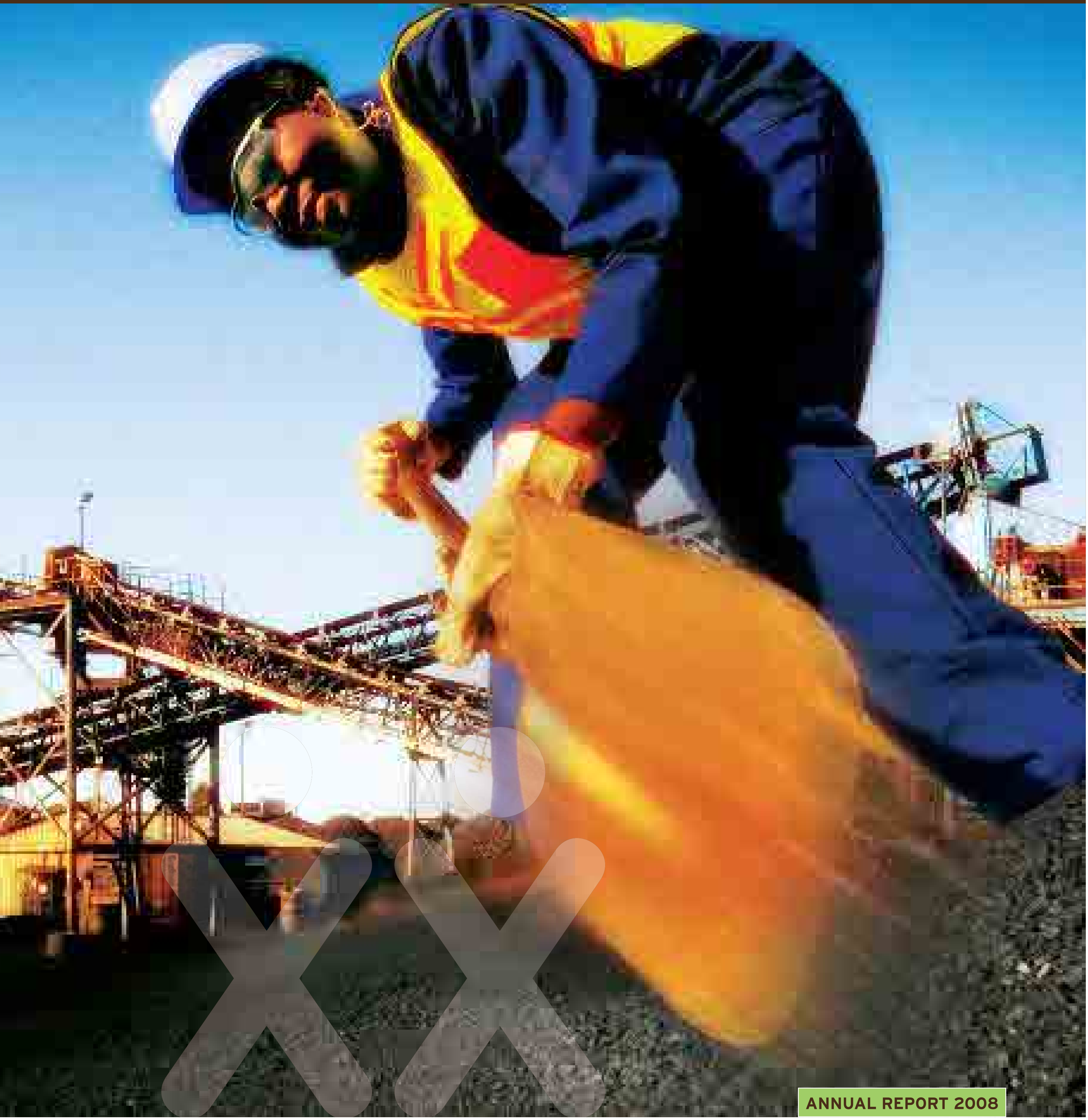
exxaro

POWERING POSSIBILITY



ANNUAL REPORT 2008

WHAT DRIVES EXXARO

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.

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.

COVER PICTURE: Safety: Plant operator Eric Mashaba is part of the team at North Block Complex mine which was named best-performing coal mine in South Africa by the South African Colliery Managers' Association in recognition of 26 years of fatality-free shifts (page 13).

Profitability: The performance turnaround of KZN Sands was assisted by mineral sands technology expertise acquired with the Namakwa Sands transaction.

THE EXXARO GROUP

With assets of R23 billion, Exxaro is one of the top 40 companies on the JSE Limited (JSE) by market capitalisation, and a constituent of the JSE's Socially Responsible Investment index.

Exxaro is a diverse mineral resources group – with a portfolio spanning coal, mineral sands, base metals and iron ore – and operates in South Africa, Australia and Namibia. Reflecting the benefits of this diverse portfolio, Exxaro has an unfolding pipeline of growth projects that is arguably among the best in its peer group.

The group's strong positioning in each of its chosen commodity markets, locally or internationally, record of innovation and focus on sustainable development underpin its promise to change the face of mining.

ABOUT THIS REPORT

Guided by consultation with stakeholders, Exxaro produces an integrated annual report detailing our economic, social and environmental performance. Following feedback on earlier reports, we have repositioned all content relating to sustainable development in a dedicated section. So, while sustainable development is inextricably woven through our operations and our reporting, interested readers will find all the information required in the governance and sustainability section.

