2006 Rm
<b>8. DISCONTINUED OPERATIONS</b>			
Exxaro unbundled its iron ore business effective 1 November 2006 as part of the revised listing of Exxaro and now holds only a 20% interest in Sishen Iron Ore Company (Pty) Limited which is equity accounted.			
<b>The income statement of the disposed business was as follows:</b>			
Revenue			6 483
Operating expenses			(3 385)
Net operating profit			3 098
Interest income			110
Interest expense			(139)
Pre-tax profit of discontinued operations			3 069
Taxation			(746)
Profit for the period from discontinued operations			2 323
<b>The assets and liabilities of the disposed business were as follows:</b>			
Property, plant and equipment			3 400
Biological assets			4
Investments			1
Financial assets			144
Inter-company loans			1 390
Deferred taxation – assets			32
Cash and cash equivalents			403
Trade and other receivables			911
Inventories			785
Total assets			7 070
Retained income			427
Non-distributable reserves			34
Interest-bearing borrowings			4 504
Inter-company loans			51
Non-current provisions			157
Deferred taxation – liabilities			568
Trade and other payables			614
Taxation payable			358
Shareholders for dividends			357
Total liabilities			7 070
Net asset value			461
Net asset value of unbundled 79,38%			366
Fair value of net assets declared as dividend in specie			17 966
Total fair value of net assets unbundled as dividend in specie			18 332
Net debt			(2 762)
<b>The cash flows of the disposed business were as follows:</b>			
Cash flow attributable to operating activities			982
Cash flow attributable to investing activities			(1 079)
Net cash outflow			(97)
Cash flow attributable to financing activities			(93)
Cash flow attributable to discontinued operations			(190)

# notes to the annual financial statements continued

for the year ended 31 December 2007

		GROUP	
		2007	2006
<b>9. EARNINGS PER SHARE</b>			
Basic headline earnings per share is calculated by dividing the headline earnings by the weighted average number of ordinary shares in issue during the year.			
Headline earnings (R million) (Refer note 11)		1 448	1 698
Headline earnings/(loss) from continuing operations (R million)		1 448	(630)
Headline earnings from discontinued operations (R million)			2 328
Weighted average number of ordinary shares in issue (million)		341	313
Headline earnings per share (cents)		425	542
Headline earnings/(loss) per share from continuing operations (cents)		425	(201)
Headline earnings per share from discontinued operations (cents)			744
For the diluted headline earnings per share, the weighted average number of ordinary shares is adjusted to assume conversion of not yet released purchased shares and options under the Management Share Scheme, net of shares held by the scheme for releasing purposes. Diluted headline earnings per share is calculated by dividing headline earnings by the adjusted weighted average number of shares in issue.			
Weighted average number of ordinary shares in issue (million) as calculated above		341	313
Adjusted for options and net purchased shares in terms of the Management Share Scheme (million)		14	5
Weighted average number for diluted headline earnings per share (million)		355	318
Diluted headline earnings per share (cents)		408	534
Diluted headline earnings/(loss) per share from continuing operations (cents)		408	(198)
Diluted headline earnings per share from discontinued operations (cents)			732
Basic attributable earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.			
Profit for the year attributable to equity holders of the parent (R million)		1 427	19 169
Profit for the year from continuing operations attributable to equity holders of the parent (R million)		1 427	16 846
Profit for the year from discontinued operations attributable to equity holders of the parent (R million)			2 323
Weighted average number of ordinary shares in issue (million)		341	313
Basic earnings per share (cents)		418	6 124
Basic earnings per share from continuing operations (cents)		418	5 382
Basic earnings per share from discontinued operations (cents)			742
For the diluted attributable earnings per share the weighted average number of ordinary shares is adjusted as above.			
Diluted earnings per share (cents)		402	6 028
Diluted earnings per share from continuing operations (cents)		402	5 297
Diluted earnings per share from discontinued operations (cents)			731
For the current year, shares under option had an effect on the adjusted weighted average number of shares in issue as the average option price attached to the option shares was lower than the average market price.			

		GROUP		COMPANY	
		2007 Rm	2006 Rm	2007 Rm	2006 Rm
<b>10. DIVIDEND</b>					
Dividends paid during the year:					
Cash dividends		208	1 628	211	1 628
Paid to minorities		11	9		
Share repurchase as part of empowerment transaction			1 763		1 763
Dividend in specie – fair value			18 332		18 332
		219	21 732	211	21 723

STC on these dividends amounts to nil (2006: R424 million) after taking into account STC credits.

		For the year ended 31 December 2007		
		Gross Rm	Tax Rm	Net Rm
<b>11. RECONCILIATION OF GROUP HEADLINE EARNINGS</b>				
Net profit attributable to equity holders of the parent		1 427		1 427
Adjusted for:				
– IAS 16 Impairment of property, plant and equipment		23		23
– IAS 16 Gains or losses on disposal of property, plant and equipment		17	(5)	12
– IAS 28 Share of associate's IAS 16 – Gains or losses on disposal of property, plant and equipment		(3)	1	(2)
– 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		(7)	1	(6)
– IAS 36 Impairment reversal of investment		(6)		(6)
<b>HEADLINE EARNINGS</b>		<b>1 451</b>	<b>(3)</b>	<b>1 448</b>
		For the year ended 31 December 2006		
		Gross Rm	Tax Rm	Net Rm
Net profit attributable to equity holders of the parent		19 169		19 169
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)		(36)
– IFRS 5 Gains or losses on the measurement to fair value less cost to sell on disposal of assets or disposal groups		(17 963)		(17 963)
– IAS 16 Impairment of property, plant and equipment		784	(227)	557
– IAS 16 Gains or losses on disposal of property, plant and equipment		3	1	4
– IAS 27 Gains on the disposal of a subsidiary		(1)		(1)
– IAS 28 Gains or losses on the disposal of associates or joint ventures		(38)	7	(31)
– IAS 28 Share of associate's IAS 16 – Gains or losses on disposal of property, plant and equipment		(1)		(1)
<b>HEADLINE EARNINGS</b>		<b>1 917</b>	<b>(219)</b>	<b>1 698</b>
<b>HEADLINE EARNINGS FROM DISCONTINUED OPERATIONS</b>				<b>2 328</b>
<b>HEADLINE LOSS FROM CONTINUING OPERATIONS</b>				<b>(630)</b>
<b>GROUP HEADLINE EARNINGS PER SHARE FOR THE YEAR ENDED 31 DECEMBER</b>				
		<b>2007</b>	<b>2006</b>	
<b>HEADLINE EARNINGS PER SHARE (CENTS)</b>				
– basic		425	542	
– diluted		408	534	
<b>HEADLINE EARNINGS/(LOSS) PER SHARE FROM CONTINUING OPERATIONS (CENTS) (Refer Note 9)</b>				
– basic		425	(201)	
– diluted		408	(198)	
<b>HEADLINE EARNINGS PER SHARE FROM DISCONTINUED OPERATIONS (CENTS) (Refer Note 9)</b>				
– basic			744	
– diluted			732	

# notes to the annual financial statements continued

for the year ended 31 December 2007

## 12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Rm	Mineral properties Rm	Residential land and buildings Rm	Buildings and infra- structure Rm	Machinery, plant and equipment Rm	Site preparation, mining develop- ment, exploration and rehabili- tation Rm	Extensions under con- struction Rm	Total Rm
<b>GROUP</b>								
<b>2007</b>								
<b>Gross carrying amount</b>								
At beginning of year	136	2 150	72	1 592	7 222	760	711	12 643
Additions	27		15	49	297	4	904	1 296
Changes in decommissioning assets			3	19	40		3	65
Acquisition of subsidiary		18						18
Disposals of items of property, plant and equipment	(3)		(5)	(7)	(240)	(108)		(363)
Net reclassification from non-current assets classified as held for sale			1					1
Exchange differences on translation	1	30		21	148	31	5	236
Other movements	8	2	15	72	419	(22)	(492)	2
At end of year	169	2 200	101	1 746	7 886	665	1 131	13 898
<b>Accumulated depreciation</b>								
At beginning of year	6	209	33	527	3 117	382		4 274
Depreciation charges	2	164	3	74	496	21		760
Accumulated depreciation on disposals of items of property, plant and equipment			(1)	(5)	(190)	(100)		(296)
Net reclassification from non-current assets classified as held for sale			2					2
Exchange differences on translation		10		12	78	13		113
Other movements	4	(2)		36	(37)			1
At end of year	12	381	37	644	3 464	316		4 854
<b>Impairment of assets</b>								
At beginning of year				227	496	63		786
Impairment charges		6					17	23
At end of year		6		227	496	63	17	809
<b>Net carrying amount at end of year</b>	157	1 813	64	875	3 926	286	1 114	8 235

## 12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings Rm	Mineral properties Rm	Residential land and buildings Rm	Buildings and infra- structure Rm	Machinery, plant and equipment Rm	Site preparation, mining develop- ment, exploration and rehabilitation Rm	Extensions under construction Rm	Total Rm
<b>GROUP</b>								
<b>2006</b>								
<b>Gross carrying amount</b>								
At beginning of year	140	1 040	111	1 657	8 685	1 013	897	13 543
Additions	11	60	2	54	388	8	1 487	2 010
Changes in decommissioning assets		2		(3)	13	(2)		10
Acquisition of subsidiary	25	1 740		54	600	47	2	2 468
Disposals of items of property, plant and equipment	(9)	(130)	(2)	(5)	(138)	(9)		(293)
Exchange differences on translation	4	59	1	37	263	57	5	426
Unbundling of subsidiary	(35)	(621)	(46)	(233)	(2 716)	(325)	(1 545)	(5 521)
Other movements			6	31	127	(29)	(135)	
At end of year	136	2 150	72	1 592	7 222	760	711	12 643
<b>Accumulated depreciation</b>								
At beginning of year		211	69	474	3 736	579		5 069
Depreciation charges		59		90	626	35		810
Acquisition of subsidiary	6	56		47	312	21		442
Accumulated depreciation on disposals of items of property, plant and equipment			(2)	(3)	(109)	(9)		(123)
Exchange differences on translation		15		19	133	30		197
Unbundling of subsidiary		(132)	(37)	(98)	(1 591)	(263)		(2 121)
Other movements			3	(2)	10	(11)		
At end of year	6	209	33	527	3 117	382		4 274
<b>Impairment of assets</b>								
At beginning of year		1		2	2			5
Impairment charges				227	494	63		784
Disposals of items of property, plant and equipment		(1)		(2)				(3)
At end of year				227	496	63		786
<b>Net carrying amount at end of year</b>	<b>130</b>	<b>1 941</b>	<b>39</b>	<b>838</b>	<b>3 609</b>	<b>315</b>	<b>711</b>	<b>7 583</b>

The net carrying amount of machinery, plant and equipment includes:

Assets held under finance leases (refer note 22)

– cost

– accumulated depreciation

2007 Rm	2006 Rm
200	210
53	46
147	164

For details of property, plant and equipment pledged as security refer to annexure 1.

A register of land and buildings is available for inspection at the registered office of the company.

# notes to the annual financial statements continued

for the year ended 31 December 2007

## 12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings Rm	Mineral properties Rm	Residential land and buildings Rm	Buildings and infra- structure Rm	Machinery, plant and equipment Rm	Site preparation, mining develop- ment, exploration and rehabili- tation Rm	Extensions under con- struction Rm	Total Rm
<b>COMPANY</b>								
<b>2007</b>								
<b>Gross carrying amount</b>								
At beginning of year				10	64		70	144
Additions							34	34
Disposals of items of property, plant and equipment				(1)	(4)			(5)
Other movements				2	22		(24)	
At end of year				11	82		80	173
<b>Accumulated depreciation</b>								
At beginning of year				6	28			34
Depreciation charges					10			10
Accumulated depreciation on disposals of items of property, plant and equipment				(1)	(4)			(5)
At end of year				5	34			39
<b>Impairment of assets</b>								
At beginning of year					1			1
At end of year					1			1
<b>Net carrying amount at end of year</b>				6	47		80	133
<b>2006</b>								
<b>Gross carrying amount</b>								
At beginning of year				10	55		24	89
Additions					14		46	60
Disposals of items of property, plant and equipment					(5)			(5)
At end of year				10	64		70	144
<b>Accumulated depreciation</b>								
At beginning of year				6	23			29
Depreciation charges					9			9
Accumulated depreciation on disposals of items of property, plant and equipment					(4)			(4)
At end of year				6	28			34
<b>Impairment of assets</b>								
At beginning of year					1			1
At end of year					1			1
<b>Net carrying amount at end of year</b>				4	35		70	109

### 13. BIOLOGICAL ASSETS

	Plantation Rm	Livestock Rm	Game Rm	Total Rm
<b>GROUP</b>				
<b>2007</b>				
<b>Carrying amount</b>				
At beginning of year	6	5	15	26
Acquisitions			3	3
Gains arising from changes attributable to physical changes and price changes	1	4	4	9
Disposals		(1)	(2)	(3)
Reclassification to inventory	(1)	(2)	(2)	(5)
At end of year	6	6	18	30
Fair value of biological assets can be split as follows:				
– mature	4	6	18	28
– immature	2			2
	6	6	18	30

The plantation was valued by Mr J M Potgieter, an independent appraiser, on 10 December 2007.

#### 2006

##### Carrying amount

At beginning of year	7	7	14	28
Gains arising from changes attributable to physical changes and price changes	1	1	6	8
Disposals	(1)	(1)	(1)	(3)
Reclassification to inventory	(1)	(2)		(3)
Unbundling of subsidiary			(4)	(4)
At end of year	6	5	15	26
Fair value of biological assets can be split as follows:				
– mature	3	5	15	23
– immature	3			3
	6	5	15	26

Plantations consist of wattle and blue gum trees.

Livestock consists of cattle and horses (2006: cattle, sheep, goats and horses).

Game consists of rhino, buffalo, warthog, giraffe, ostrich and a large variety of antelope.



# notes to the annual financial statements continued

for the year ended 31 December 2007

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
<b>14. INTANGIBLE ASSETS</b>				
<b>Patents, licences and franchise</b>				
<b>Gross carrying amount</b>				
At beginning of year	96	81		
Additions	1			
Transfers from other assets	2			
Exchange differences	9	15		
At end of year	108	96		
<b>Accumulated amortisation</b>				
At beginning of year	27	20		
Amortisation charge	3	3		
Exchange differences	2	4		
At end of year	32	27		
<b>Net carrying amount at end of year</b>	<b>76</b>	<b>69</b>		

## 15. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

### ASSOCIATED COMPANIES

– unlisted	757	384
	757	384

Refer to annexure 2 for market and directors' valuations of investments.

### GROUP

### ASSOCIATE COMPANIES

	Invest- ments 2007 Rm	Loans 2007 Rm	Total 2007 Rm
At beginning of year	384		384
Net share of results	728		728
Dividends paid	(377)		(377)
Exchange difference adjustments	(23)		(23)
Share of reserve movements	45		45
<b>At end of year (annexure 2)</b>	<b>757</b>		<b>757</b>

### GROUP

### ASSOCIATE COMPANIES

### JOINT VENTURES

	Invest- ments 2006 Rm	Loans 2006 Rm	Total 2006 Rm	Invest- ments 2006 Rm	Loans 2006 Rm	Total 2006 Rm
At beginning of year	93		93		2	2
Additional interests acquired	40		40			
Movement in indebtedness to/from associated companies					(1)	(1)
Disposals	(29)		(29)			
Net share of results	159		159			
Exchange difference adjustments	18		18			
Share of hedging reserve	8		8			
Unbundling of subsidiary	95		95		(1)	(1)
<b>At end of year (annexure 2)</b>	<b>384</b>		<b>384</b>			

**15. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)**

	2007 Rm	2006 Rm
Aggregate post-acquisition reserves:		
– associate companies	470	86
– joint ventures	2 396	2 250
Total	2 866	2 336

**COMPANY**

**ASSOCIATE COMPANIES**

**JOINT VENTURES**

	Invest- ments 2006 Rm	Loans 2006 Rm	Total 2006 Rm	Invest- ments 2006 Rm	Loans 2006 Rm	Total 2006 Rm
At beginning of year	24		24	7		7
Reclassification as financial asset	(24)		(24)			
Impairment loss				(7)		(7)
<b>At end of year (annexure 2)</b>						

**GROUP**

**COMPANY**

	2007 Rm	2006 Rm	2007 Rm	2006 Rm
<b>16. INVESTMENTS IN SUBSIDIARIES</b>				
Shares at cost less impairment losses			1 514	1 513
Indebtedness				
– by subsidiaries			4 966	5 415
– to subsidiaries			(178)	(439)
<b>Total (annexure 3)</b>			4 788	4 976
Less current portion included in trade and other receivables			(4 516)	(5 010)
Less current portion included in trade and other payables			178	439
Non-current portion			450	405
			1 964	1 918
Aggregate attributable after tax profits and losses of subsidiaries:				
– profits	10 262	23 073		
– losses	(7 390)	(16 181)		

# notes to the annual financial statements continued

for the year ended 31 December 2007

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
<b>17. FINANCIAL ASSETS</b>				
Environmental Rehabilitation Trust asset	274	237	8	8
Long-term receivables	429	271		
Investments (refer annexure 2)	328	185	2	34
	<b>1 031</b>	<b>693</b>	<b>10</b>	<b>42</b>
For detail refer to note 28 on financial instruments.				
<b>18. INVENTORIES</b>				
Finished products	650	555		
Work-in-progress	292	371		
Raw materials	334	252		
Plant spares and stores	249	208		
Merchandise	6	5		
	<b>1 531</b>	<b>1 391</b>		
Included above are inventories relating to Exxaro Sands (Pty) Limited and Rosh Pinah Zinc Corporation (Pty) Limited which might be sold or utilised in production over more than 12 months. Included in merchandise are biological assets held-for-sale classified as inventories.				
<b>19. TRADE AND OTHER RECEIVABLES</b>				
Trade receivables	1 585	1 558		
Other receivables	306	101	70	49
Indebtness by subsidiaries (refer note 16)			4 516	5 010
Derivative instruments (refer note 28.1)	47	11		
Specific allowances for impairment	(4)	(5)	(3)	
Collective allowances for impairment	(3)	(2)		
	<b>1 931</b>	<b>1 663</b>	<b>4 583</b>	<b>5 059</b>
Trade receivables are stated after the following allowances for impairment:				
<b>Specific allowances for impairment</b>				
At beginning of year	(5)	(10)		(2)
Impairment loss recognised	(3)	(1)	(3)	
Impairment loss reversals	3	5		
Foreign currency translation differences		(1)		
Other reconciling items	1	2		2
At end of year	(4)	(5)	(3)	
<b>Collective allowances for impairment</b>				
At beginning of year	(2)			
Impairment loss recognised	(1)	(1)		
Other reconciling items		(1)		
At end of year	(3)	(2)		

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
<b>20. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE</b>				
Property, plant and equipment	2	2		
<b>21. SHARE CAPITAL</b>				
<b>Share capital at par value</b>				
<i>Authorised</i>				
500 000 000 ordinary shares of R0,01 each	5	5	5	5
<i>Issued</i>				
352 907 400 (2006: 351 277 206) ordinary shares of R0,01 each	4	4	4	4
<b>Share premium</b>	2 240	5 312	2 240	5 312
Shares held by Kumba Resources Management Share Trust and the Exxaro Employee Empowerment Participation Scheme Trust (MPower)	(177)	(177)		
<b>Total</b>	<b>2 067</b>	<b>5 139</b>	<b>2 244</b>	<b>5 316</b>
The Kumba Resources Management Share Trust and the MPower have been consolidated.				
Refer to statement of changes in equity (page 178 to 180) for details of movements.				
<b>Reconciliation of authorised shares not issued (million)</b>				
Number of authorised unissued ordinary shares at beginning of year	149	194	149	194
Number of shares repurchased during the year	10	38	10	38
Number of shares issued during the year	(12)	(83)	(12)	(83)
Number of unissued authorised shares at end of year	147	149	147	149

# notes to the annual financial statements continued

for the year ended 31 December 2007

## 21. SHARE CAPITAL (continued)

The following resolutions pertain to the unissued ordinary shares under the control of the directors until the forthcoming annual general meeting:

1. Subject to the provisions of the Companies Act 61 of 1973, as amended (the Act), and the requirements of the JSE Limited (JSE), the directors be and are hereby authorised to allot and issue at their discretion such number of the remaining authorised but unissued ordinary shares of one cent each in the capital of the company as may be required to be allotted and issued pursuant to the Share Incentive Scheme (the scheme).
2. Directors are authorised to issue the unissued ordinary shares of one cent each in the capital of the company (after setting aside so many shares as may be required to be allotted and issued by the company pursuant to the scheme) for cash, without restrictions to any public shareholder, as defined by the JSE Listings Requirements, as and when suitable opportunities arise, subject to the following conditions:
  - this authority shall not extend beyond the next annual general meeting or 15 months from the date of this annual general meeting, whichever date is earlier;
  - 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;
  - the shares be issued to public shareholders as defined by the JSE and not to related parties;
  - 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
  - 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 determined or agreed to by the directors. 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.
3. Directors are authorised to acquire from time to time shares issued by the company, provided:
  - 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;
  - 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;
  - 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;
  - 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;
  - that at any one time, the company may only appoint one agent to effect any repurchase;
  - that the repurchase of shares will not take place during a prohibited period and will not affect compliance with the shareholders' spread requirements as laid down by the JSE; and
  - that 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.

The above authorities are valid until the next annual general meeting.

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	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
<b>22. INTEREST-BEARING BORROWINGS</b>				
<b>NON-CURRENT BORROWINGS</b>				
Summary of loans by financial year of redemption				
2008	74			
2009	100	90		81
2010	44	88		81
2011	43	201		81
2012	452	140	369	81
2013 onwards	620	695	81	81
Total non-current borrowings (refer annexure 1)	1 333	1 214	450	405
Current portion included in current liabilities	(74)			
<b>Total</b>	<b>1 259</b>	<b>1 214</b>	<b>450</b>	<b>405</b>
Details of interest rates payable on borrowings are shown in annexure 1.				
<b>INTEREST-BEARING BORROWINGS</b>				
Non-current borrowings	1 259	1 214	450	405
Short-term borrowings		613	55	619
Current portion of non-current borrowings	74			
Total short-term borrowings	74	613	55	619
<b>Total</b>	<b>1 333</b>	<b>1 827</b>	<b>505</b>	<b>1 024</b>
Included in the above interest-bearing borrowings are obligations relating to finance leases (refer note 12). Details are:				
Minimum lease payments:				
– less than one year	54	54		
– more than one year and less than five years	254	249		
– more than five years	3 427	3 495		
<b>Total</b>	<b>3 735</b>	<b>3 798</b>		
Less: Future finance charges	3 491	3 555		
Present value of lease liabilities	244	243		
Representing lease liabilities:				
– current	4			
– non-current (more than one year and less than five years)	18			
– non-current (more than five years)	222	243		
<b>Total</b>	<b>244</b>	<b>243</b>		

Exxaro entered into numerous operating and finance lease arrangements. All major lease arrangements are renewable if there is mutual agreement between the parties to the arrangements with some contracts specifying extension periods. Arrangements containing escalation clauses are usually based on CPI or PPI indexes. None of the lease arrangements contains restrictive clauses that are unusual to the particular type of lease.

There were no defaults or breaches in terms of interest-bearing borrowings during both reporting periods.

# notes to the annual financial statements continued

for the year ended 31 December 2007

## 23. PROVISIONS

	Environ- mental rehabili- tation Rm	Decom- missioning Rm	Restruc- turing Rm	Post retirement medical obligation Rm	Cash- settled share- based payment Rm	Total Rm
<b>GROUP</b>						
<b>2007</b>						
At beginning of year	770	156	32		3	961
Charge to income statement	175	25		36	5	241
Additional provision	183	25		36	5	249
Unused amounts reversed	(8)					(8)
Interest adjustment (refer note 4)	84	10	5			99
Provisions capitalised to property, plant and equipment		65				65
Utilised during year	(15)		(6)		(2)	(23)
Exchange differences	6	7				13
At end of year	1 020	263	31	36	6	1 356
Current portion included in current liabilities	(18)		(9)			(27)
Total non-current provisions	1 002	263	22	36	6	1 329
<b>2006</b>						
At beginning of year	572	156	23			751
Charge to income statement	210	(1)	13		5	227
Additional provision	210		13		5	228
Unused amounts reversed		(1)				(1)
Interest adjustment (refer note 4)	37	21				58
Provisions capitalised to property, plant and equipment		10				10
Acquisition of subsidiary	68					68
Utilised during year	(13)		(4)		(2)	(19)
Exchange differences	11	12				23
Unbundling of subsidiary	(115)	(42)				(157)
At end of year	770	156	32		3	961
Current portion included in current liabilities	(21)		(9)			(30)
Total non-current provisions	749	156	23		3	931

## 23. PROVISIONS (continued)

	Environ- mental rehabilitation Rm	Decom- missioning Rm	Restruc- turing Rm	Post retirement medical obligation Rm	Cash- settled share- based payment Rm	Total Rm
<b>COMPANY</b>						
<b>2007</b>						
At beginning of year	18				3	21
Charge to income statement – additional provision					2	2
Additional provisions					2	2
Additional provisions – charge to subsidiaries					2	2
Interest adjustment (refer note 4)	1					1
Utilised during year					(2)	(2)
Total non-current provisions	19				5	24
<b>2006</b>						
At beginning of year	16					16
Charge to income statement – additional provisions	1				5	6
Interest adjustment (refer note 4)	1					1
Utilised during year					(2)	(2)
Total non-current provisions	18				3	21

### ENVIRONMENTAL REHABILITATION

Provision is made for environmental rehabilitation costs where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances.

### DECOMMISSIONING

During 2005 the environmental rehabilitation provision was reclassified into two separate provisions, namely the environmental rehabilitation provision and the decommissioning provision, the opening balance was adjusted to reflect the split. The decommissioning provision relates to decommissioning of property, plant and equipment where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances.

### FUNDING OF ENVIRONMENTAL AND DECOMMISSIONING REHABILITATION

Contributions towards the cost of the mine closure are also made to the Exxaro Environmental Rehabilitation Fund and the balance of the Fund amounted to R284 million (2006: R246 million) at year end. Of this amount R274 million (2006: R237 million) is included in financial assets and R10 million (2006: R9 million) in trade and other receivables of the group. Cash flows will take place when the mines are rehabilitated.

### RESTRUCTURING

The liability includes accruals for plant and facility closures, including the dismantling costs thereof, and employee termination costs, in terms of the announced restructuring plans for the Durnacol Mine. Provision is made on a piecemeal basis only for those restructuring obligations supported by a formally approved plan. The restructuring will be completed within the next eight years.

### POST RETIREMENT MEDICAL OBLIGATION

After the merger with Eyesizwe (Pty) Limited in November 2006 and the successful creation of Exxaro, it was discovered that a post-employment healthcare benefit had been provided to a group of continuation and in-service members on the Witbank Coal Medical Aid Scheme and the 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. The obligation represents a present value amount, which is actuarially valued on an annual basis. Any surplus or deficit arising from the valuation is recognised in the income statement. The provision is expected to be utilised over the expected lives of the participants of the scheme.

### CASH-SETTLED SHARE-BASED PAYMENT

Exxaro offered a cash-settled payment, based on the company's share price performance, to certain individuals who were under an embargo and not entitled to accept share scheme offers, due to their involvement in the empowerment transaction. The payments will be made over the next five years depending on the share price performance of the company and the contracts of the individuals.



# notes to the annual financial statements continued

for the year ended 31 December 2007

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
<b>24. DEFERRED TAXATION</b>				
<b>The movement on the deferred taxation account is as follows:</b>				
At beginning of year	368	645	(76)	(21)
Non-distributable reserve charge				
– current	(2)	21		
Income statement charge				
– current (refer note 7)	(35)	(240)	(21)	(55)
– prior	14	48		
Acquisition of subsidiary		430		
Unbundling of subsidiary		(536)		
At end of year	345	368	(97)	(76)
<b>Comprising:</b>				
Deferred taxation liabilities				
– property, plant and equipment	1 137	1 148		
– bad debt reassessment	(1)	(1)		
– foreign taxation losses carried forward	(3)	(3)		
– inventories	16	6		
– leave pay accrual	(26)	(25)		
– financial instruments	(20)	10		
– provisions	(16)			
– Exxaro Environmental Rehabilitation asset	71	60		
– lease liability	(1)	(3)		
– decommissioning provision	(5)	(4)		
– restoration provision	(91)	(77)		
– pre-payments	3	3		
– unrealised profits	15	3		
– assessed losses	(2)	(1)		
	1 077	1 116		

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
<b>24. DEFERRED TAXATION</b> (continued)				
Deferred taxation assets				
– provisions	(8)	(13)		
– property, plant and equipment	274	119		(2)
– Exxaro Environmental Rehabilitation asset	12	10	4	4
– decommissioning provision	(9)	(9)		
– unrealised foreign exchange loss	(4)	(8)		(8)
– restoration provision	(52)	(48)	(5)	(5)
– inventories	(3)			
– bad debt reassessment	(1)		(1)	
– lease liability	(70)	(67)		
– leave pay accrual	(23)	(20)	(7)	(6)
– pre-payments	1	1		
– taxation losses carried forward	(755)	(584)	(88)	(59)
– foreign taxation losses carried forward	(94)	(129)		
	(732)	(748)	(97)	(76)
	345	368	(97)	(76)
<b>CALCULATED TAXATION LOSSES</b>				
– tax losses utilised to reduce deferred taxation against South African taxable income included above	2 610	2 017	303	203
– tax losses utilised to reduce deferred taxation against foreign taxable income included above	334	444		
The total deferred taxation assets raised with regard to assessed losses amount to R854 million (2006: R717 million), and is mainly attributable to the ramp-up phase of the mineral sands project.				
The total deferred taxation assets not raised amount to R54 million (2006: R34 million).				
<b>25. TRADE AND OTHER PAYABLES</b>				
Trade payables	644	636	22	19
Other payables	536	523	102	167
Leave pay accrual	173	158	25	21
Indebtness to subsidiaries (refer note 16)			178	439
Derivative instruments (refer note 28.1)	96	4		
	1 449	1 321	327	646

# notes to the annual financial statements continued

for the year ended 31 December 2007

		GROUP		COMPANY	
		2007 Rm	2006 Rm	2007 Rm	2006 Rm
<b>26. NOTES TO THE CASH FLOW STATEMENT</b>					
<b>26.1 CASH GENERATED BY/(UTILISED IN) OPERATIONS</b>					
Net operating income/(loss)		1 444	20 697	(61)	17 380
Adjusted for non-cash movements					
– depreciation and amortisation		763	813	10	9
– impairment charges and reversals		17	784		
– excess over cost of acquisition of minority interest			(36)		
– provisions		241	227	2	5
– foreign exchange revaluations and fair value adjustments		(35)	(43)	1	27
– reconditionable spares usage		4	5		
– net loss/(profit) on disposal or scrapping of property, plant and equipment		13	(2)		(6)
– net profit on disposal of investments			(39)		(15)
– fair value adjustment on unbundling of subsidiary			(17 963)		(18 329)
– share-based payment expenses		102	765	34	696
		2 549	5 208	(14)	(233)
Working capital movements					
– increase in inventories		(107)	(583)		
– (increase)/decrease in trade and other receivables		(69)	290	(17)	41
– (decrease)/increase in trade and other payables		(42)	172	(57)	5
– utilisation of provisions (refer note 23)		(23)	(19)	(2)	(2)
<b>Cash generated by/(utilised in) operations</b>		<b>2 308</b>	<b>5 068</b>	<b>(90)</b>	<b>(189)</b>
<b>26.2 NET FINANCING COSTS</b>					
Net financing costs for continued and discontinued operations		(215)	(336)	(84)	(109)
Financing costs not involving cash flow (refer note 23)		99	58	1	1
		(116)	(278)	(83)	(108)
<b>26.3 NORMAL TAXATION PAID</b>					
Amounts (unpaid)/receivable at beginning of year		(67)	(773)	16	29
Amounts charged to the income statements		(532)	(1 515)	(63)	(424)
Acquisition of subsidiary			(13)		
Arising on translation of foreign entities			(51)		
Unbundling			358		
Amounts unpaid/(receivable) at end of year		137	67	(8)	(16)
		(462)	(1 927)	(55)	(411)