In addition, case studies that illustrate our approach are available on our website and indicated in this report by for ease of reference.

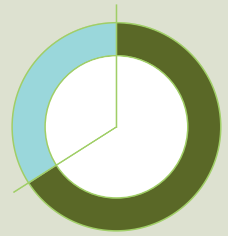
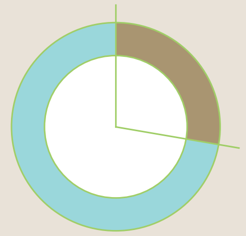
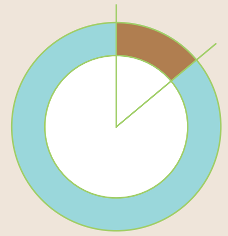
To facilitate discussion with stakeholders on Exxaro's corporate reporting, particularly this annual report, a blog will be run during April 2009.

You are invited to participate on www.exxaro.com

www.exxaro.com

CONTENTS

GROUP AT A GLANCE

BUSINESSES		2008 COMPARABLE CONTRIBUTION TO GROUP REVENUE	OPERATIONS	REGIONAL LOCATION	OWNERSHIP	PRODUCTS	SALES FOR 12 MONTHS TO DECEMBER 2008 000 TONNES	 % EXPORTS
Coal	Eight managed coal mines produce 44,8Mtpa of power station, steam and coking coal. All power station coal produced is supplied to the national power utility, Eskom. Grootegeluk is one of the most efficient mining operations in the world, and operates the world's largest coal beneficiation complex. There is a strong pipeline of greenfield and expansion projects under way that will culminate in Exxaro becoming one of the largest coal producers in South Africa.	**60%** R9 040 million 	Grootegeluk mine	Limpopo	Division of Exxaro Coal (Pty) Limited	Power station coal (Eskom) Semi-soft coking coal Steam coal	14 374 2 172 1 482	 15 19
			Leeuwpan mine	Mpumalanga	Division of Exxaro Coal (Pty) Limited	Power station coal (Eskom) Steam coal	1 216 1 605	 24
			Tshikondeni mine	Limpopo	Division of Exxaro Coal (Pty) Limited	Coking coal (ArcelorMittal)	352	
			Mafube coal[1]	Mpumalanga	Division of Exxaro Coal (Pty) Limited	Steam coal	639	100
			Inyanda mine	Mpumalanga	Division of Exxaro Coal (Pty) Limited	Steam coal	788	81
			Exxaro reductants	Limpopo	Division of Exxaro Coal (Pty) Limited	Steam coal	57	
			Arnot mine	Mpumalanga	Division of Exxaro Coal Mpumalanga (Pty) Limited	Power station coal (Eskom)	4 865	
			Matla mine	Mpumalanga	Division of Exxaro Coal Mpumalanga (Pty) Limited	Power station coal (Eskom)	13 189	
			New Clydesdale mine	Mpumalanga	Division of Exxaro Coal Mpumalanga (Pty) Limited	Power station coal (Eskom) Steam coal	184 864	 89
			North Block Complex	Mpumalanga	Division of Exxaro Coal Mpumalanga (Pty) Limited	Power station coal (Eskom) Steam coal	2 427 560	
Mineral sands	Exxaro's South African mineral sands operations are housed in KZN Sands and the Western Cape operations of Namakwa Sands. In Australia, our interests are housed in Australia Sands whose principal asset is 50% of the Tiwest joint venture with Tronox Inc. With the acquisition of Namakwa Sands effective 1 October 2008, Exxaro is now one of the world's largest suppliers of titanium dioxide feedstock and zircon. Collectively, Exxaro's mineral sands operations produced 272kt of slag, 193kt of zircon, 113kt of synthetic rutile and 43kt of pigment in 2008.	**28%** R4 142 million 	Mineral Sands – RSA	KwaZulu-Natal	Subsidiaries of Exxaro Resources Limited and a division of Exxaro TSA Sands (Pty) Limited	Ilmenite Zircon Rutile Pig iron Chloride slag Sulphate slag	40 36 14 64 101 17	70 95 100 100 100 70
			Namakwa Sands	Northern Cape	Division of Exxaro TSA Sands (Pty) Limited	Zircon Rutile Pig iron Chloride slag Sulphate slag	135 27 82 145 26	100 100 85 100 100
			Australia Sands[2]	Australia	Subsidiary of Exxaro Resources Limited	Zircon Rutile Synthetic rutile Leucoxene	35 14 62 17	100 100 100 100
Base metals and Industrial minerals	The Rosh Pinah zinc/lead mine in southern Namibia and the Zincor electrolytic refinery in Gauteng comprise one of the few integrated zinc mining and refinery operations in the world. Exxaro has an interest in the Chifeng zinc refinery in China. During the year, Rosh Pinah and Zincor produced 109kt of zinc concentrate and 87kt of zinc metal respectively. A dedicated plant in Pretoria manufactures high-quality, gas-atomised ferrosilicon, while the Glen Douglas dolomite quarry provides a range of products for the steel, construction and agricultural sectors.	**12%** R1 829 million*  * *Excludes industrial minerals*	Zincor refinery	Gauteng	Division of Exxaro Base Metals (Pty) Limited	Zinc metal Sulphuric acid	98 115	
			Rosh Pinah mine	Namibia	Subsidiary of Exxaro Base Metals (Namibia) (Pty) Limited (50,04%)	Zinc concentrate Lead concentrate	86 22	100 100
			Chifeng refinery[3]	China	Associate (22,00%)	Zinc metal Sulphuric acid	28 11	
			Black Mountain Mining (Pty) Limited	Northern Cape	Associate (26,00%)	Zinc concentrate Lead concentrate	NFD NFD	
			Glen Douglas mine	Gauteng	Subsidiary of Exxaro Resources Limited	Metallurgical dolomite Aggregate Lime	419 756 66	
			FerroAlloys	Gauteng	Subsidiary of Exxaro Resources Limited	Atomised ferrosilicon	6	
INVESTMENTS								
Iron ore	Exxaro holds 20% of Sishen Iron Ore Company (Pty) Limited. The company operates the Sishen and Thabazimbi mines, producing some 34Mtpa 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.		Sishen mine[4]	Northern Cape	Division of Sishen Iron Ore Company (Pty) Limited	Lump ore Fine ore	3 715 2 387	76 91
			Thabazimbi mine[4]	Limpopo	Division of Sishen Iron Ore Company (Pty) Limited	Lump ore Fine ore	228 280	

[1] Sales tonnes disclosed reflect Exxaro Coal's 50% of the Mafube expansion project.
[2] Sales tonnes disclosed reflect Exxaro Australia Sands' 50% interest in the Tiwest joint venture.
[3] Sales tonnes disclosed represent the effective interest in the physical information of the Chifeng (Hongye) refinery.
[4] Sales tonnes disclosed represent the effective interest in the physical information of Sishen Iron Ore Company (Pty) Limited.
NFD – Not for disclosure

HIGHLIGHTS

Record results from coal

Significant profit contribution from mineral sands

Acquisition of Namakwa Sands places Exxaro among global leaders in integrated mineral sands market

Good progress on conversion of **mining rights**

Mining charter targets exceeded for race and gender, 30% increase in learnerships

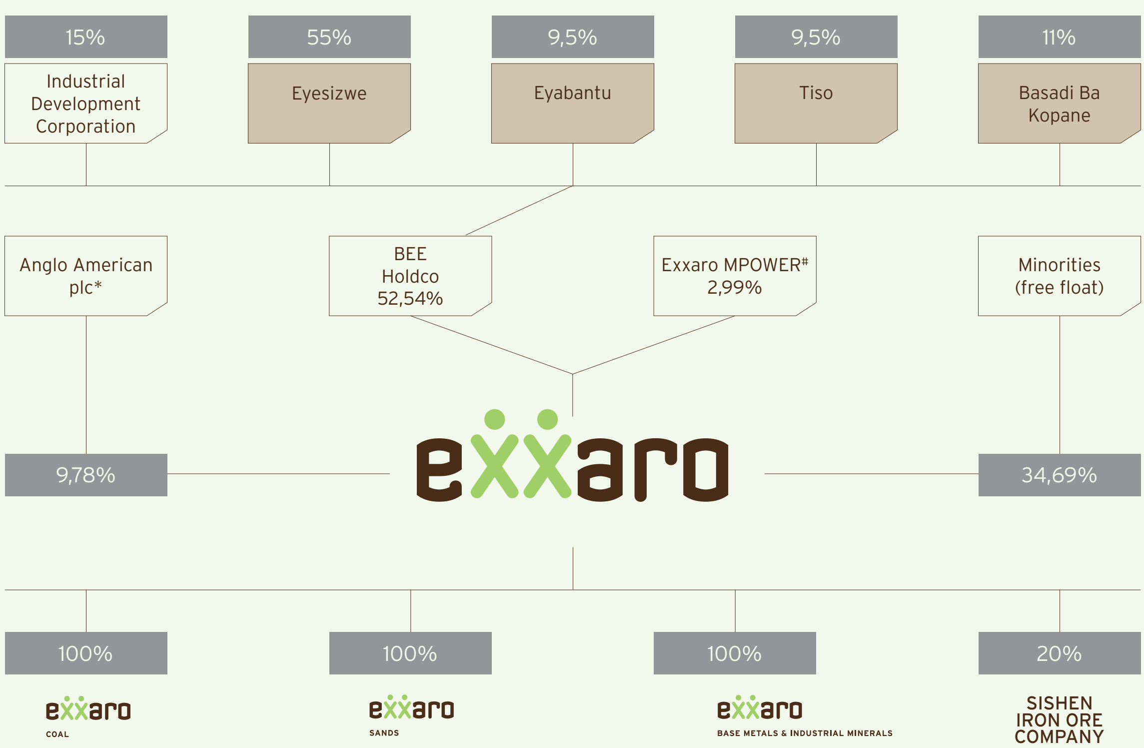
Reinforced safety policy and corporate standards implemented

LOWLIGHTS

Disappointing safety performance

Operating loss from base metals and Australia Sands

GROUP STRUCTURE



As at 31 December 2008

* *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.*

BUSINESS OBJECTIVES

Exxaro's business objectives are measurable indicators of performance. At every level, and in different ways, our teams are accountable for these objectives.