		GROUP		COMPANY	
		2007 Rm	2006 Rm	2007 Rm	2006 Rm
<b>26. NOTES TO THE CASH FLOW STATEMENT</b>					
	(continued)				
<b>26.4 DIVIDENDS PAID</b>					
Amounts unpaid at beginning of year	(4)				
Dividends declared and paid	(208)	(21 723)		(211)	(21 723)
Non-cash flow dividend in specie on unbundling of subsidiary		18 332			18 332
Dividends declared and paid by subsidiaries to minorities	(11)	(9)			
Amounts unpaid at end of year		4			
	(223)	(3 396)		(211)	(3 391)
<b>26.5 INVESTMENTS TO MAINTAIN OPERATIONS</b>					
Replacement of property, plant and equipment	(534)	(661)		(34)	(60)
Reconditonal spares	(35)	(28)			
	(569)	(689)		(34)	(60)
<b>26.6 INVESTMENTS TO EXPAND OPERATIONS</b>					
Expansion and new technology	(727)	(1 321)			
	(727)	(1 321)			
<b>26.7 INVESTMENT IN OTHER NON-CURRENT ASSETS</b>					
Increase in associates, joint ventures and other investments	(268)	(40)			
Increase in investments in subsidiaries				(1)	(3)
Decrease/(increase) in non-current financial assets	19	(307)		34	13
	(249)	(347)		33	10
<b>26.8 INCOME FROM EQUITY ACCOUNTED INVESTMENTS</b>					
Income from equity accounted investments as per income statement	728	159			
Dividends received from equity accounted investments	377				
Non-cash flow income from equity accounted investments	(728)	(159)			
	377				

# notes to the annual financial statements continued

for the year ended 31 December 2007

		GROUP		COMPANY	
		2007 Rm	2006 Rm	2007 Rm	2006 Rm
<b>26. NOTES TO THE CASH FLOW STATEMENT</b>					
	(continued)				
<b>26.9 FOREIGN CURRENCY TRANSLATION RESERVE</b>					
At beginning of year		379	(30)		1
Closing balance		527	379		
Movement		148	409		(1)
Transfers from non-distributable reserves (NDR)		16			
Unrealised (losses)/profits in relation to foreign transactions		(37)	23	2	1
Revaluation of long-term loans		(169)	4	3	1
Unbundling of subsidiary			25		
Less: Arising on translation of foreign entities:		(48)	161		(1)
– inventories		32	57		
– accounts receivable		33	152		
– financial assets		15	(49)		
– accounts payable		(15)	(130)		
– utilisation of provision		(12)	(22)		
– taxation paid			(51)		
– dividends paid			1		
– property, plant and equipment acquired		123	233		
– intangible assets		6	11		
– investments acquired		(50)	150		
– long-term loans		(107)	(203)		(1)
– short-term loans			8		
– share capital		(73)	4		
		6	300	5	2
<b>26.10 TRANSLATION OF FOREIGN CASH AND CASH EQUIVALENTS</b>					
Translation differences on cash and cash equivalents		36	191		

## 27. BUSINESS COMBINATION

On 27 February 2007, the group acquired 100% of the issued share capital of Rosh Pinah Mine Holdings (Pty) Limited, which is included in the base metals business segment.

The acquired business contributed neither revenue nor operating profits to the group for the period from 27 February 2007 to 31 December 2007.

This transaction increased the Exxaro effective shareholding in Rosh Pinah Zinc Corporation (Pty) Limited from 89,5% to 93,9%.

### Details of assets acquired are as follows:

Purchase consideration:

- cash paid on acquisition
- fair value of assets acquired

Goodwill

### The assets and liabilities arising from the acquisition are as follows:

- property, plant and equipment
- investments
- interest-bearing borrowings

Fair value of net assets

Total purchase consideration

Cash outflow on acquisition of subsidiary (refer to cash flow statement)

2007 Rm
(8)
8
18
15
(25)
8
(8)
(8)

# notes to the annual financial statements continued

for the year ended 31 December 2007

## 28. FINANCIAL INSTRUMENTS

### 28.1 CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS

The tables below set out the group's and company's classification of each class of financial assets and liabilities, as well as their fair values.

	At fair value through profit or loss	
	Held-for- trading Rm	Designated Rm
<b>GROUP</b>		
<b>2007</b>		
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment		
Biological assets		
Intangible assets		
Investments in associates and joint ventures		
Deferred taxation		
Financial assets, consisting of:		282
– Exxaro Environmental Rehabilitation Trust asset		274
– Richards Bay Coal Terminal (RBCT)		2
– New Africa Mining fund		
– Igoda		
– Mafube		6
– Ndzalamala game reserve		
– long-term receivables		
Total non-current assets		282
<b>Current assets</b>		
Inventories		
Trade and other receivables		10
Derivative financial instruments	47	
Cash and cash equivalents		
Total current assets	47	10
<b>Non-current assets classified as held for sale</b>		
<b>Total assets</b>	47	292
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital		
Non-distributable reserves		
Retained earnings		
Equity attributable to equity holders of the parent		
Minority interest		
Total equity		
<b>Non-current liabilities</b>		
Interest-bearing borrowings		82
Non-current provisions		
Deferred taxation		
Total financial non-current liabilities		82
<b>Current liabilities</b>		
Trade and other payables		
Derivative financial instruments	96	
Interest-bearing borrowings		69
Taxation		
Current provisions		
Total current liabilities	96	69
<b>Total liabilities</b>	96	151

Held-to-maturity investments at amortised cost Rm	Loans and receivables at amortised cost Rm	Available- for-sale financial assets at fair value Rm	Financial liabilities at amortised cost Rm	Non-financial assets and liabilities at cost Rm	Total carrying amount Rm	Fair value of financial instruments Rm
				8 235	8 235	
				30	30	
				76	76	
				757	757	
				732	732	
	429	320			1 031	1 031
					274	274
		290			290	290
					2	2
		25			25	25
		5			5	5
					6	6
	429				429	429
	429	320		9 830	10 861	
				1 531	1 531	
21	1 853				1 884	1 884
	850				47	47
					850	850
21	2 703			1 531	4 312	
				2	2	
21	3 132	320		11 363	15 175	
				2 067	2 067	
				1 502	1 502	
				6 235	6 235	
				9 804	9 804	
				19	19	
				9 823	9 823	
			938	239	1 259	1 044
				1 329	1 329	
				1 077	1 077	
			938	2 645	3 665	
			1 353		1 353	1 353
				5	96	96
				137	74	74
				27	137	
					27	
			1 353	169	1 687	
			2 291	12 637	15 175	



# notes to the annual financial statements continued

for the year ended 31 December 2007

## 28. FINANCIAL INSTRUMENTS (continued)

### 28.1 CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS (continued)

	At fair value through profit or loss	
	Held-for- trading Rm	Designated Rm
<b>GROUP</b>		
<b>2006</b>		
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment		
Biological assets		
Intangible assets		
Investments in associates and joint ventures		
Deferred taxation		
Financial assets, consisting of:		348
– Exxaro Environmental Rehabilitation Trust asset		237
– Richards Bay Coal Terminal (RBCT)		
– New Africa Mining Fund		13
– Igoda		
– Mafube		
– Ndzalama game reserve		6
– Mineral Deposits Limited		92
– long-term receivables		
– other		
Total non-current assets		348
<b>Current assets</b>		
Inventories		
Trade and other receivables		9
Derivative financial instruments	11	
Cash and cash equivalents		
Total current assets	11	9
<b>Non-current assets classified as held for sale</b>		
<b>Total assets</b>	11	357
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital		
Non-distributable reserves		
Retained earnings		
Equity attributable to equity holders of the parent		
Minority interest		
Total equity		
<b>Non-current liabilities</b>		
Interest-bearing borrowings		
Non-current provisions		
Deferred taxation		
Total financial non-current liabilities		
<b>Current liabilities</b>		
Trade and other payables		
Derivative financial instruments	4	
Interest-bearing borrowings		
Taxation		
Current provisions		
Shareholders for dividends		
Total current liabilities	4	
<b>Total liabilities</b>	4	

As disclosed in the table above, financial liabilities with a carrying amount and fair value of R151 (2006: R0) have been designated at fair value through profit or loss.

Held-to-maturity investments at amortised cost	Loans and receivables at amortised cost	Available- for-sale financial assets at fair value	Financial liabilities at amortised cost	Non-financial assets and liabilities at cost	Total carrying amount	Fair value of financial instruments
Rm	Rm	Rm	Rm	Rm	Rm	Rm
				7 583	7 583	
				26	26	
				69	69	
				384	384	
				748	748	
21	271	53			693	693
					237	237
		23			23	23
					13	13
		25			25	25
		5			5	5
					6	6
					92	92
21	271				271	271
					21	21
21	271	53		8 810	9 503	
				1 391	1 391	
	1 643				1 652	1 652
					11	11
	906				906	906
	2 549			1 391	3 960	
				2	2	
21	2 820	53		10 203	13 465	
				5 139	5 139	
				1 205	1 205	
				1 798	1 798	
				8 142	8 142	
				27	27	
				8 169	8 169	
			965	249	1 214	848
				931	931	
				1 116	1 116	
			965	2 296	3 261	
			1 317		1 317	1 317
					4	4
			619	(6)	613	619
				67	67	
				30	30	
			4		4	4
			1 940	91	2 035	
			2 905	10 556	13 465	

# notes to the annual financial statements continued

for the year ended 31 December 2007

## 28. FINANCIAL INSTRUMENTS (continued)

### 28.1 CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS (continued)

	At fair value through profit or loss	
	Held-for- trading Rm	Designated Rm
<b>COMPANY</b>		
<b>2007</b>		
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment		
Intercompany loans debits		
Investments in subsidiaries		
Deferred taxation		
Financial assets, consisting of:		10
– Exxaro Environmental Rehabilitation Trust asset		8
– New Africa Mining fund		2
Total non-current assets		10
<b>Current assets</b>		
Trade and other receivables		5
Cash and cash equivalents		
Total current assets		5
<b>Total assets</b>		15
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital		
Non-distributable reserves		
Retained earnings		
Total equity		
<b>Non-current liabilities</b>		
Interest-bearing borrowings		
Non-current provisions		
Total financial non-current liabilities		
<b>Current liabilities</b>		
Trade and other payables		
Interest-bearing borrowings		
Taxation		
Total current liabilities		
<b>Total liabilities</b>		

Held-to-maturity investments at amortised cost Rm	Loans and receivables at amortised cost Rm	Available- for-sale financial assets at fair value Rm	Financial liabilities at amortised cost Rm	Non-financial assets and liabilities at cost Rm	Total carrying amount Rm	Fair value of financial instruments Rm
	450			133	133	
				1 514	1 514	
				97	97	
					10	10
					8	8
					2	2
	450			1 744	2 204	
21	4 557 306				4 583 306	4 583 306
21	4 863				4 889	
21	5 313			1 744	7 093	
				2 244	2 244	
				883	883	
				3 118	3 118	
				6 245	6 245	
			450		450	450
				24	24	
			450	24	474	
			327 55		327 55	327 55
				(8)	(8)	
			382	(8)	374	
			832	6 261	7 093	

# notes to the annual financial statements continued

for the year ended 31 December 2007

## 28. FINANCIAL INSTRUMENTS (continued)

### 28.1 CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS (continued)

	At fair value through profit or loss	
	Held-for- trading	Designated
	Rm	Rm
<b>COMPANY</b>		
<b>2006</b>		
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment		
Intercompany loans debits		
Investments in subsidiaries		
Deferred taxation		
Financial assets, consisting of:		21
– Exxaro Environmental Rehabilitation Trust asset		8
– New Africa Mining fund		13
– other		
Total non-current assets		21
<b>Current assets</b>		
Trade and other receivables		5
Cash and cash equivalents		
Total current assets		5
<b>Total assets</b>		26
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital		
Non-distributable reserves		
Retained loss		
Total equity		
<b>Non-current liabilities</b>		
Interest-bearing borrowings		
Non-current provisions		
Total financial non-current liabilities		
<b>Current liabilities</b>		
Trade and other payables		
Interest-bearing borrowings		
Taxation		
Total current liabilities		
<b>Total liabilities</b>		

Held-to-maturity investments at amortised cost	Loans and receivables at amortised cost	Available- for-sale financial assets at fair value	Financial liabilities at amortised cost	Non-financial assets and liabilities at cost	Total carrying amount	Fair value of financial instruments
Rm	Rm	Rm	Rm	Rm	Rm	Rm
				109	109	
	405				405	
				1 513	1 513	
				76	76	
21					42	42
					8	8
					13	13
21					21	21
21	405			1 698	2 145	
	5 054				5 059	5 059
	290				290	290
	5 344				5 349	
	5 749			1 698	7 494	
				5 316	5 316	
				783	783	
				(280)	(280)	
				5 819	5 819	
			405		405	405
				21	21	
			405	21	426	
			646		646	646
			619		619	619
				(16)	(16)	
			1 265	(16)	1 249	
			1 670	5 824	7 494	

# notes to the annual financial statements continued

for the year ended 31 December 2007

## 28. FINANCIAL INSTRUMENTS (continued)

### 28.1 CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS (continued)

As disclosed in the table above, there were no financial liabilities designated at fair value through profit or loss as at 31 December 2007 or 2006 for the company.

The carrying amount of the financial liabilities designated at fair value through profit or loss at 31 December 2007 was R2 million lower than the contractual amount at maturity date (2006: R0 ) for the group.

The Exxaro Environmental Rehabilitation Fund (EERF), previously Kumba Environmental Rehabilitation Fund, was created and complies with the requirements of both the Minerals and Petroleum Resources activities. The EERF receives, holds and invests funds contributed by the Exxaro group of companies for the rehabilitation or management of negative environmental impacts associated with mining and exploration activities. The EERF receives, holds and invests funds contributed by the Exxaro mining operations, which contributions are aimed at providing for sufficient funds at date of estimated closure of mining activities to address the rehabilitation and environmental impacts.

The trustees of the fund are appointed by Exxaro and consist of sufficiently qualified Exxaro employees capable of fulfilling their fiduciary duties. The funds are invested by Exxaro's in-house treasury department with reputable financial institutions in accordance with a strict mandate to ensure capital preservation and real growth. Funds accumulated for a specific mine or exploration project can only be utilised for the rehabilitation and environmental impacts of that specific mine or project.

If a mine or exploration project withdraws from the fund for whatever valid reason, the funds accumulated for such mine or exploration project are transferred to a similar fund approved by the Commissioner of South African Revenue Services. The fund cannot be closed down without the permission of the Commissioner of the South African Revenue Services.

Included in the long-term receivables is an amount of R388 million (2006: R203 million) recoverable from Eskom in respect of the rehabilitation and environmental expenditure of the Matla and Arnot mines at the end-of-life of these mines. The corresponding anticipated liability is disclosed as part of non-current provisions (refer note 23).

R179 million (2006: R155 million) of the investments designated at fair value through profit or loss and the EERF are equity investments listed on JSE Ltd.

A two percent increase in the JSE industry average at reporting date would have increased equity by R2,8 million (2006: R8,2 million) after tax; an equal change in the opposite direction would have decreased equity by R0,9 million (2006: R2 million). The impact on profit or loss would have been an increase or decrease of R1,9 million (2006: R1,7 million) after tax. The analysis has been performed on the same basis for 2006.

There were no allowances for impairments on long-term receivables or investments in equity instruments at cost during the period under review.

### FAIR VALUES

At 31 December 2007 the carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair values due to the short-term maturities of these assets and liabilities.

Of the financial assets and liabilities as at 31 December 2007 and 2006, the interest-bearing borrowings had their fair values determined based on published price quotation in active market. The borrowings' Net Present Value (NPV) is calculated using the Nominal Annual Compounding Annually (NACA) rate.

No financial assets and liabilities had their fair value determined using valuation techniques during the year ended 31 December 2007 or 2006.

For the financial year ended 31 December 2007, the investment in Richards Bay Coal Terminal (RBCT) had no active market available. RBCT is the largest single export coal terminal in the world and is situated in Richards Bay. It is a 24-hour operation shipment/export. Exxaro acquired 8 662 shares (1,20% stake) in RBCT through the merger of the former Eyesizwe (Pty) Ltd and Kumba Resources Limited which was valued at R2 million on 1 November 2006. Additional 10 000 shares were acquired in RBCT on 30 June 2007 for R213 million. These shares were purchased at a price of \$30 million. The 10 000 ordinary shares entitle Exxaro to a 1,39% shareholding in RBCT. The 10 000 shares also entitle Exxaro to 1 Mt ton of export allocation. All the shareholders in RBCT acquire equity instruments in order to obtain the right to export coal.