	Exxaro				Kumba		
	Target 2009	Target 2008	Actual 2008	Actual 2007	Actual 2006	Actual 2005	Actual 2004
FINANCIAL TARGETS[1]							
• **Return on equity (ROE)** (%)		25	30	15		33	12
• **Return on capital employed (ROCE)** (%)		28	36	24		59	17
• **EBITDA interest cover** (times)	>4	>4	14	9		20	7
NON-FINANCIAL TARGETS							
• **Safety**							
– fatalities	0	0	5	5	6	4	2
– lost-time injury frequency rate (per 200 000 hours)	0,21	0,21	0,39	0,36	0,42	0,52	0,51*
• **Safety, health and environmental certification** (OHSAS 18001 and ISO 14000) (number of business units)	15	15	9	9	10	10	8
• **Employment equity**							
– management (%)	40	40	42	36	35	32	28
– women (%)	12	12	13	12	11	13	12
• **HIV/Aids voluntary testing and counselling** (%)	95 (longer term)	at least 50% at each site	64 (group)	30	41	54	40
• **Human resources development** (% spend of payroll)		6,0	5,2	6,5	5,1	6,3	5,7
• **Mining learnerships**			678	408	341	503	
• **Procurement from HDSA companies** (%)	45	40	39	35	37	24	16
• **HDSA ownership** (%)							
2008	56	56	56	56		56	
2014	56	56	56	56		56	

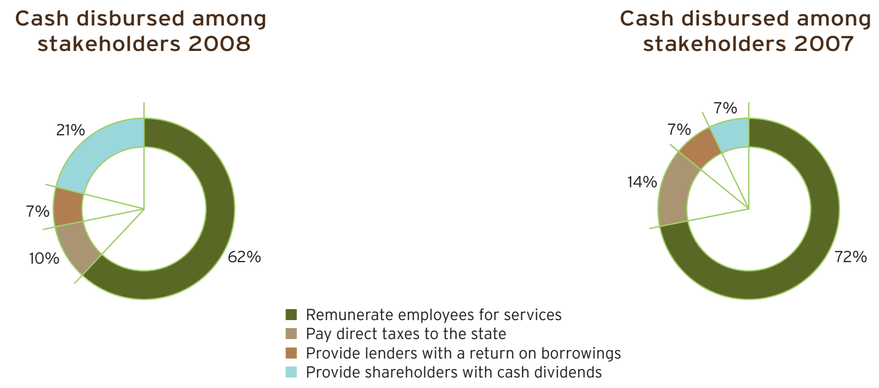
[1] *Financial targets are set with reference to a peer group of companies while actual ratios are based on statutory financial results that have not been restated for comparable purposes. Comparable key ratios are shown on page 3. No financial ratios are reported for 2006 as the empowerment transaction that led to the creation of Exxaro in November 2006 resulted in the ratios not been meaningful. Certain financial targets for 2009 will only be finalised in the first quarter of 2009 due to the significant impact of the global economic meltdown in the second half of 2008.*

COMPARABLE KEY RATIOS

	12 months ended 31 December	
	2008	2007
RATIOS		
Profitability and asset management		
Return on net assets (%)	**39**	24
Return on equity attributable to owners of the parent		
– Attributable earnings (%)	**30**	14
– Headline earnings (%)	**32**	14
Return on invested capital (%)	**28**	16
Return on capital employed (%)	**34**	20
Operating margin (%)	**19**	14
Solvency and liquidity		
Net financing cost cover (times) – EBIT	**6**	4
Net financing cost cover (times) – EBITDA	**9**	6
Current ratio (times)	**2**	3
Net debt to equity (%)	**18**	31
Net debt to earnings before interest, tax, depreciation and amortisation (times)	**0,6**	1,2
Number of years to repay interest-bearing debt	**1**	2

Key ratios for 2007 and 2008 have been restated for comparable purposes to include Namakwa Sands as well as the equity-accounted 26% interest in Black Mountain Mining (Pty) Limited as if effective from 1 January 2007.

WE CREATE VALUE FOR ALL STAKEHOLDERS



- 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

GEOGRAPHICAL LOCATIONS

Operations

Growth projects

Representative offices

Detailed maps on page 55

Coal	
1	Grootegeluk (GG)
1a	GG expansion for Medupi power station
2	Leeuwpan
3	Arnot
4	Matla
5	North Block Complex (NBC)
6	New Clydesdale
7	Tshikondeni
8	Belfast
9	Mmamabula Central (Botswana gas project)
10	Eerstelingsfontein
11	Inyanda
12	Moranbah South
13	Mafube*
14	RBCT Phase V*

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*

** Joint ventures and investments not operationally controlled.*

COMPARABLE GROUP REVIEW AT A GLANCE

The supplementary information on pages 6 and 7 has been compiled using the following assumptions:
- Namakwa Sands was consolidated from 1 January 2007.
- the 26% equity interest in Black Mountain Mining (Pty) Limited was equity accounted from 1 January 2007, despite the actual consolidation and equity accounting from 1 October and 1 November 2008 respectively.

	12 months ended 31 December	
	2008 Unaudited Rm	2007 Unaudited Rm
COMPARABLE INCOME STATEMENTS		
Revenue	**15 209**	11 449
Net operating profit	**2 811**	1 640
Net financing costs	**(457)**	(453)
Investment and equity income	**1 603**	685
Income tax expense	**(546)**	(500)
Minority interest	**24**	(20)
Add back items for headline earnings	**228**	22
Headline earnings	**3 663**	1 374
Headline earnings per share (cents)	**1 068**	403
Dividends per share (cents)	**375**	160
Average realised exchange rate (R/US$)	**8,10**	7,26
COMPARABLE STATEMENTS OF CASH FLOWS		
Cash flows from operating activities	**2 131**	1 507
Cash flows from investing activities	**(973)**	(4 123)
Cash flows from financing activities	**2 765**	(453)
Net increase/(decrease) in cash and cash equivalents	**3 923**	(3 069)

	At 31 December	
	2008 Unaudited Rm	2007 Unaudited Rm
GROUP STATEMENTS OF FINANCIAL POSITION		
Assets		
Non-current assets		
Property, plant and equipment	11 309	10 343
Biological assets	34	30
Intangible assets	79	76
Investments in associates and joint ventures	1 849	712
Deferred tax	1 083	732
Financial assets	1 577	1 046
Current assets		
Cash and cash equivalents	1 769	850
Inventories, trade and other receivables	5 407	4 101
Non-current assets classified as held for sale	78	2
Total assets	23 185	17 892
Equity and liabilities		
Capital and reserves		
Equity attributable to owners of the parent	12 996	9 728
Minority interest	128	19
Total equity	13 124	9 747
Non-current liabilities		
Interest-bearing borrowings	3 650	3 798
Non-current provisions	1 746	1 414
Financial liabilities	31	
Deferred tax	1 257	1 065
Current liabilities		
Interest-bearing borrowings	500	74
Other	2 827	1 794
Non-current liabilities classified as held for sale	50	
Total equity and liabilities	23 185	17 892
Net debt	2 381	3 022
ANALYSIS PER SHARE		
Number of shares in issue (million)	355	353
Weighted average number of shares in issue (million)	343	341
Earnings per ordinary share		
– Attributable earnings (cents)	1 002	396
– Headline earnings (cents)	1 068	403
Dividend declared per ordinary share (cents)	375	160
Dividend cover (times)	2,67	2,48
Net asset value per ordinary share (cents)	3 661	2 756
Attributable cash flow per ordinary share (cents)	681	440

SUMMARY OF BUSINESS OPERATIONS

000 tonnes produced	2008	2007	2006	2005
	12 months ended 31 December			
COAL				
Coking coal	2 560	2 962	2 496	2 273
Grootegeluk	2 233	2 499	2 133	1 859
Tshikondeni	327	463	363	414
Power station coal (Eskom)	36 700	34 246	34 599	34 164
Grootegeluk	14 581	14 510	14 268	14 060
Leeuwpan	1 188	956	921	513
Matla[1]	13 230	13 030	13 613	12 470
Arnot[1]	4 865	3 702	3 985	4 976
New Clydesdale[1]	115	156	331	361
North Block Complex[1]	2 721	1 892	1 481	1 784
Steam coal	5 574	4 111	4 665	5 523
Grootegeluk	1 387	1 485	1 585	1 551
Leeuwpan	1 801	1 421	1 504	1 442
New Clydesdale[1]	984	814	1 107	996
North Block Complex[1]	561	391	469	1 534
Inyanda	841			
Total coal production	44 834	41 319	41 760	41 960
KZN SANDS				
Ilmenite	229	367	319	356
Zircon	34	34	50	47
Rutile	19	17	25	23
Pig iron	50	90	75	89
Scrap pig iron	16	20	10	8
Chloride slag	95	150	134	134
Sulphate slag	18	26	36	30
NAMAKWA SANDS[2]				
Ilmenite	315	300	272	316
Zircon	130	115	128	129
Rutile	27	24	28	29
Pig iron	103	91	83	99
Scrap pig iron	6	11	8	
Chloride slag	135	126	112	130
Sulphate slag	24	27	23	25

000 tonnes produced	2008	2007	2006	2005
		12 months ended 31 December		
AUSTRALIA SANDS[3]				
Ilmenite	**174**	216	227	220
Zircon	**29**	36	36	35
Rutile	**13**	17	18	16
Synthetic rutile	**113**	100	98	111
Leucoxene	**16**	16	14	12
Pigment	**43**	54	54	53
BASE METALS				
Rosh Pinah (zinc concentrate)	**94**	95	104	126
Black Mountain (zinc concentrate)[4]	**15**	15	18	17
Zincor (zinc metal)	**87**	101	90	102
Zincor (sulphuric acid)	**129**	147	142	168
Chifeng (zinc metal)[5]	**23**	23	16	15
Rosh Pinah (lead concentrate)	**20**	22	21	25
Black Mountain (lead concentrate)[4]	**17**	15	18	16
INDUSTRIAL MINERALS				
Glen Douglas				
Metallurgical dolomite	**422**	543	661	689
Aggregate	**788**	749	672	666
Lime	**63**	54	59	26
FerroAlloys				
Atomised ferrosilicon	**6**	6	6	6
IRON ORE				
Sishen[6]	**6 808**	5 946	5 738	28 458
Thabazimbi[6]	**532**	535	484	2 529
Total iron ore production	**7 340**	6 481	6 222	30 987

[1] *Physical information includes Eyesizwe Coal mines for 12 months in 2005 even though only acquired effective 1 November 2006.*
[2] *Physical information includes Namakwa Sands for 12 months from 2005 even though only acquired effective 1 October 2008.*
[3] *Physical information reflects Exxaro Australia Sands' 50% interest in the Tiwest joint venture with Tronox Incorporated, Western Australia.*
[4] *Physical information reflects Exxaro's 26% interest in Black Mountain Mining (Pty) Limited from 2005 even though only acquired effective 1 November 2008.*
[5] *Physical information represents the effective interest in Chifeng (Hongye) refinery.*
[6] *Physical information from 2006 reflects Exxaro's 20% interest in SIOC.*