## 28. FINANCIAL INSTRUMENTS (continued)

The South Dunes Coal Terminal Co. (Pty) Limited (SDCT) also holds an investment in RBCT, of which Exxaro Coal (a 100% subsidiary of Exxaro Resources Limited) holds 33% in SDCT, with the effective value of R74 million at 31 December 2007 (2006: R20 million). All this coupled with minor wharfage expenses, result in the overall investment in RBCT with a carrying value of R290 million. The fair value could not be measured reliably because RBCT shares do not form part of an active market as there are no other shares available in South Africa. Willing buyers and sellers cannot be found at any time (restricted to a select few) of the same nature (homogenous) and prices are not available to the public. Although one could attach a certain set of market influences that significantly affect the value of such shares, the volatility of e.g. freight rates would cause the valuation to vary significantly.

The fair value of financial instruments at initial recognition was determined to be the transaction price. Upon initial recognition no differences existed as a result of the fair value upon initial recognition differing to the value of the financial instrument determined using a valuation technique.

Subsequent to initial recognition, as the fair value of the Investment in RBCT could not be measured reliably, the investment has been carried at cost. The carrying value of the investment in RBCT is R290 million (2006: R23 million).

It is not anticipated that the RBCT investment will be disposed of in the near future as the group has no intent to dispose of it.

### 28.2 RECLASSIFICATION OF FINANCIAL ASSETS

No reclassification of financial assets occurred during the period.

### 28.3 DERECOGNITION OF FINANCIAL ASSETS

An investment designated at fair value through profit or loss was disposed of during the year under review. The entire investment qualified for derecognition.

The investment comprised of a 3,78% equity interest in Mineral Deposits Limited, an entity listed on the Australian Stock Exchange, and was sold on 2 July 2007 resulting in a net cash inflow of R84,6 million (AUD 14,0 million).

The group did not enter into transactions whereby it transferred assets recognised on its balance sheet whilst retaining the risks and rewards of the transferred asset during the period under review.

### 28.4 STATEMENT OF CHANGES IN EQUITY

Included in the statement of changes in equity are the following adjustments relating to financial instruments:

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
Effective portion of change in fair value of cash flow hedge	(36)	33		
Fair value of cash flow hedges transferred to profit or loss		8		
Amount removed from equity and included in initial carrying amount or cost of non-financial asset	1			
	(35)	41		
The above amounts are split in the reserves as follows:				
Hedging reserve	(35)	41		



# notes to the annual financial statements continued

for the year ended 31 December 2007

## 28. FINANCIAL INSTRUMENTS (continued)

### 28.5 RISK MANAGEMENT

#### 28.5.1 Financial risk management

The group's corporate treasury function (other than Exxaro Australia Sands Pty Limited which operates on a decentralised basis but within the approved group policies), provides financial risk management services to the business, co-ordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk, and price risk), credit risk and liquidity risk. The group's objectives, policies and processes for measuring and managing these risks are detailed below. The group's management of capital is detailed in the report of the directors.

The group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of derivative financial and exposure limits is reviewed by the internal auditors on a continuous basis and results are reported to the board audit committee.

The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The group enters into financial instruments to manage and reduce the possible adverse impact on earnings of changes in interest rates, foreign currency exchange rates and commodity prices. Compliance with policies and exposure limits is reviewed by the internal auditors annually, with the results being reported to the audit committee.

#### 28.5.2 Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the group's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see 28.5.2.1 below), commodity prices (see 28.5.2.2 below) and interest rates (see 28.5.2.3 below). The group enters into a variety of derivative financial instruments to manage its exposure to interest rate, foreign currency risks and commodity price risks, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the export of coal, base metal and mineral sands products as well as imported capital expenditure;
- forward interest rate contracts to manage interest rate risk;
- interest rate swaps to manage the risk of rising interest rates;
- forward exchange contracts to hedge the commodity prices arising on the export of zinc and lead.

##### 28.5.2.1 Foreign currency risk management

The group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

The currency in which transactions are entered into is mainly denominated in US Dollars (USD), Euro, and Australian Dollars (AUD). Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts (FEC's), currency options and currency swap agreements.

The group maintains a fully covered exchange rate position in respect of foreign currency borrowings and imported capital equipment resulting in these exposures being fully converted to rand. Trade-related import exposures are managed through the use of economic hedges arising from export revenue as well as through FEC's. Trade-related export exposures are hedged using FEC's and options with specific focus on short-term receivables.

Uncovered foreign debtors at 31 December 2007 amount to US\$nil million (2006: US\$21 million). All capital imports were fully hedged. Imports (other than capital imports) not fully hedged amount to US\$nil million (2006: US\$8 million). Monetary items have been translated at the closing rate at the last day of the reporting period US\$1:R6,80 (2006: US\$1:R6,98).

The FEC's which are used to hedge foreign currency exposure mostly have a maturity of less than one year from the reporting date. When necessary, FEC's are rolled over at maturity.

Pre-tax unrealised exchange gains or losses amounting to R93 million (31 December 2006: R41 million) arising from the revaluation of Exxaro Australia Sands (Pty) Limited foreign currency loans which are a natural hedge against specific future export sales revenue, are recognised in equity as hedge accounting has been applied.

## 28. FINANCIAL INSTRUMENTS (continued)

### 28.5

#### RISK MANAGEMENT (continued)

The following significant exchange rates applied for both group and company during the year:

	Average spot rate	Average achieved rate	Closing spot rate
<b>2007</b>			
USD	7,03	7,26	6,80
Euro	9,62	9,48	10,02
Canadian Dollar	6,56	6,27	6,96
Australian Dollar	5,89	5,19	6,00
<b>2006</b>			
USD	6,70	6,76	6,98
Euro	8,50	8,24	9,15
Canadian Dollar	5,93	6,44	6,02
Australian Dollar	5,02	5,28	5,53

#### Foreign currency

Material FEC's and currency options, which relate to specific balance sheet items, that do not form part of a hedging relationship or for which hedge accounting was not applied at 31 December 2007 and 31 December 2006, are summarised as follows:

<b>GROUP</b>	Market related value Rm	Foreign amount million	Contract value Rm	Recognised fair value profits/(losses) Rm
<b>2007</b>				
<b>Exports</b>				
United States Dollar – FEC's	137	20	143	6
<b>2006</b>				
<b>Exports</b>				
United States Dollar – FEC's	105	14	102	(3)
<b>Imports</b>				
United States Dollar – FEC's	72	10	74	(2)

# notes to the annual financial statements continued

for the year ended 31 December 2007

## 28. FINANCIAL INSTRUMENTS (continued)

28.5

### RISK MANAGEMENT (continued)

#### Cash flow hedges – foreign currency risk

The group has entered into certain forward exchange contracts, which relate to specific foreign commitments not yet due and export earnings for which the proceeds are not yet receivable. Details of the contracts at 31 December 2007 and 31 December 2006 are as follows:

GROUP 2007	Market related value Rm	Foreign currency million	Contract value Rm	Recognised fair value in equity Rm
<b>Imports</b>				
United States Dollar – FEC's				
Less than 3 months	62	9	62	
3 months	3		3	
6 months	26	4	27	(1)
1 year	1		1	
Total	92	13	93	(1)
Euro – FEC's				
Less than 3 months	1		1	
Total	1		1	
<b>Exports</b>				
United States Dollar – Note holders loan				
> 3 year	397	60	304	93
Attributable to tax				(31)
Total	397	60	304	62

*Note: In respect of a US\$60 million (2006: US\$60 million) loan liability of Exxaro Australia Sands Pty Limited, an economic hedge exists between US\$ revenue and US\$ borrowings. Accordingly, future sales proceeds to be applied to the repayment of US\$ borrowings are recorded at the historical exchange rate effective at the date of loan draw down.*

With respect to the above-mentioned cash flow hedges, the future expected cash flows are represented below:

	2008 Rm	2009 Rm	>2009 Rm	Total Rm
<b>Expected future cash flows</b>				
– United States Dollar – FEC's	93			93
– Euro - FEC's	1			1
– United States Dollar – Note holders loan			304	304
<b>Expected gain/(loss) in profit or loss</b>				
– United States Dollar – Note holders loan			93	93

## 28. FINANCIAL INSTRUMENTS (continued)

28.5

### RISK MANAGEMENT (continued)

GROUP 2006	Market related value Rm	Foreign currency million	Contract value Rm	Recognised fair value in equity Rm
<b>Imports</b>				
United States Dollar – FEC's				
Less than 3 months	17	2	18	(1)
3 months	6	1	6	
6 months	13	2	13	
1 year	10	1	10	
Total	46	6	47	(1)
Euro – FEC's				
Less than 3 months	9	1	9	
Total	9	1	9	
Canadian Dollar – FEC's				
Less than 3 months	1		1	
Total	1		1	
Australian Dollars – FEC's				
Less than 3 months	4	1	4	
6 months	4	1	4	
1 year	3		3	
Total	11	2	11	
<b>Exports</b>				
United States Dollar – Note holders loan				
> 3 year	407	60	366	41
Attributable to tax				(16)
Total	407	60	366	25

With respect to the above-mentioned cash flow hedges, the future expected cash flows are represented below:

	2007 Rm	2008 Rm	2009 Rm	> 2009 Rm	Total Rm
<b>Expected future cash flows</b>					
– United States Dollar – FEC's	37	10			47
– Euro – FEC's	9				9
– Canadian Dollar – FEC's	1				1
– Australian Dollars – FEC's	8	3			11
– United States Dollar – Note holders loan				366	366
<b>Expected gain/(loss) in profit or loss</b>					
– United States Dollar – FEC's	(1)				(1)
– United States Dollar – Note holders loan				41	41

# notes to the annual financial statements continued

for the year ended 31 December 2007

## 28. FINANCIAL INSTRUMENTS (continued)

### 28.5 RISK MANAGEMENT (continued)

	Market related value Rm	Foreign currency million	Contract value Rm	Recognised fair value in equity Rm
<b>COMPANY</b>				
<b>2007</b>				
<b>Imports</b>				
United States Dollar – FEC's				
Less than 3 months	1	0,2	1	
<b>Total</b>	<b>1</b>	<b>0,2</b>	<b>1</b>	

With respect to the above-mentioned cash flow hedges, the future expected cash flows are represented below:

	2008 Rm	2009 Rm	2010 Rm	Total Rm
<b>Expected future cash flows</b>				
– United States Dollar – FEC's	1			1

No gains or losses are expected from these FEC's

	Market related value Rm	Foreign currency million	Contract value Rm	Recognised fair value in equity Rm
<b>2006</b>				
<b>Imports</b>				
United States Dollar – FEC's				
Less than 3 months	1	0,2	1	
<b>Total</b>	<b>1</b>	<b>0,2</b>	<b>1</b>	
Euro – FEC's				
Less than 3 months	5	1	5	
<b>Total</b>	<b>5</b>	<b>1</b>	<b>5</b>	

With respect to the above-mentioned cash flow hedges, the future expected cash flows are represented below:

	2007 Rm	2008 Rm	2009 Rm	Total Rm
<b>Expected future cash flows</b>				
– United States Dollar – FEC's	1			1
– Euro – FEC's	5			5

No gains or losses are expected from these FEC's

## 28. FINANCIAL INSTRUMENTS (continued)

### 28.5

#### RISK MANAGEMENT (continued)

##### Foreign currency sensitivity

The following table includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% increase in foreign currency rates and details the group and company sensitivity thereof. Foreign currency denominated monetary items such as cash balances, trade receivables, trade payables and loans have been included in the analysis. A positive number represents a gain whilst a negative number represents a loss.

For exports (US\$), an increase in the exchange rate of the rand (ZAR) against the dollar (US\$) (e.g., FEC taken out on exports at R6,10:US\$1, with actual rate coming out at R6,50:US\$1) represents a weakening of the rand against the US dollar, which results in a loss incurred of R0,40.

Group	Profit or (loss)		Equity	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
US\$	68	90	(29)	(29)
Euro	2	2	2	2
<b>Company</b>				
US\$	21	13		

For imports (Euro), an increase in the exchange rate of the rand (ZAR) against the euro (e.g., FEC taken out on exports at R10,00:€1, with actual rate coming out at R11,00:€1) represents a weakening of the rand against the euro, which results in a gain incurred of R1,00.

A 10% decrease in the rand against each foreign exchange rate would have an equal but opposite effect on the above, on the basis that all other variables remain constant.

#### 28.5.2.2 Commodity risk management

The group enters into commodity derivatives to hedge certain of its export product exposures, in terms of lead and zinc prices. As of 31 December 2007 the net fair value of commodity derivatives reflected a R92 million loss (2006: R0 million). The potential loss in fair value for such commodity hedging derivatives from a hypothetical adverse 10% move against Exxaro's position in commodity prices would be approximately R2 million.

Prices for future purchases and sales of goods and services are generally established on normal commercial terms through agents or direct with suppliers and customers. Price hedging is undertaken on a limited scale for future zinc sales at Rosh Pinah Zinc Corporation (Pty) Limited and Exxaro Base Metals (Pty) Limited to secure operating margins and reduce cash flow volatility. Price hedging is also undertaken for future lead sales at Rosh Pinah.

The potential profit or loss in accounting for changes in fair value for such commodity hedging derivatives assuming an adverse 10% move in commodity prices is demonstrated below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2006.

	Profit or (loss)		Equity	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
Lead			(2)	

The impact of the zinc sensitivity is less than a million.

A 10% positive move against the above commodity prices at 31 December would have had the equal but opposite effect on the above derivatives to the amounts shown above, on the basis that all other variables remain constant.

# notes to the annual financial statements continued

for the year ended 31 December 2007

## 28. FINANCIAL INSTRUMENTS (continued)

### 28.5 RISK MANAGEMENT (continued)

#### Cash flow hedges – commodity risk

The forward hedged position at balance sheet date is shown below:

	Tons	Market related value Rm	Foreign currency value million	Contract in equity Rm	Recognised fair value Rm
<b>2007</b>					
Recognised transactions	13 000	213	18	121	(92)
Attributable to:					
– tax					34
– minority shareholders					4
	13 000	213	18	121	(54)

With respect to the above-mentioned hedges, the future expected cash flows are represented below:

	31-Dec-08	31-Dec-09	31-Dec-10	Total
Expected future cash outflows	66	34	21	121
Expected gain/(loss) in profit or loss	(37)	(30)	(25)	(92)

#### 2006

Recognised transactions

#### 28.5.2.3 Interest rate risk management

The group is exposed to interest rate risk as it borrows and deposits funds at both fixed and floating interest rates on the money market. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings taking into account future interest rate expectations. The risk is also managed by entering into interest rate swaps. The financial institutions chosen are subject to compliance with the relevant regulatory bodies. A proportion of term borrowings was entered into at floating interest rates in anticipation of a decrease in the interest rate cycle.

The interest rate repricing profile is summarised below:

	1 – 6 months Rm	7 – 12 months Rm	Beyond 1 year Rm	Total borrowings Rm
<b>At 31 December 2007</b>				
Term borrowings	681		652	1,333
% of total borrowings	51		49	100
<b>At 31 December 2006</b>				
Term borrowings	557		657	1,214
Call borrowings	613			613
	1,170		657	1,827
% of total borrowings	64		36	100

The following table reflects the potential impact on earnings, given a movement in interest rates of 50 basis points:

	Increase of 50 basis points in interest rate		Decrease of 50 basis points in interest rate	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
Profit or (loss)	(3)	(2)	3	2

## 28. FINANCIAL INSTRUMENTS (continued)

### 28.5 RISK MANAGEMENT (continued)

#### 28.5.3 Liquidity Risk Management

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements.

The group manages liquidity risk by monitoring forecast cash flows in compliance with loan covenants and ensuring that adequate unutilised borrowing facilities are maintained. The group aims to cover at least its net debt requirements through long-term borrowing facilities.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment if a payment under the guarantee has become probable.

Financial guarantees are included within other liabilities.

**Borrowing capacity is determined by the directors in terms of the articles of association, from time to time:**

	Group		Company	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
Amount approved	12 254	10 178	2 600	4 648
Total borrowings	1 333	1 827	505	1 024
Unutilised borrowing capacity	10 921	8 351	2 095	3 624

The group's capital base, the borrowing powers of the company and the group were set at 125% of shareholders' funds for both the 2007 and 2006 financial years.

Standard payment terms for the majority of trade payables is the end of the month following the month in which the goods are received or services are performed.

A number of trade payables do however have shorter contracted payment periods.

To avoid incurring interest on late payments, financial risk management policies and procedures are entrenched to ensure the timeous matching of orders placed with goods received notes or services acceptances and invoices.



# notes to the annual financial statements continued

for the year ended 31 December 2007

## 28. FINANCIAL INSTRUMENTS (continued)

### 28.5.3 LIQUIDITY RISK MANAGEMENT (continued)

#### Maturity profile of financial instruments

The following table details the group's contractual maturities of financial liabilities, including interest payments:

	Carrying amount Rm	Contractual cash flows Rm	Maturity			
			0-12 months Rm	1-2 years Rm	2-5 years Rm	More than 5 years Rm
<b>Group</b>						
<b>2007</b>						
<b>Financial assets</b>						
Exxaro Environmental Rehabilitation Trust asset	274	274		82	45	147
Richards Bay Coal Terminal (RBCT)	290	290				290
New Africa Mining Fund	2	2			2	
Igoda	25	25				25
Mafube	5	5				5
Ndzalama game reserve	6	6		6		
Long-term receivables	429	429		1		428
Trade and other receivables	1 884	1 884	1 884			
Derivative financial instruments	47	47	47			
Cash and cash equivalents	850	850	850			
	3 812	3 812	2 781	89	47	895
<i>Percentage profile (%)</i>	100	100	73	2	1	24
<b>Financial liabilities</b>						
Interest-bearing borrowings	1 089	1 089	69	96	525	399
Trade and other payables	1 353	1 353	1 353			
Shareholders for dividends						
	2 442	2 442	1 422	96	525	399
<i>Percentage profile (%)</i>	100	100	58	4	22	16
<b>Derivative financial liabilities (included in the above)</b>						
Interest rate swaps used for hedging						
Foreign exchange forward contracts used for hedging						
– Sell	143					
<b>Other forward exchange contracts</b>						
– Buy	91					

## 28. FINANCIAL INSTRUMENTS (continued)

### 28.5.3 LIQUIDITY RISK MANAGEMENT (continued)

			Maturity			
	Carrying amount Rm	Contractual cash flows Rm	0-12 months Rm	1-2 years Rm	2-5 years Rm	More than 5 years Rm
Group						
2006						
Financial assets						
Exxaro Environmental Rehabilitation Trust asset	237	237		24	14	199
New Africa Mining fund	13	13				13
Richard Bay Coal Terminal (RBCT)	23	23				23
Igoda	25	25				25
Mafube	5	5				5
Ndzalama game reserve	6	6			6	
Mineral Deposits Limited	92	92				92
Long-term receivables	271	271		21	31	219
Other	21	21		21		
Trade and other receivables	1 652	1 652	1 652			
Derivative financial instruments	11	11	11			
Cash and cash equivalents	906	906	906			
	3 262	3 262	2 569	66	51	576
Percentage profile (%)	100	100	79	2	1	18
Financial liabilities						
Interest-bearing borrowings	1 584	1 584	619		406	559
Trade and other payables	1 317	1 317	1 317			
Derivative financial instruments	4	4	4			
Shareholders for dividends	4	4	4			
	2 909	2 909	1 944		406	559
Percentage profile (%)	100	100	67		14	19
Derivative financial liabilities (included in the above)						
Recognised transactions						
– Buy	74					
– Sell	102					
Forecast transactions						
– Buy	67					

# notes to the annual financial statements continued

for the year ended 31 December 2007

## 28. FINANCIAL INSTRUMENTS (continued)

### 28.5.3 LIQUIDITY RISK MANAGEMENT (continued)

	Maturity					
	Carrying amount Rm	Contractual cash flows Rm	0-12 months Rm	1-2 years Rm	2-5 years Rm	More than 5 years Rm
<b>Company</b>						
<b>2007</b>						
<b>Financial assets</b>						
Exxaro Environmental Rehabilitation Trust asset	8	8			8	
Other	2	2			2	
Intercompany loan debits	450	450			369	81
Trade and other receivables	4 583	4 583	4 583			
Cash and cash equivalents	306	306	306			
	5 349	5 349	4 889		379	81
Percentage profile (%)	100	100	91		7	2
<b>Financial liabilities</b>						
Interest-bearing borrowings	505	505	55		369	81
Trade and other payables	327	327	327			
Shareholders for dividends						
	832	832	382		369	81
Percentage profile (%)	100	100	46		44	10
<b>Derivative financial liabilities (included in the above)</b>						
Forecasted transactions – Buy	2					
<b>2006</b>						
<b>Financial assets</b>						
Exxaro Environmental Rehabilitation Trust asset	8	8			8	
New Africa Mining fund	13	13			13	
Other	21	21			21	
Intercompany loan debits	405	405			243	162
Trade and other receivables	5 059	5 059	5 059			
Cash and cash equivalents	290	290	290			
	5 796	5 796	5 349		285	162
Percentage profile (%)	100	100	92		5	3
<b>Financial liabilities</b>						
Interest-bearing borrowings	1 024	1 024	619		243	162
Trade and other payables	646	646	646			
Shareholders for dividends						
	1 670	1 670	1 265		243	162
Percentage profile (%)	100	100	76		14	10
<b>Derivative financial liabilities (included in the above)</b>						
Other forward exchange contracts – outflow	7					

## 28. FINANCIAL INSTRUMENTS (continued)

### 28.5.4 CREDIT RISK MANAGEMENT

Credit risk relates to potential default by counterparties on cash and cash equivalents, investments, trade receivables and hedged positions.

The group limits its counterparty exposure arising from money market and derivative instruments by only dealing with well-established financial institutions of high credit standing. The group exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the board annually.

Trade receivables consist of a number of customers with whom Exxaro has long-standing relationships. A high portion of term supply arrangements exists with such clients resulting in limited credit exposure which exposure, where dictated by customer credit worthiness or country risk assessment, is further mitigated through a combination of confirmed letters of credit and credit risk insurance.

Exxaro establishes an allowance for non-recoverability or impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have historical data of payment statistics for similar financial assets.

At the reporting date, the amount of change in the fair value of financial liabilities designated at fair value through profit or loss, attributable to credit risk is as follows:

	Group		Company	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
Cumulative	6		—	—
Current financial year	6		—	—

#### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. None of the financial instruments below were held as collateral for any security provided.

The maximum exposure to credit risk at both reporting dates was equal to the carrying value of financial assets for both group and company.

# notes to the annual financial statements continued

for the year ended 31 December 2007

## 28. FINANCIAL INSTRUMENTS (continued)

### 28.5.4 CREDIT RISK MANAGEMENT (continued)

#### Detail of the trade receivables credit risk exposure

	Group		Company	
	2007 %	2006 %	2007 %	2006 %
<b>By industry</b>				
Manufacturing (including structural metal)	70	76		
Public utilities	19	21		
Other	11	3		
	100	100		
<b>By geographical area</b>				
South Africa	50	59		
Asia	4	6		
Europe	20	11		
USA	25	21		
Other	1	3		
	100	100		

The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Financial guarantees are contracts that require the group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

	Group		Company	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
<b>The carrying amount of the financial assets at reporting date was:</b>				
Neither past due nor impaired	3 560	3 166	5 346	5 796
– trade and other receivables	1 632	1 556	4 580	5 059
– other financial assets	1 031	693	10	42
– intercompany loan debits			450	405
– derivative financial instruments	47	11		
– cash and cash equivalents	850	906	306	290
Past due or impaired	252	96	3	
– trade and other receivables	252	96	3	
<b>Total financial assets</b>	<b>3 812</b>	<b>3 262</b>	<b>5 349</b>	<b>5 796</b>

The group strives to enter into sales contracts with clients which stipulate the required payment terms. It is expected of each customer that these payment terms are adhered to. Where trade receivables balances become past due, the normal recovery procedures are followed to recover the debt, where applicable new payment terms may be arranged to ensure that the debt is fully recovered. Therefore the credit quality of the above assets deemed to be neither past due nor impaired is considered to be within industry norm.

There were no financial assets with re-negotiated terms during the 2007 or 2006 reporting periods.

## 28. FINANCIAL INSTRUMENTS (continued)

### 28.5.4 CREDIT RISK MANAGEMENT (continued)

#### Age analysis of financial assets

	Group		Company	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
Past due but not impaired				
1 – 30 days overdue	190	67		
31 – 60 days overdue	16	14		
61 – 90 days overdue	18	17		
90+ days overdue	27	1		
<b>Total carrying amount of financial instruments past due but not impaired</b>	<b>251</b>	<b>99</b>		
<b>Past due and impaired</b>				
90+ days overdue	1	(3)	3	
<b>Total carrying amount of financial instruments past due and impaired</b>	<b>1</b>	<b>(3)</b>	<b>3</b>	
<b>Total carrying amount of financial instruments past due or impaired</b>	<b>252</b>	<b>96</b>	<b>3</b>	

Before the financial instruments can be impaired, they are evaluated for the possibility of any recovery as well as the length of time at which the debt has been long outstanding.

No collateral was held by the Exxaro group as security and other enhancement over the financial assets during the years ended 31 December 2007 or 2006.

#### *Loans and receivables designated at fair value through profit or loss*

The group had no loans and receivables designated as at fair value through profit or loss during the period.

#### **Collateral**

The group may require collateral in respect of the credit risk on derivative transactions with a third party. The amount of credit risk is the positive fair value of the contract. Collateral may be in the form of cash or in the form of a lien over a debtor's assets, entitling the group to make a claim for current and future liabilities.

The group is also exposed to a situation where a third party may require collateral with respect to the transaction with that third party.

The carrying value of financial assets that may be re-pledged or re-sold by counterparties are as follows:

	Group		Company	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
Cash and cash equivalents	11	2		

These transactions are conducted under terms that are usual and customary to standard lending and borrowing activities.

No financial assets were re-pledged during the year under review for collateral purposes.

#### **Guarantees**

The group did not during the period obtain financial or non-financial assets by taking possession of collateral it holds as security or calling on guarantees.

There were no guarantees provided by banks to secure financing during the financial years ended 31 December 2007 or 2006.

### 28.5.5 OTHER PRICE RISKS

The group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The group does not actively trade these investments.

# notes to the annual financial statements continued

for the year ended 31 December 2007

## 29. RELATED PARTY TRANSACTIONS

During the year the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures. These transactions occurred under terms that are no less favourable than those arranged with third parties.

### ASSOCIATES AND JOINT VENTURES

Details of investments in associates and joint ventures are disclosed in note 15 and annexure 2 whilst income is disclosed in note 15. There were no finance costs or expenses in respect of bad debts or doubtful debts incurred with regard to the joint ventures or the associates during the financial years ended 31 December 2007 or 2006.

Items of income and expense incurred during the year are as follows:	2007		2006	
	Joint ventures Rm	Associates Rm	Joint ventures Rm	Associates Rm
– group sales of goods	1	86		7
– group purchases of goods and services	3	205		78
<b>The outstanding balances at year end are as follows:</b>				
– included in trade and other receivables (refer note 19)		2		11
– included in trade and other payables (refer note 25)	16	6		31
– included in cash and cash equivalents (refer annexure 2)	337	184	394	
– included in financial assets (refer note 28 and annexure 2)	74			20

During both years under review, there was no provision raised for doubtful debts related to the outstanding balances above.

### SUBSIDIARIES

Details of income from, and investments in subsidiaries are disclosed in notes 5 and 16 respectively, as well as in annexure 3.

#### Corporate service fee from subsidiaries

The following corporate service fees were received by Exxaro Resources Limited for essential services rendered:

	2007 Rm	2006 Rm
Sishen Iron Ore Company (Pty) Limited		58
Exxaro Coal (Pty) Limited	94	57
Exxaro Base Metals (Pty) Limited	52	17
Exxaro Sands (Pty) Limited	41	15
	187	147

### SPECIAL PURPOSE ENTITIES

The group has an interest in the following special purpose entities which are consolidated unless otherwise indicated:

Entity	Nature of business
Ferrosure (South Africa) Insurance Company Limited	Insurance captive
Exxaro Environmental Rehabilitation Fund	Trust fund for mine closure
Exxaro Employee Empowerment Participation Scheme Trust	Employee share incentive trust
Exxaro Foundation	Local social economic development <sup>1</sup>
Exxaro Chairman's Fund	Local social economic development <sup>1</sup>
Exxaro People Development Initiative	Local social economic development–bridging classes <sup>1</sup>
Kumba Resources Management Share Trust	Management share incentive trust
Merrill Lynch Insurance PCC Limited	Offshore insurance captive

<sup>1</sup>Non-profit organisations.

## 29. RELATED PARTY TRANSACTIONS (continued)

### DIRECTORS

Details relating to directors' emoluments and shareholdings (including options) in the company are disclosed in the report of the directors.

### SENIOR EMPLOYEES

Details relating to option and share transactions are disclosed in note 31.

### KEY MANAGEMENT PERSONNEL

For Exxaro Resources Limited other than the executive and non-executive directors, no other key management personnel were identified. Refer to page 161 for details on directors' remuneration.

For the group, the directors of the major subsidiaries have been identified as being key management personnel. The major subsidiaries are considered to be the following:

Sishen Iron Ore Company (Pty) Limited<sup>1</sup>  
Exxaro Coal (Pty) Limited  
Exxaro TSA Sands (Pty) Limited  
Exxaro Sands (Pty) Limited  
Exxaro Australia Sands Pty Limited  
Exxaro Base Metals (Pty) Limited  
Kumba International BV<sup>1</sup>  
Exxaro International BV

	2007 Rm	2006 Rm
Short-term employee benefits	59	43
Termination benefits	9	5
Share-based payments – related expense	4	23
Total compensation paid to key management personnel	72	71

<sup>1</sup> Major subsidiary until 31 October 2006.

### ANGLO GROUP

For the period until 31 October 2006 Kumba Resources's majority shareholder and parent was Anglo American Capital Limited, with the ultimate controlling party being Anglo American plc. During 2006, Kumba Resources group purchased goods and services to the value of R295 million from, and sold goods to the value of R52 million to fellow subsidiaries of the Anglo group.

From 1 November 2006, Anglo American Capital Limited and its subsidiaries were no longer considered to be a related party.

There were no outstanding balances at either 31 December 2007 or 2006.

### SHAREHOLDERS

The principal shareholders of the company at 31 December 2007 are detailed in the "Analysis of Shareholders" schedule on page 90 of the annual report.

### CONTINGENT LIABILITIES

Details are disclosed in note 32.



# notes to the annual financial statements continued

for the year ended 31 December 2007

## 30. SEGMENT REPORTING

	Iron ore		Coal		Mineral sands	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm	2007 Rm	2006 Rm
<b>BUSINESS SEGMENTATION</b>						
<b>Segment revenue – continuing operations</b>						
– Total revenue			5 087	2 882	2 172	1 859
– Inter-group revenue						
External revenue			5 087	2 882	2 172	1 859
<b>Segment revenue discontinued operations</b>						
		6 483				
Segment net operating profit/(loss) – continuing operations			885	599	(97)	(698)
Segment net operating profit – discontinued operations		3 098				
Depreciation and amortisation of intangible assets		226	384	208	296	303
Impairment charge and reversals			18			784
Excess over cost of acquisition of minority interest						(36)
Net surplus on disposal of investment		(1 571)				
Fair value adjustment on unbundling on subsidiary						
Other non-cash flow items not disclosed above		14	264	217	47	20
Cash inflow from operations		1 767	1 551	1 024	246	373
Cash generated by operations		3 286	1 577	804	304	235
Income/(loss) from equity accounted investments	746	118				
Capital expenditure		1 214	876	338	193	266
<b>Segment assets and liabilities</b>						
– Assets			4 171	2 905	660	644
– Investments in associates and joint ventures						
– Deferred tax assets			2		526	533
Total assets			4 173	2 905	1 186	1 177
– Liabilities			1 707	1 035	1 175	1 185
– Deferred tax liabilities			903	863	134	194
– Taxation			77	78		(4)
Total liabilities			2 687	1 976	1 309	1 375
<b>Number of employees (number)</b>			5 942	5 782	641	943

	Base metals		Industrial minerals		Other		Total	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm	2007 Rm	2006 Rm	2007 Rm	2006 Rm
	2 732	2 379	159	146	12	32	10 162	7 298
				(24)	(5)	(11)	(5)	(35)
	2 732	2 379	159	122	7	21	10 157	7 263
								6 483
	688	609	(3)	26	(29)	17 063	1 444	17 599
								3 098
	66	60	6	6	11	10	763	813
	(1)						17	784
								(36)
		(3)		20		1 515		(39)
						(17 963)		(17 963)
	5	14	2		7	687	325	952
	758	680	5	52	(11)	1 312	2 549	5 208
	521	348	7	24	(101)	371	2 308	5 068
	(18)	41					728	159
	170	116	15	5	42	71	1 296	2 010
	1 014	723	53	103	7 788	7 958	13 686	12 333
	116	161			641	223	757	384
	3	5	8		193	210	732	748
	1 133	889	61	103	8 622	8 391	15 175	13 465
	530	525	23	21	703	1 347	4 138	4 113
	22	43	9	7	9	9	1 077	1 116
	44	(21)		1	16	13	137	67
	596	547	32	29	728	1 369	5 352	5 296
	1 229	1 186	194	146	682	757	8 688	8 814

# notes to the annual financial statements continued

for the year ended 31 December 2007

## 30. SEGMENT REPORTING (continued)

### GEOGRAPHICAL SEGMENTATION

	Segment revenue – continuing operations	Segment revenue – continuing operations	Segment revenue – discontinued operations	Segment revenue – discontinued operations	Carrying amount of segment assets	Carrying amount of segment assets	Additions to property plant and equipment (accrued cash flow)	Additions to property plant and equipment (accrued cash flow)
	2007 Rm	2006 Rm	2007 Rm	2006 Rm	2007 Rm	2006 Rm	2007 Rm	2006 Rm
– South Africa	7 156	4 828		788	13 527	10 523	1 073	1 796
– Africa	5	3			509	382	84	61
– Europe	996	559		1 919	22	18		
– Asia	397	384		3 776	136	113		
– Australia	9	8			225	1 631	139	153
– Other	1 594	1 481			24	50		
Total segment	10 157	7 263		6 483	14 443	12 717	1 296	2 010

Total segment revenue, which excludes value added tax and sales between group companies, represents the gross value of goods invoiced. Export revenue is recorded according to the relevant sales terms, when the risks and rewards of ownership are transferred.