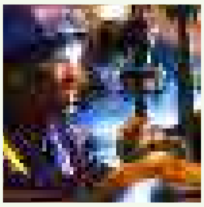
FOCUS AREAS

Each year, Exxaro conducts a comprehensive groupwide analysis of risks. These are grouped, and ranked by both impact and probability, as well as the effectiveness of the control measure, to form the group's risk management framework for the next period. These high-level risks and control measures are reviewed at board level. In our industry, some risks are perennially high on the table (page 72) and require ongoing management. Others change in line with prevailing economic, social and environmental circumstances.

For the immediate future, Exxaro's key challenges are safety, profitability and operational issues. The context and mitigating strategies for each of these issues are detailed in this section.

Safety ➔

The safety of employees heads the operational and strategic agenda of Exxaro as it does for other corporate members of the Chamber of Mines. In 2008, more than 140 people lost their lives in surface and underground accidents on South African mines. Although the 2008 January-September fatality rate was 15% lower than for the same period last year, industry leaders unanimously agree it is not acceptable. Apart from the grief and distress suffered by the families of miners who are injured or killed, there is profound understanding and acceptance of the ethical business threat to industries with unsatisfactory health and safety records.



Exxaro employs over 10 000 people, many of whom work in the world's most challenging environments. Our 2008 safety performance was disappointing (page 82). The key risks in our diverse mining operations are lifting and material handling, energy and machine isolation, vehicle safety, ground control, working at heights and a number of site-specific issues. For our group, the short-term impact of an unacceptable safety record could result in intervention by:

- Government revoking mining licences
- Strike action by labour unions
- Other stakeholders – leading to difficulty in attracting and retaining the required skills, lack of community support, lobbies/protests or boycotts and declining investor interest.

In the long term, apart from the scale of human tragedy, poor safety records could undermine the business as a whole, increase our cost of funding and affect our share price.

In addressing this challenge, we have aggressively reinforced a multi-pronged approach (page 81) spanning, among others, enhanced safety awareness and preventative programmes, a strong focus on hazard identification and Visible Felt Leadership. Our ultimate goal for safety is an injury-free workplace. To reach this target, we aim to improve our lost-time injury frequency rate by 30% each year.

In August 2008, chief executives of Chamber of Mines member companies met to deliberate on sustainable ways in which a culture of health and safety could be strengthened and how working environments could effectively be made safer and healthier. Endorsing the target of zero harm and the milestones that have been agreed with tripartite partners to achieve this objective, the chief executives also acknowledged the principle that safety is a core value that must always take precedence over production (page 74). Exxaro fully subscribes to this principle.

Profitability ➔

Maintaining a strong balance sheet with a cash-preservation focus, together with judicious consideration of both sustaining capital and growth aspirations, further supported by continuous business improvement at all operations, is of paramount importance in the current global recessionary environment.

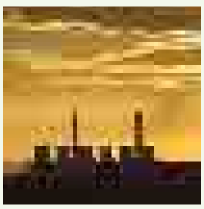
Operational ➔

The key risks faced by our operations are energy (primarily security of supply) and, following the global economic meltdown which started in the second half of 2008, low commodity prices and contracting markets.

Energy ➔

The national electricity crisis in early 2008 had an immediate detrimental impact on the business of mining and continues to present consequences that require remedial attention and accurate assessment.

In January 2008, compelled to avert an almost certain countrywide blackout, Eskom declared a *force majeure* and cut the supply of power to the mining industry by 50%. With electricity being imperative to the safety and survival of employees in underground working environments (over 50%



of electricity used in deep-level mines is for cooling, ventilation and pumping), most of South Africa's mines had no alternative but to suspend operational activities.

The shutdown lasted for seven days, with a cost to the economy in lost mineral sales and lost production of R12 billion. The value of mining equities quoted on the JSE declined by a staggering R85 billion. This was a direct consequence of investment community concern about the industry's viability under the threat of power curtailment. Equally, the more than 25% drop in mining gross domestic product (GDP) effectively halved the country's economic growth rate from 5% in the fourth quarter of 2007 to slightly more than 2% in the first quarter of 2008.

Given that Eskom's low reserve margins are expected to remain a serious risk for the next several years until additional capacity comes on stream, the Chamber of Mines and its individual members have been closely involved in initiatives focused on electricity conservation and efficiency. The chamber is also developing a protocol for handling electricity supply emergencies based on sectoral contributions to the national economy, which will be presented to government for approval.

Exxaro was one of the early signatories of the Energy Efficiency Accord, in its previous form as Kumba Resources. Since then, the Eskom request for a 10% electricity saving requires a more urgent response. In April 2008 Exxaro's energy efficiency team met to outline the company's strategy to address the crisis and to develop savings projects for implementation in the short, medium and long term. These energy-saving ideas are currently in various stages of implementation, and include the conversion to low-energy lighting; conversion to solar appliances for hot-water applications; right-sizing of electrical motors; use of high-efficiency pumps, fans and motors; improved power-factor correction; and demand-side management projects.