Total segment revenue further includes operating revenues directly and reasonably allocable to the segments.

Segment revenue includes sales made between segments. These sales are made on a commercial basis.

Segment net operating profit equals segment revenue less segment expenses and includes impairment charges and goodwill amortisation.

Segment expenses represent direct or reasonably allocable operating expenses on a segment basis. Segment expenses exclude interest, losses on investments and income tax expenses, but include corporate costs.

Segment assets and liabilities include directly and reasonably allocable operating assets, investments in associates and joint ventures and liabilities.

## 31. EMPLOYEE BENEFITS

### Retirement funds

Independent funds provide retirement and other benefits for all permanent employees, retired employees, and their dependants. At the end of the financial year, the main defined contribution retirement funds to which Exxaro was a participating employer, were as follows:

- Exxaro Selector Pension Fund and Exxaro Selector Provident Fund.
- Iscor Employees' Provident Fund.
- Mine Workers Provident Fund.
- Sentinel Mining Industry Retirement Fund.

In compliance with the Pension Fund Act after the unbundling of Kumba Iron Ore Limited, Sishen Iron Ore Company employees were transferred to the newly created Kumba Iron Ore Selector Pension and Provident Fund during the current financial year after all regulatory approvals had been obtained.

Members pay a contribution of 7%, with the employer's contribution of 10% to the above funds, being expensed as incurred.

All funds registered in the Republic of South Africa are governed by the South African Pension Funds Act of 1956 (the Act).

### 31. EMPLOYEE BENEFITS (continued)

#### Defined contribution funds

Membership of each fund at 31 December 2007 and 31 December 2006 and employer contributions to each fund were as follows:

GROUP	Working members 2007 Number	Working members 2006 <sup>1</sup> Number	Employer contributions 2007 Number	Employer contributions 2006* Number
Exxaro Selector Funds	2 323	3 496	52	66
Iscor Employees' Provident Fund	3 402	5 699	28	33
Mine Workers' Provident Fund <sup>2</sup>	1 914	1 696	14	2
Sentinel Mining Industry Retirement Fund <sup>3</sup>	754	623	20	5
Other funds	924	811	30	20
	<b>9 317</b>	<b>12 325</b>	<b>144</b>	<b>126</b>

<sup>1</sup>Contributions of Sishen Iron Ore Company (SIOC) employees is for the 10-months period to 31 October 2006, however membership numbers at 31 December 2006 still include SIOC members.

<sup>2</sup>Contributions for two months only in 2006, due to the acquisition of Eyesizwe Coal (Pty) Ltd effective 1 November 2006.

<sup>3</sup>Contributions in 2006 are for the former Kumba employees for the full year to December 2006 and Eyesizwe Coal employees for the two months to December 2006.

COMPANY	Working members 2007 Number	Working members 2006 Number	Employer contributions 2007 Number	Employer contributions 2006 Number
Exxaro Selector Funds	611	576	18	18
Iscor Employees' Provident Fund	146	116	1	1
Sentinel Mining Industry Retirement Fund <sup>3</sup>	23	8	1	
	<b>780</b>	<b>700</b>	<b>20</b>	<b>19</b>

<sup>3</sup>Contributions in 2006 are for the former Kumba employees for the full year to December 2006 and Eyesizwe Coal employees for the two months to December 2006.

Due to the nature of these funds the accrued liabilities by definition equate to the total assets under control of these funds.

#### Defined benefit funds

Exxaro previously disclosed its interest as a participating employer in the closed defined benefit funds namely the Mittal Steel South Africa Pension funds and Iscor Retirement Fund. Such interest was disclosed while final confirmation was awaited on either the approval by the Registrar of Pension Funds of the scheme for the apportionment of an existing surplus, or the permission to not submit a surplus apportionment scheme in terms of section 15B of the Act. Both such final confirmations have now been received.

#### Medical funds

The group and company contribute to defined benefit medical aid schemes for the benefit of permanent employees and their dependants who choose to belong to one of a number of employer accredited schemes. The contributions charged against income amounted to R61 million (2006: R64 million). Exxaro has a post-retirement medical obligation to a limited number of in-service and retired employees belonging to two medical schemes for which an actuarially determined liability has been raised. Eyesizwe's contribution to the post-retirement medical aid obligation for the year ended 31 December 2007 amounted to R1 million (2006: R1 million)

# notes to the annual financial statements continued

for the year ended 31 December 2007

## 31. EMPLOYEE BENEFITS (continued)

### Equity compensation benefits

The shareholders of Kumba Resources approved on 2 November 2006 an empowerment transaction which in essence entailed the unbundling of Kumba's iron ore business. Kumba Iron Ore Limited (Kumba Iron Ore) which listed on 20 November 2006, owned 74% of Sishen Iron Ore Company (Pty) Limited (Sishen Iron Ore) in December 2006. Kumba Resources was renamed Exxaro Resources on 27 November 2006.

As Sishen Iron Ore Company was a wholly owned subsidiary of Kumba Resources before the unbundling of Kumba Iron Ore Limited, senior employees and directors of Sishen Iron Ore Company were eligible to participate in the Kumba Resources management share incentive plans.

In order to place, as far as possible, all participants in the Kumba Resources Management Share Option Scheme in the position they would have been in if they were shareholders of Kumba Resources at the time of the implementation of the empowerment transaction, the schemes continued in Exxaro and in Kumba Iron Ore, subject to certain amendments that were made to the Kumba Resources Management Share Option Plan.

Kumba Resources operated the Kumba Management Deferred Purchase Share Scheme and the Kumba Management Share Option Scheme for senior employees and executive directors of Kumba.

The Kumba Management Deferred Purchase Share Scheme consisted of a combination of an option scheme, a purchase scheme and a deferred purchase scheme and governed to maturity the share scheme rights and obligations of employees which were in existence at the time of transfer of the employees from Iscor to Kumba on unbundling of Kumba effective July 2001.

Participants of the Exxaro and Kumba Iron Ore Management Deferred Purchase schemes who have been granted deferred purchase shares received an Exxaro share and a Kumba Iron Ore share for every deferred purchase share held under the original purchase agreement.

The Kumba Management Share Option Scheme consisted of the granting of options in respect of ordinary Kumba shares, at market value, to eligible participants.

Shares and/or options held in terms of Exxaro Management Deferred Purchase Share Scheme are released in five equal tranches commencing on the second anniversary of an offer date and expire on the ninth anniversary of an offer date.

Options granted in terms of the Exxaro Management Share Option Scheme can be exercised over five years commencing on the first anniversary of the offer date. If the options are accepted by participants, the vesting periods, unless decided otherwise by the directors, are as follows:

- 10% after first anniversary of offer date;
- additional 20% after second anniversary of offer date;
- additional 20% after third anniversary of offer date;
- additional 25% after fourth anniversary of offer date;
- additional 25% after fifth anniversary of offer date;

The options not exercised lapse by the seventh anniversary of the offer date.

Participants of the Exxaro and Kumba Iron Ore Management Share Option schemes exchanged each of their Kumba Resources options for an Exxaro option and a Kumba Iron Ore option. The strike price of each Kumba Resources option was apportioned between the Exxaro option and the Kumba Iron Ore option with reference to the volume weighted average price (VWAP) at which Exxaro and Kumba Iron Ore traded for the first 22 days post the implementation of the empowerment transaction. The VWAP was calculated as 32,81% for Exxaro and 67,19% for Kumba Iron Ore.

The Exxaro employees' options in the Exxaro Management Share Option schemes are released on the dates that the original options would have vested.

Their options relating to Kumba Iron Ore are released on the earlier of:

- the date that the original options would have vested; or
- 24 months from the date of unbundling.

The Kumba Iron Ore options held by Exxaro employees lapse 42 months after the date of unbundling.

The same periods apply to Kumba Iron Ore employees' options in Exxaro.

### 31. EMPLOYEE BENEFITS (continued)

According to the rules of the Long-term Incentive Plan (LTIP) executive directors and senior employees of Exxaro Resources and its subsidiaries are awarded rights to a number of ordinary Exxaro shares. The vesting of the LTIP awards are conditional upon the achievement of group performance levels (established by the Transformation, Remuneration, Human Resources and Nomination committee of the Board) over a performance period of three years. The extent to which the performance conditions are met governs the number of shares that vest. The performance conditions set for the initial grant were as follows:

- the total shareholder return (TSR) condition: the Exxaro TSR will be compared to the TSR of a peer group over the three-year performance period, averaged over a six-month period. The peer group comprises of at least 16 members.
- the return on capital employed (ROCE) condition: the ROCE measure is a return on capital employed measure with a number of adjustments.

Targets are set by the committee based on existing ROCE performance in the base year of an LTIP and planned ROCE performance in the final year of the LTIP performance period.

Kumba, at its election, would have settled the conditional awards by issuing new shares or by instructing any third party to acquire and deliver the shares to the participants. Kumba however, elected to collapse the scheme before the implementation of the empowerment transaction, since it would have been difficult to firstly measure the performance post the unbundling and also to take into account that employees of both Exxaro and Kumba Iron Ore needed to be compensated for accrued/vested benefits up to the date of the unbundling.

The extent to which the conditions were satisfied up to the date of the unbundling, determined the number of shares deemed to vest for each participant. The cash settlement amount payable to each participant was determined by multiplying the number of shares deemed to vest in each participant by the 30-day VWAP of Kumba Resources shares as at the last practicable date prior to the posting of the transaction documentation to Kumba shareholders.

According to the Deferred Bonus Plan (DBP) rules, executive directors and senior employees of Kumba and its subsidiaries had the opportunity to acquire shares (pledged shares) on the open market with 50% of the after tax component of their annual bonus. After the pledged shares have been acquired, the shares are held by an escrow agent for the absolute benefit of the participant for a pledge period of three years.

A participant may at its election dispose of and withdraw the pledged shares from escrow at any stage. However, if the pledged shares are withdrawn from escrow, before the expiry of the pledge period, the participant forfeits the matching award. The participant will qualify for a matching award at the end of the pledge period on condition that the participant is still employed and the pledged shares are still in escrow. The matching award entitles a participant to a number of shares equal in value to the pledged shares. Upon vesting, the pledged shares and the matching award are transferred and released to the participant and rank *pari passu* in all respects with the existing issued shares of Exxaro.

The company may settle the matching award by issuing new shares or alternatively, instruct any third party to acquire and deliver the shares to the participant. The scheme was also collapsed before the implementation of the empowerment transaction. Participants received 6 012 matching shares in total.

After the collapse of Kumba's LTIP and DBP schemes, Exxaro Resources awarded and will in future award rights in accordance to the rules of the new schemes.

As a result of restrictions related to the empowerment transaction of Kumba Resources, certain executives and senior managers who participated in the Kumba Resources Management Share Option Scheme were not able to receive certain grants of options which would normally have been made in the ordinary course of operations. The Human Resources and Remuneration Committee of Kumba consequently awarded "phantom options" to the affected participants within the following framework:

- awards of "phantom options" were made, with the grant price, vesting dates, and lapse periods set to be the same as those of the options awardable;
- on exercise, the participants are paid (in cash) the difference between the market price (volume weighted average price on the day preceding exercise) and the grant price;
- all other rules and arrangements in respect of the amended Kumba Resources Management Share Option Scheme were replicated for the Kumba Resources Phantom Share Option Scheme;
- the Kumba Resources Phantom Share Option Scheme was replicated for Kumba Iron Ore;
- Exxaro and Kumba Iron Ore entered into an agreement that facilitates the settlement of obligations towards participants of the Phantom Option Schemes.

Accounting costs for Exxaro and Kumba Iron Ore Phantom Option Schemes require recognition under IFRS 2 *Share-based Payment* using the treatment for cash-settled share-based payments. This treatment is more volatile than that of the conventional (equity-settled) scheme and the liability will require marking to market at each reporting period. Under the above scheme 98 140 shares are outstanding at 2007 and 2006.

# notes to the annual financial statements continued

for the year ended 31 December 2007

## 31. EMPLOYEE BENEFITS (continued)

Exxaro made the first annual grant in the Share Appreciation Right Scheme (SARS) to participants in 2007, as well as new appointments. Under the rules of the scheme, participants obtain the right to receive a number of Exxaro shares to the value of the difference between the exercise price and the grant (or offer) price.

The performance period's first review is on 1 March 2010 when the rights will vest if Exxaro's headline earnings per share (HEPS) increased by a minimum of CPI plus six percent in the three years. In 2011 and 2012 the minimum increase in HEPS to achieve is CPI plus eight percent and CPI plus 10% respectively. The committee has the discretion to determine the settlement method, being shares or cash.

Exxaro also created an Employee Empowerment Participation Scheme (MPOWER) whereby employees in junior levels are given the opportunity to share in the growth of the company. Employees are awarded share units which entitle them to dividends of Exxaro in the five-year period ending November 2011. By the end of the five-year period or capital appreciation period, the units that employee beneficiaries hold in the Trust, will be sold. The capital distribution is the profit that is made on the share units after it is sold, and the outstanding loan (used to buy the shares) to Exxaro is settled.

Exxaro will be limited to issuing a maximum of 30 million shares, which amounts to approximately 10% of the number of issued shares as at the date of the general meeting where approval was given. Notwithstanding the foregoing, Exxaro may on instruction of the Exxaro board and the Transformation, Remuneration, Human Resources and Nomination Committee, and as a fallback provision only, pay any Exxaro employee participating in the share incentive plans an equivalent amount in cash in lieu of any Exxaro shares.

The maximum number of Exxaro shares to which any one eligible participant is entitled in total in respect of all schemes albeit by the way of an allotment and issue of Exxaro shares and/or the grant of options shall not exceed one percent of the shares then in issue in the share capital of Exxaro.

As at 31 December 2007, the maximum number of shares approved and allocated by shareholders for the purposes of the schemes (30 million) represent 8,5% of the issued shares. Of the total of 30 million shares, 21,1 million shares are available in the share scheme for future offers to participants, while 8,9 million shares (2,5% of the issued shares) are allocated as options, LTIP, DBP, deferred purchase shares, or SARS to participants.

Details are as follows:

	Million
Number of shares approved by shareholders	30,0
Options, LTIP, DBP, Deferred purchase instruments and SARS held by Exxaro employees/participants	(7,0)
Options and Deferred purchase instruments held by Kumba Iron Ore employees/participants	(1,9)
	<u>21,1</u>

At 31 December 2007 the company's loan from the Kumba Resources Management Share Trust amounted to R67 142 835 (2006: R96 741 038). The loan is interest free and has no fixed repayment terms. This amount is reflected as an inter company loan in the company's accounts and eliminated at group level.

The market value of the shares available for utilisation at the end of the year amounted to R2 188 055 019 (2006: R1 605 933 336).

Details of the schemes and plans are:

	Options			
	Exxaro employees		Kumba Iron Ore employees	
	December 2007 '000	December 2006 '000	December 2007 '000	December 2006 '000
Outstanding at beginning of year	6 451	13 923	2 258	
Issued		2 632		
Transferred to Kumba Iron Ore <sup>1</sup>	(333)	(2 264)	333	2 264
Transferred from Kumba Iron Ore <sup>2</sup>	102		(102)	
Adjustments	10		9	
Exercised	(1 044)	(7 432)	(569)	(6)
Lapsed/cancelled <sup>3</sup>	(116)	(408)	(60)	
Outstanding at end of year	5 070	6 451	1 869	2 258

<sup>1</sup>Exercise price range for transferred to Kumba Iron Ore: R8,48 – R42,32 (2006: R7,85 – R97,74).

<sup>2</sup>Exercise price range for transferred from Kumba Iron Ore: R8,48 – R33,47 (2006: R0).

<sup>3</sup>Exercise price range for lapsed/cancelled options: R8,48 – R60,60 (2006: R14,09 – R102,00).

### 31. EMPLOYEE BENEFITS (continued)

	Deferred Purchase			
	Exxaro employees		Kumba Iron Ore employees	
	December 2007	December 2006	December 2007	December 2006
Outstanding at beginning of year	6 560	96 520	820	
Transferred to Kumba Iron Ore		(820)		820
Exercised	(1 360)	(89 140)	(420)	
Outstanding at end of year	5 200	6 560	400	820

	Deferred Bonus Plan		Long-term Incentive Plan <sup>1</sup>	
	December 2007 '000	December 2006 '000	December 2007 '000	December 2006 '000
Outstanding at beginning of year		1		216
Issued	2	4	491	14
Exercised		(5)		(217)
Lapsed/cancelled <sup>4</sup>			(10)	(13)
Outstanding at end of year	2		481	

<sup>1</sup>There is no amount payable by participants on vesting. They will be awarded rights to ordinary shares in the company.

	Phantom scheme		SARS	
	December 2007 '000	December 2006 '000	December 2007 '000	December 2006 '000
Outstanding at beginning of year	98			
Issued		217	1,453	
Exercised		(119)		
Lapsed/cancelled			(31)	
Outstanding at end of year	98	98	1,422	

	Options		Long-term Incentive Plan	
	December 2007	December 2006	December 2007	December 2006
Details of issues during the period are as follows:				
Expiry date		2010/2013	2009	2010/2013
Exercise price (Share price range) (R)		58,20 – 145,47	60,60 – 72,84	62,74 – 144,39
Total proceeds if options are immediately exercised/deferred purchase shares immediately paid (R million)		295,6	29,9	1,5

	Deferred Bonus Plan		Deferred Purchase	
	December 2007	December 2006	December 2007	December 2006
Expiry date	2009	2010/2013		
Exercise price (Share price range) (R)	86,45	125,06 – 128,15		
Total proceeds if options are immediately exercised/deferred purchase shares immediately paid (R million)	0,2	0,5		

	Phantom scheme		SARS	
	December 2007	December 2006	December 2007	December 2006
Expiry date		2012	2014	
Exercise price per share (Share price range) (R)		56,00 – 100,10	58,33 – 87,22	
Total proceeds if options are immediately exercised/deferred purchase shares immediately paid (R million)			88,4	



# notes to the annual financial statements continued

for the year ended 31 December 2007

## 31. EMPLOYEE BENEFITS (continued)

Details of options/deferred purchase shares exercised during the year are as follows:

	Options		Long-term Incentive Plan	
	December 2007	December 2006	December 2007	December 2006
Exercise price per share (Share price range) (R)				
– Kumba Resources employees (pre-unbundling)		100,80 – 159,00		131,45
– Exxaro employees in Exxaro (post-unbundling)	51,74 – 110,00	54,40 – 55,00		
– Exxaro employees in Kumba Iron Ore (post-unbundling)	109,90 – 300,00	108,80 – 111,00		
– Kumba Iron Ore employees in Exxaro (post-unbundling)	53,15 – 108,03	54,50 – 54,99		
Total proceeds if shares are issued (R million)	325,1	791,8		34,0
	Deferred Bonus Plan		Deferred Purchase	
	December 2007	December 2006	December 2007	December 2006
Exercise price per share (Share price range) (R)			65,00	54,40 – 159,00
Total proceeds if shares are issued (R million)			0,1	8,6
	Phantom scheme		SARS	
	December 2007	December 2006	December 2007	December 2006
Exercise price per share (Share price range) (R)		56,00 – 64,80		

Terms of the options and deferred purchase shares outstanding at 31 December 2007 are as follows:

### Share options held by Exxaro employees in Exxaro:

	Expiry date	Options		Long-term Incentive Plan	
		Exercise price R	Outstanding '000	Exercise price R	Outstanding '000
	2008	8,48 – 20,34	697		
	2009	9,48 – 20,34	409	60,60 – 72,84	481
	2010	7,52 – 19,62	194		
	2011	11,09 – 14,78	941		
	2012	13,72 – 32,84	1 378		
	2013	33,47 – 47,73	1 451		
<b>TOTAL</b>			5 070		481
<b>Total proceeds if shares are issued (R million)</b>			112,7		29,6
	Expiry date	Deferred Bonus Plan		Deferred Purchase	
		Exercise price R	Outstanding '000	Exercise price R	Outstanding
	2009		2	6,97 – 9,17	4,000
	2010			18,36 – 23,26	1,200
<b>TOTAL</b>			2		5,200
<b>Total proceeds if shares are issued (R million)</b>			0,2		0,1

### 31. EMPLOYEE BENEFITS (continued)

Share options held by Exxaro employees in Exxaro: (continued)

Expiry date	SARS		Phantom scheme	
	Exercise price R	Outstanding '000	Exercise price R	Outstanding '000
2012			59,80 – 100,10	98
2014	58,33 – 87,22	1 422		
<b>TOTAL</b>		<b>1 422</b>		<b>98</b>
Total proceeds if shares are issued (R million)		87,9		

Share options held by Exxaro employees in Kumba Iron Ore:

Expiry date	Options	
	Exercise price R	Outstanding '000
2008	17,37 – 41,66	517
2009	19,42 – 41,66	338
2010	11,11 – 97,74	3 877
<b>TOTAL</b>		<b>4 732</b>
Total proceeds if shares are issued (R million)		222,4

Share options held by Kumba Iron Ore employees in Exxaro:

Expiry date	Options		Deferred Purchase	
	Exercise price R	Outstanding '000	Exercise price R	Outstanding
2008	8,48 – 19,93	159		
2009	3,84 – 16,11	207		
2010	6,91 – 47,73	1 503	21,06	400
<b>TOTAL</b>		<b>1 869</b>		<b>400</b>
Total proceeds if shares are issued (R million)		42,4		

# notes to the annual financial statements continued

for the year ended 31 December 2007

## 31. EMPLOYEE BENEFITS (continued)

The exercise prices of the options held by Exxaro employees in Exxaro and Kumba Iron Ore respectively at 31 December 2007, have been recalculated with reference to the VWAP split of 32,81% for Exxaro and 67,19% for Kumba Iron Ore. The last date for exercising these options is 2 May 2010.

Terms of the options and deferred purchase shares outstanding at 31 December 2006 are as follows:

### Share options held by Exxaro employees in Exxaro:

Expiry date	Options		Deferred Purchase	
	Exercise price R	Outstanding '000	Exercise price R	Outstanding
2007	3,86	29		
2008	5,67 – 9,20	1 025	17,31	1 360
2009	9,48 – 15,49	624	6,97 – 9,17	4 000
2010	4,49 – 12,31	287	18,36 – 23,26	1 200
2011	11,09 – 15,50	1 287		
2012	13,72 – 32,84	1 641		
2013	33,47 – 47,73	1 558		
<b>TOTAL</b>		6 451		6 560
Total proceeds if shares are issued (R million)		138,1		0,1

Expiry date	Phantom scheme	
	Exercise price R	Outstanding '000
2012	59,80 – 100,10	98
<b>TOTAL</b>		98
Total proceeds if shares are issued (R million)		

### Share options held by Exxaro employees in Kumba Iron Ore:

Expiry date	Options	
	Exercise price R	Outstanding '000
2007	7,89	29
2008	17,37 – 41,66	1 006
2009	6,97 – 41,66	609
2010	7,80 – 97,74	4 834
<b>TOTAL</b>		6 478
Total proceeds if shares are issued (R million)		273

### Share options held by Kumba Iron Ore employees in Exxaro:

Expiry date	Options		Deferred Purchase	
	Exercise price R	Outstanding '000	Exercise price R	Outstanding
2007	3,86	10		
2008	8,48 – 9,20	424		
2009	3,84 – 16,11	265		
2010	6,91 – 47,73	1 559	21,06 – 23,06	820
<b>TOTAL</b>		2 258		820
Total proceeds if shares are issued (R million)		47,7		

### 31. EMPLOYEE BENEFITS (continued)

#### Share options held by Kumba Iron Ore employees in Exxaro:

	Options		Deferred Purchase	
	December 2007	December 2006	December 2007	December 2006
Details of options vested but not sold during the year are as follows:				
Kumba Resources employees (pre-unbundling)				
Number of shares		2 395 280		6 370
Exercise price (Share price range) (R)		6,97 – 145,47		9,70 – 18,36
Exxaro employees in Exxaro (post-unbundling)				
Number of shares	1 559 130	1 665 160		
Exercise price (Share price range) (R)	3,86 – 47,73	3,86 – 33,47		
Exxaro employees in Kumba Iron Ore (post-unbundling)				
Number of shares	1 221 160	1 623 730		
Exercise price (Share price range) (R)	15,38 – 97,74	7,89 – 67,26		
Kumba Iron Ore employees in Exxaro (post-unbundling)				
Number of shares	570,070	667,260		
Exercise price (Share price range) (R)	3,84 – 47,73	3,84 – 32,84		

	Options '000	Long-term Incentive Plan '000	Deferred Bonus Plan '000	Deferred Purchase '000	SARS '000	Total '000
Exxaro shares/options only						
Number of shares vesting at beginning of year	8 710			7		8 717
– Exxaro employees in Exxaro	6 451			7		6 458
– Kumba Iron Ore employees in Exxaro	2 259					2 259
Net change during year	(1 771)	481	2	(2)	1 422	132
Number of shares vesting at end of year	6 939	481	2	5	1 422	8 849
– Exxaro employees in Exxaro	5 070	481	2	5	1 422	6 980
– Kumba Iron Ore employees in Exxaro	1 869					1 869

#### Directors' interests in shares

For details refer to the report of the directors.

# notes to the annual financial statements continued

for the year ended 31 December 2007

## 31. EMPLOYEE BENEFITS (continued)

### Fair value of equity-settled share-based payment transactions with employees

The group applies IFRS 2 to grants of shares, share options or other equity instruments that are granted.

In determining the fair value of services received as consideration for equity instruments, measurement is referenced to the fair value of the equity instruments granted.

The group applied the transitional provisions of IFRS 2 and applied the principles to grants that were granted after 7 November 2002.

Kumba Resources listed on 26 November 2001 and the volatility of its share price since then has been used to determine the calculations.

The changes to the schemes brought about by the empowerment transaction were treated as a modification. The services received were measured at the grant date fair value of the original equity instruments granted. Any incremental increase in the fair value of the equity instruments granted is recognised over the revised vesting period.

The fair value of the options issued under the Management Share Option Scheme was determined immediately before and after the modification using the Black-Scholes option pricing model.

The weighted average incremental fair value granted per option at the original strike price as a result of the modification amounted to R12,55 while the incremental fair value for a re-priced option amounted to R14,93.

As discussed above, the LTIP and DBP have been collapsed before the implementation of the empowerment transaction. 415 884 shares were granted and settled in cash in terms of the rules of the scheme and approved by the Transformation, Remuneration, Human Resources and Nomination Committee of the board.

A volume weighted average price of R131,45 per share was used and the total amount paid out amounted to R34 million.

	2007		Before unbundling	2006	
	After unbundling Exxaro	Kumba Iron Ore		After unbundling Exxaro	Kumba Iron Ore
The Black-Scholes methodology is used to calculate the fair value of options granted to employees.					
The inputs to the model are as follows:					
Share price (R)	49	110,00	142,00	49	110,00
Weighted average exercise price range					
– original strike price (R)	34,76	71,18	105,94	34,76	71,18
– re-priced strike price (R)	13	26,86	39,98	13	26,86
Annualised expected volatility (%)	37,90	37,90	37,90	37,90	37,90
Option life (years) (weighted average)	3,11	3,08	3,10	3,11	3,08
Dividend yield (%)	4	4	4	4	4
Risk-free interest rate (%)					
(weighted average)	8,26	8,26	8,26	8,26	8,26
Expected employee attrition (%)	6,69	6,69	9,42	9,42	9,42

The Black-Scholes methodology is used to calculate the fair value of Share Appreciation Rights (SARs) granted to employees.

	SARs vesting in 3 years	SARs vesting in 4 years	SARs vesting in 5 years
The inputs to the model are as follows:			
Share price (R)	61,24	61,24	61,24
Weighted average exercise price range (R)	60,60	60,60	60,60
Annualised expected volatility (%)	36,78	36,78	36,78
Option life (years) (weighted average)	5	5,5	6
Dividend yield (%)	2,98	3,13	3,08
Risk-free interest rate (%) (weighted average)	7,70	7,64	7,64
Expected employee attrition (%)	6,69	6,69	6,69

### 31. EMPLOYEE BENEFITS (continued)

#### Fair value of equity-settled share-based payment transactions with employees

The Monte Carlo valuation methodology is used to calculate the fair value of LTIP, DBP and MPOWER grants to employees.

The inputs to the LTIP model for 2007 are as follows:

Date of grant	28/2/2007
Share price at grant date (R)	61,24
Risk-free rate (%)	7,68
Dividend yield (%)	2,63
Expected volatility (%)	34,88
Time to vesting	three years from date of grant
Expected employee attrition (%)	5,54

The inputs to the DBP model for 2007 are as follows:

Date of grant	28/2/2007
Share price at grant date (R)	86,45
Risk-free rate (%)	8,50
Dividend yield (%)	3,15
Time to vesting	three years from date of grant
Expected employee attrition (%)	4,45

The inputs to the MPower model for 2007 are as follows:

Date of grant	31/1/2007
Share price at grant date (R)	71,00
Risk-free rate (%)	8,20
Dividend yield (%)	3,00
Expected volatility (%)	37,0
Vest date	28/11/2011
Vesting probability (%)	100,0

The inputs to the Phantom scheme for 2007 are as follows:

Date of grant	22/4/2005 – 1/12/2005
Share price at grant date (R)	18,37 – 32,84
Risk-free rate (%)	8,54 – 8,70
Dividend yield (%)	4,12
Expected volatility (%)	34,24
Time to vesting	Mainly over five years in tranches
Vesting probability (%)	100,0

## notes to the annual financial statements continued

for the year ended 31 December 2007

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
<b>32. CONTINGENT LIABILITIES</b>				
Contingent liabilities at balance sheet date, not otherwise provided for in these annual financial statements, arising from:				
– guarantees in the normal course of business from which it is anticipated that no material liabilities will arise	165	83	1	1
– other <sup>1</sup>	36	17		

<sup>1</sup>Includes the group's share of contingent liabilities of associates and joint ventures of R22 million (2006: R5 million).

These contingent liabilities have no tax impact.

The timing and occurrence of any possible outflows are uncertain.

### 33. COMMITMENTS

#### Capital commitments at balance sheet date

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
Capital expenditure contracted for plant and equipment	450	842	33	60
Capital expenditure authorised for plant and equipment but not contracted	1 278	732	24	5
The above includes the group's share of capital commitments of associates and joint ventures.	157	521		
Capital expenditure will be financed from available cash resources, funds generated from operations and available borrowing capacity.				
Capital expenditure contracted relating to captive mines Tshikondeni, Arnot and Matla, which will be financed by ArcelorMittal (SA) Limited and Eskom respectively.	72	8		

### 33. COMMITMENTS (continued)

#### Capital commitments at balance sheet date (continued)

A trust known as The New Africa Mining Fund was established during 2003 to make portfolio investments in junior mining projects within the Republic of South Africa and elsewhere on the continent of Africa. Exxaro Resources, as an investor participant to the fund, has committed to contribute R20 million towards the fund. The Fund Manager can draw down this balance or any portion as and when required, by serving a 10-day notice to Exxaro. The commitment period commenced on 1 March 2003 and expires on 28 February 2009. Exxaro has contributed R9 million towards the fund since March 2003. The fair value of the trust fund on 31 December 2006 was R12,9 million. During 2007 the New Africa Mining Fund distributed R12 million back to Exxaro, the book value of the investment in the fund at 31 December 2007 is R1,8 million.