Alternative energy sources are being investigated at various sites where both solar and wind power could be generated. These projects are currently entering pre-feasibility phase. Capturing process energy in off-gas streams is also being investigated at various sites, creating the possibility of offsetting the company's carbon footprint.

Low commodity prices and contracting markets ➜

Calendar 2008 was very much a year of two halves, with record prices in the first half matched by equally dramatic collapses in the second and bleak prospects for 2009 for many commodities:

- Hard coking **coal's** 200% price increase in 2008 is expected by commodity analysts to be followed by a 50% drop in price in 2009. The patterns were similar for semi-soft coking coal and low-volatile PCI benchmark coal, and more pronounced for the spot price of steam coal.
- The spot price for **iron ore** in China moved from US$170 to between US$60 and US$75/t in six months. Market expectations for 2009 are 30 – 40% lower for Australian benchmark spot prices.
- The 2009 market forecast for the London Metal Exchange cash **zinc** price is considerably lower than the prior year, albeit up from December's 2008 lows.
- The rising trend for **titanium dioxide** prices in 2008 could be reversed by lower demand in 2009, while feedstock prices are expected to move sideways.
- **Zircon** prices are also forecast to move sideways in 2009 as the global economic slowdown is expected to result in a more balanced supply and demand situation.

However, countering this gloomy outlook to some extent, mining costs are expected to come down in 2009, helped by declining energy costs. The worldwide slowdown in activity levels should lessen the shortage of contractors, equipment and mining professionals, and freight rates are the best they have been for many years.

A weaker rand and the Australian dollar at levels more in line with its historical average exchange rate to the US dollar will positively reflect in the realised proceeds of US dollar-denominated sales revenue, offset to some extent by its adverse impact on foreign currency-linked capital and operational costs.

While extremely challenging, Exxaro's operations are focused on managing these conditions through relentlessly pursuing operational efficiency, cost management and increased – but safe – productivity. In addition and as a group, our diversification strategy and product and geographic market spread afford some protection against prevailing market conditions.

CHIEF EXECUTIVE OFFICER'S REVIEW

Our performance reflects the benefits of diversification in the most volatile global market in living memory.

Sipho Nkosi
Chief executive officer

HIGHLIGHTS

- **36% increase** in revenue to R13,8 billion
- Headline earnings of **1 058 cents** per share
- **Significant** maiden contribution from successfully integrated Namakwa Sands
- **Final dividend of 200 cents** per share; total dividend of 375 cents per share

Exxaro's performance in its second full year of operating as a listed, empowered mineral resources group reflects the benefits of diversification in a volatile global market, with record financial results from our coal business and a significant profit contribution from our mineral sands operations. We recorded several major milestones during the period, particularly in our coal business. These included a 40-year coal-supply agreement for Eskom's Medupi power station, the full ramp-up of Mafube mine, and our new Inyanda mine exceeding capacity to reach 1,8Mtpa. We also completed the Namakwa Sands acquisition to strengthen our mineral sands portfolio and made good progress on conversion and new mining rights applications.

Business environment

The global economic slowdown accelerated markedly in the second half of the year, impacting on the South African economy as well. Local gross domestic product growth of 3,2% was well below the 5,1% achieved in the prior year and the outlook for 2009 is for further contraction to around 1,9%. The macro-economic review on page 18 details global economic performance during the year and the outlook for 2009.

In some commodity markets it was decidedly a year of two halves, characterised by volatile supply and demand levels. Oil and bulk commodities reached record levels in the first half, but prices collapsed in the second half. Base metals and industrial minerals followed suit. The cycle of rising iron ore and coal prices is expected to reverse in 2009, while zinc prices have come down substantially from high 2007 levels.

However, some perhaps unexpected benefits emerged from this gloomy picture: firstly the upward spiral in mining costs and project capital costs was arrested and, secondly, the worldwide shortage of skills and equipment was alleviated by the plethora of announced cutbacks and project deferrals. We expect this trend will continue for much of 2009.

Powering possibility

Individual performances during the year have further entrenched the hallmark of this group to power possibility:

- Exxaro's North Block Complex was named best-performing coal mine in South Africa by the South African Colliery Managers' Association in recognition of 26 years of fatality-free shifts.
- Following the successful rebuild of the no 4 roaster in 2007, Zincor simultaneously rebuilt roasters no 1 and 2 at a cost of some R28 million during the year as part of the drive to ensure plant efficiency, availability and increased output.
- We concluded the empowerment transaction in which Namibian shareholders acquired a further 43% of Rosh Pinah lead-zinc mine. As part of this landmark transaction, the mine's employees now hold 3% of the share capital and will share in its growth and prosperity.
- Through strategic focus and innovative thinking, Rosh Pinah has extended its life of mine until 2018, a far cry from four years ago when the mine had a life of less than five years and faced closure.
- A groupwide business improvement programme has already identified savings of R190 million as part of our process of continuous improvement.
- Exxaro has sponsored a research chair at the Unisa Centre for Corporate Citizenship to develop a core body of knowledge on climate change in South Africa.
- We opened a new international office in Switzerland to service the European steam coal market. Market demand, strong prices and Exxaro's focus on value-in-use marketing are expected to underpin an increase in international coal exports to at least 10Mtpa over the next eight years.
- An Exxaro employee made history in July 2008 when he became one of 21 000 torch bearers – and the only South African – to carry the Olympic flame on its four-month journey around the world to the host city of Beijing.