On 19 January 2007 Exxaro announced that, pursuant to the empowerment transaction, it had exercised the options to acquire the Namakwa Sands mineral sands operation and a 26% interest in a company to be formed to hold the Black Mountain lead-zinc mine and the Gamsberg zinc project. Shareholders approval for the acquisition have since been obtained with assumption of operational control now only subject to conversion of mining rights and cession thereof to Exxaro. The value of the transaction is estimated at R2 353 million.

	GROUP		COMPANY	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
<b>Operating lease commitments</b>				
The future minimum lease payments under non-cancellable operating leases are as follows:				
– less than one year	70	54	46	37
– more than one year and less than five years	48	64	8	43
– more than five years	8	6		
<b>Total</b>	<b>126</b>	<b>124</b>	<b>54</b>	<b>80</b>
Included in above operating lease commitments is an operating lease commitment relating to a building, which terminates in 2008.				
Various options are available to both the lessor and lessee on mutual agreement on termination of the operating lease.				
Exxaro received R20 million from Sishen Iron Ore Company as part of their commitment to the building lease which has been terminated.				
This is included in operating sublease rentals received.				
<b>Operating sublease</b>				
Non-cancellable operating lease rentals are receivable as follows:				
– less than one year	1	2		
– more than one year and less than five years		5		
– more than five years		3		
<b>Total</b>	<b>1</b>	<b>10</b>		



# annexure 1

## non-current interest-bearing borrowings

	Final repayment date	Rate of interest per year (payable half-yearly)		Rate of interest per year (payable half-yearly)		GROUP		COMPANY		
		2007		2006		2007 Rm	2006 Rm	2007 Rm	2006 Rm	
		Fixed %	Floating %	Fixed %	Floating %					
LOCAL										
Unsecured loans										
	2009		6,890		1	151				
	2012		12,360			300		300		
	2013		12,460		10,200	150	405	150		405
	2016		12,300		10,020	80	25			
						681	430	450		405
LOCAL										
Secured loan										
	2008				10,520	2	10			
	2011	12,130		12,130		3	4			
	2011	17,490		17,490		4	2			
	2012	11,420		11,420		5	2			
	2013			19,840		6	4			
	2013	13,540		13,540		7	12			
	2025	8,330		8,330		8	26			
	2026	10,710		10,710		9	13			
	2031	22,200		22,200		10	78			
	2032	32,930		32,930		11	96			
						242	247			

	Final repayment date	Rate of interest per year (payable half-yearly)		Rate of interest per year (payable half-yearly)		GROUP		COMPANY		
		2007		2006		2007 Rm	2006 Rm	2007 Rm	2006 Rm	
		Fixed %	Floating %	Fixed %	Floating %					
FOREIGN										
Unsecured loans (US\$)										
	2016	6,640		6,640	7,440	12	408	535		
							408	535		
FOREIGN										
Secured loan (AU\$)										
	2010	7,850		7,850		13	2	2		
							2	2		
Total non-current interest-bearing borrowings (refer note 22)							1 333	1 214	450	405

<sup>1</sup> The interest is based on US PPI and is settled in rands based on the US\$/ZAR exchange rate. The PPI NACS on 31 December 2007 was 6,89%.

<sup>2</sup> Finance lease agreement in respect of machinery and equipment with a book value of nil (2006: R4 million).

**Finance leases recognised due to IFRIC 4 Determining whether an Agreement contains a Lease:**

<sup>3</sup> Finance lease agreement between Exxaro Sands (Pty) Limited and Mhlathuze Water in respect of a plant with a book value of R2 million (2006: R3 million).

<sup>4</sup> Finance lease agreement between FerroAlloys (Pty) Limited and African Oxygen Limited (Afrox) in respect of machinery and equipment with a book value of nil (2006: R1 million).

<sup>5</sup> Finance lease agreement between Exxaro Sands (Pty) Limited and Eskom in respect of buildings with a book value of R1 million (2006: R1 million).

<sup>6</sup> Finance lease agreement between Exxaro Base Metals (Pty) Limited and Thuthuka Project Managers in respect of plant with a book value of nil (2006: R3 million).

<sup>7</sup> Finance lease agreement between Exxaro TSA Sands (Pty) Limited and Air Products in respect of plant with a book value of R8 million (2006: R9 million).

<sup>8</sup> Finance lease agreement between Exxaro TSA Sands (Pty) Limited and Mhlathuze Water in respect of plant with a book value of R23 million (2006: R24 million).

<sup>9</sup> Finance lease agreement between Exxaro TSA Sands (Pty) Limited and Eskom in respect of buildings with a book value of R14 million (2006: R15 million).

<sup>10</sup> Finance lease agreement between Exxaro Sands (Pty) Limited and Kusasa Bulk Terminals (Phase 1) in respect of plant with a book value of R47 million (2006: R49 million).

<sup>11</sup> Finance lease agreement between Exxaro Sands (Pty) Limited and Kusasa Bulk Terminals (Phase 2) in respect of plant with a book value of R51 million (2006: R53 million).

<sup>12</sup> US\$60 million senior notes issued by Tigor Finance (A.C.T.) Pty Limited, an entity controlled by Exxaro Australia Sands (Pty) Limited, and a syndicated loan facility of US\$60 million, of which US\$17 million was drawn on 31 December 2007.

<sup>13</sup> Finance lease agreements in respect of computer equipment with a book value of R1 million (2006: R2 million).

## annexure 2

### investments in associates, joint ventures and other investments

	Nature of business <sup>1</sup>	Country of incorporation <sup>2</sup>	Number of shares held	Percentage holding		Group carrying amount		Company carrying amount	
				2007 %	2006 %	2007 Rm	2006 Rm	2007 Rm	2006 Rm
ASSOCIATED COMPANIES									
Unlisted									
Chifeng Kumba Hongye Zinc Corporation Limited	A & M	CH	58 520 000	38,00	38,00	95	124		
Chifeng NFC Kumba Hongye Zinc Corporation Limited	A & M	CH	42 500 000	25,00	25,00	21	37		
Sishen Iron Ore Company (Pty) Limited	A	RSA	240 000 000	20,00	20,00	641	223		
Total associated companies (refer note 15)						757	384		
JOINT VENTURES									
Incorporated									
Unlisted									
RoshSkor Township (Pty) Limited	C	NAM	50	50,00	50,00				
South Dunes Coal Terminal Co. (Pty) Limited	A	RSA	1 333	33,33	33,33				
Thakweneng Mineral Resources (Pty) Limited	E	RSA	1	50,00	50,00				
Unincorporated									
Moranbah Coal Project	A			50,00					
Tiwest	A			50,00	50,00				
INVESTMENT COMPANIES									
Listed									
Mineral Deposits Limited	A	AUS	11 299 435		3,78		92		
Unlisted									
Other						328	93	2	34
Total other investments (refer note 17)						328	185	2	34
TOTAL INVESTMENTS						1 085	569	2	34
The investments are valued at balance sheet date. Listed shares are valued at market value and unlisted shares at directors' value.									
Unlisted investments in associates									
– directors' valuation						9 110	4 812		
Listed other investments									
– market value							92		
Unlisted other investments									
– directors' valuation						328	93		

<sup>1</sup>A – Mining, C – Service, E – Exploration, M – Manufacturing.

<sup>2</sup>RSA – Republic of South Africa, CH – People's Republic of China, HK – Hong Kong, NAM – Namibia, AUS – Australia

## annexure 2

### investments in associates, joint ventures and other investments (continued)

The group's effective share of balance sheet, income statement and cash flow items in respect of associated companies and joint ventures is as follows:

	Associated companies		Joint ventures	
	2007 Rm	2006 Rm	2007 Rm	2006 Rm
<b>INCOME STATEMENTS</b>				
<b>Revenue</b>	2 935	1 072	1 192	1 082
Operating expenses	(1 749)	(890)	(1 112)	(904)
<b>NET OPERATING PROFIT</b>	1 186	182	80	178
Net financing (costs)/income	(68)	(9)	6	10
<b>PROFIT BEFORE TAXATION</b>	1 118	173	86	188
Taxation	(356)	(47)	1	(1)
<b>PROFIT AFTER TAXATION</b>	762	126	87	187
<b>NET PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS</b>	762	126	87	187
<b>BALANCE SHEETS</b>				
<b>Non-current assets</b>	1 333	907	1 643	1 473
<b>Current assets</b>	898	840	1 120	1 092
<b>TOTAL ASSETS</b>	2 231	1 747	2 763	2 565
<b>Equity and liabilities</b>				
<b>EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT</b>	757	377	2 324	2 215
<b>Non-current liabilities</b>				
Interest-bearing borrowings	241	594	81	26
Non-current provisions	63	31	152	132
Deferred taxation and other	315	132	16	16
<b>Current liabilities</b>				
Interest-bearing borrowings	537	269	1	1
Other	318	344	189	175
<b>TOTAL EQUITY AND LIABILITIES</b>	2 231	1 747	2 763	2 565
<b>CASH FLOW STATEMENTS</b>				
Net cash flows from operating activities	498	(587)	258	235
Net cash flows from investing activities	(482)	(104)	(204)	(18)
Net cash flows from financing activities	(44)	861	(89)	(209)
Foreign currency translations	(15)	(13)	(31)	(11)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(43)	157	(66)	(3)

## annexure 3

### investment in subsidiaries<sup>1</sup>

	Country of incorporation <sup>2</sup>	Nature of business <sup>3</sup>	Issued capital-unlisted ordinary shares	Interest of company			
				Investment in shares		Indebtedness	
			R	2007 R	2006 R	2007 Rm	2006 Rm
DIRECT INVESTMENTS							
AlloyStream (Pty) Limited	RSA	M	1	1	1		
AlloyStream Holdings (Pty) Limited <sup>4</sup>	RSA	H	1	746 163		10	
Clipeus Investment Holdings (Pty) Limited	RSA	H	1	1	1		
Colonna Properties (Pty) Limited	RSA	B	200	2 518 966	2 518 966		
Cullinan Refractories Limited	RSA	A	1 000	1 000	1 000		
Exxaro Base Metals and Industrial Minerals Holdings (Pty) Limited	RSA	H	1	1	1		
Exxaro Base Metals (Pty) Limited	RSA	M	5 500 000	247 712 500	247 712 500	222	191
Exxaro Chairman's Fund	RSA	T					
Exxaro Coal (Pty) Limited	RSA	A	1	1 000	1 000	1 783	1 823
Exxaro Employee Empowerment Participation Scheme Trust	RSA	T					
Exxaro Environmental Rehabilitation Fund	RSA	T					
Exxaro FerroAlloys (Pty) Limited	RSA	M	1	1	1	(7)	(2)
Exxaro Foundation	RSA	T					
Exxaro Holdings (BVI) SA <sup>5</sup>	BVI & RSA	H	566 827	459 517 297	12 161 942	5	
Exxaro People Development Initiative	RSA	E					
Exxaro Properties (Groenkloof) (Pty) Limited	RSA	B	1	1	1		(2)
Exxaro Properties (Kloofzicht) (Pty) Limited	RSA	B	1	1	1		
Exxaro Properties (Princess Grant) (Pty) Limited	RSA	B	1	1	1		
Exxaro TSA Sands (Pty) Limited	RSA	M	510	510	510	2 205	2 154
Exxaro Sands (Pty) Limited	RSA	A	200	6 003 355	6 003 355	710	845
Ferroland Grondtrust (Pty) Limited	RSA	D	2	2	2		
Ferrosure (South Africa) Insurance Company Limited	RSA	I		10	10		
Glen Douglas Dolomite (Pty) Limited	RSA	A	10 000	10 000	10 000	4	(32)
Kumba Base Metals Namibia (Pty) Limited	NAM	C	1	1	1		
Kumba Resources Management Share Trust	RSA	T				(67)	(97)
Merrill Lynch Insurance PCC Limited	ILE	I		2	2		
Mineral Exploration Company of Southern Africa (Pty) Limited	RSA	B	200	200	200		
Rocsi Holdings (BVI) Limited	BVI & RSA	H	647 044 943	653 722 945	1 101 078 300	(40)	255
Ticor (Bermuda) Holdings Limited	BER	H	74 836	143 502 000	143 502 000		
INDIRECT INVESTMENTS							
Bertini Pty Limited <sup>6</sup>	AUS	C	10				
Coastal Coal (Pty) Limited	RSA	A	5 000			(63)	(73)
Crisa Pty Limited <sup>6</sup>	AUS	C	10				
Exxaro Australia Pty Limited	AUS	C	11			(1)	
Exxaro Australia Sands Pty Limited	AUS	A	2 038 299 354			1	(164)
Exxaro Base Metals (Namibia) (Pty) Limited	NAM	H	100				(1)
Exxaro Base Metals China Limited	HK	C	1 354				
Exxaro Base Metals International BV	NE	A	119 209				(68)
Exxaro Coke (Pty) Limited	RSA	M	1				
Exxaro Finance Ireland	IRL	C	893 656 391				

	Country of incorporation <sup>2</sup>	Nature of business <sup>3</sup>	Issued capital-unlisted ordinary shares	Interest of company			
				Investment in shares		Indebtedness	
			R	2007 R	2006 R	2007 Rm	2006 Rm
INDIRECT INVESTMENTS (continued)							
Exxaro Mineral Sands BV <sup>7</sup>	NE	A	134 973				
Exxaro Holdings (Australia) Pty Limited	AUS	H	5				
Exxaro Holdings Sands (Pty) Limited	RSA	H	40 000				
Exxaro International BV	NE	H	662 037				
Exxaro International Trading BV	NE	C	172 866				
Exxaro International Coal Trading BV	NE	C	172 866				
Exxaro Investments (Australia) Pty Limited	AUS	H	5				
Exxaro Reductants (Pty) Limited <sup>6</sup>	RSA	M	1				
Exxaro Sands Holdings BV	NE	H	169 999				
Eyesizwe Coal (Pty) Limited	RSA	A	100 000			21	148
Inyanda Coal (Pty) Limited	RSA	A	1 000				
Magnetic Minerals Pty Limited	AUS	A	31 740 964				
Omacor Sac	PERU	C	10				
Oreco Leasing Limited	MAU	F	1				
Pigment Holdings Pty Limited	AUS	C	10				
Rocit Investments (Pty) Limited	RSA	H	1 000				
Rosh Pinah Mine Holdings (Pty) Limited	NAM	H	1 000				
Rosh Pinah Zinc Corporation (Pty) Limited (93,9%)	NAM	A	2 280			5	(1)
Senbar Holdings Pty Limited	AUS	C	10				
Synthetic Rutile Holdings Pty Limited	AUS	C	10				
The Durban Navigation Collieries (Pty) Limited <sup>6</sup>	RSA	A	516 000				
The Vryheid (Natal) Railway Coal and Iron Company Limited	RSA	A	3 675				
Ticor (Bermuda) Minerals Limited	BER	H	74 836				
Ticor (Overseas) Holdings Pty Limited	AUS	H	10				
Ticor Chemical Company Pty Limited	AUS	M	10				
Ticor Chemicals Ghana Pty Limited	GHANA	C	10				
Ticor Energy Pty Limited	AUS	F	10				
Ticor Finance (A.C.T.) Pty Limited	AUS	F	10				
Ticor Resources Pty Limited	AUS	H	8 111 062				
Ticor Titanium Australia Pty Limited	AUS	H	10				
Tific Pty Limited	AUS	H	10				
TiO2 Corporation NL	AUS	A	85 101 240				
Yalgoo Minerals Pty Limited	AUS	H	48 216 010				
TOTAL INVESTMENTS IN SUBSIDIARIES (refer note 16)				1 513 735 958	1 512 989 795	4 788	4 976

<sup>1</sup> At 100% holding except where otherwise indicated

<sup>2</sup> RSA – Republic of South Africa, AUS – Australia, NAM – Namibia, HK – Hong Kong, BVI – British Virgin Islands, ILE – Ilse of Man, IRL – Ireland, MAU – Mauritius, NE – Netherlands, BER – Bermuda

<sup>3</sup> A – Mining, B – Property, C – Service, D – Land management, E – Section 21 company, F – Finance, H – Holdings, I – Insurance, M – Manufacturing, T – Trust,

<sup>4</sup> Ipcor NV was converted into a South African company as AlloyStream Holdings (Pty) Limited

<sup>5</sup> Previously Kumba Holdings (BVI) SA

<sup>6</sup> Deregistered during 2007

<sup>7</sup> Previously Exxaro Heavy Minerals BV

# 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 Bevcen 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](http://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](http://www.adrbny.com)  
[shareowners@bankofny.com](mailto: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 Viljoen  
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

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