The review period however presented some considerable challenges:

- Regrettably, five employees lost their lives, despite ongoing and company-wide initiatives to enhance safety awareness. Disappointingly, we also fell far short of our target for lost-time injuries (page 82).
- Our base metals division recorded an operating loss for the year, through a combination of production disruptions, lower revenue, increased operating costs and higher provisions for environmental rehabilitation.
- Limited power supply and a total plant blackout following a transformer failure at Zincor caused major delays and plant instability in the second half of the year. Rosh Pinah was similarly affected by equipment failures, plant availability and the impact of an unstable power supply.

Safety

The group again recorded a poor safety performance, with five fatalities in the review period, while the average lost-time injury frequency rate (LTIFR) per 200 000 man-hours worked was 0,39 which is well above the target for 2008 of 0,21 (page 82). We deeply regret the loss of our colleagues and extend our sincere condolences to their families, friends and colleagues.

We are determined to meet our target of zero harm in all our operations and have begun implementing revised safety policy and corporate management standards across the group – detailed on page 82

The South African mining industry as a whole is trying to be more consistent in how it applies safety standards, and one of the behaviours it encourages is zero tolerance for safety violations. Among other things, this means that safety behaviour needs to be as much part of performance reviews and recognition as it is an individual responsibility.

In November 2007, the former president of South Africa, Thabo Mbeki, announced the implementation of health and safety audits. All Exxaro mining operations have now been audited, and results indicate the extent to which our operations comply with health and safety requirements. We were particularly pleased with results from our coal operations which, at 73%, exceeded the average Department of Minerals and Energy scores of 70% for coal and 66% for all mines. The outcomes from these audits and our own investigations will form the framework to refine and improve our practices.

Externally facilitated, our first CEO's Safety Summit was convened in March 2009. A second summit is planned for October 2009 at which progress against targets will be mapped and agreement reached on further improvements.

At Exxaro, safety is our foremost priority. Our North Block Complex is a prime example of what can be achieved through diligent application of safety standards. We plan to drive our safety initiatives and programmes aggressively throughout the organisation.

Operational overview

Exxaro's coal business units recorded good operating performances complemented by additional production from Inyanda and North Block Complex. Total production volumes neared the 45Mt mark.

Coal markets continued to benefit from strong local and international demand which translated into favourable coal pricing despite significant softening in international prices as the global economic meltdown in the second half of 2008 took effect. Expansion of Grootegeluk mine to supply power station coal to Eskom's Medupi power station is underway following the conclusion of a long-term supply agreement on the back of unabated local demand. Discussions continue with Transnet on rail capacity to use Exxaro's export entitlement of 6,3Mtpa by end 2009.

The mineral sands business was complemented by the acquisition of Namakwa Sands from Anglo Operations Limited with effect from 1 October 2008. Feedstock supply levels continued to affect markets while the global economic crisis is expected to compound the negative impact on pigment demand. Exxaro's 2008 financial results were again negatively influenced by the strength of the Australian currency against the US dollar, despite the weakening of the former in the last quarter of 2008. Zircon enjoyed good global demand and pricing in 2008, resulting in record operating results from Namakwa Sands. Higher production from all operations should benefit this business in 2009.

In base metals, the record high price environment in 2006 and 2007 has been followed by significantly lower local and international demand and resultant unfavourable pricing. The oversupply of concentrate has only partially been offset by higher treatment charges. The business is expected to remain under pressure in 2009 given depressed zinc markets and poor zinc metal prices.

Operational performance

Despite challenges during the year, most notably the extent of the global economic meltdown and unavailability of plant capacity in the mineral sands and base metals businesses, there were a number of notable achievements:

- Record annual production and sale of power station coal to Eskom.
- Increased production of coal from Inyanda (above design capacity) and North Block Complex, combined with new reserves and capacity at the latter mine.
- Record synthetic rutile production at Australia Sands following the successful kiln shut in 2007.
- Annual records for zircon, titanium slag and pig iron production at the newly acquired Namakwa Sands.
- Efficiency improvements at Namakwa Sands translating into a record chlorinatable slag ratio of 84,5% and iron recovery rate of 91,3%.
- Zincor completed its roaster rebuild programme in the acid plant to position itself for improved efficiencies.

New operations

Commissioning and ramp-up to full capacity of the Mafube expansion project has been completed. The mine will produce 3Mtpa of export steam coal and 2Mtpa of power station coal. Exxaro's 50% joint venture participation with Anglo Coal, although still awaiting fulfilment of all conditions precedent, added 733kt to overall export volumes allowing the group to benefit from higher average export prices during the year. The Inyanda mine was also successfully commissioned and ramped up to design capacity of 1,5Mpta.

Energy

In South Africa, coal has attracted much media attention during the year, with coal-fired power stations contributing some 92% of South Africa's energy-generating capability. While energy is an immediate focus area for Exxaro, as detailed on page 87, several issues are worth noting here, given their importance to our long-term growth.

Although Eskom is planning to shift to a 30% nuclear mix within the next 15 years, coal will continue to play a significant role in power generation. Given that South Africa needs to double its generating capacity by 2025 to support current growth rates while keeping costs down means a continued reliance on coal, which is still the cheapest source of power generation.

Currently the fourth-largest coal producer in the country, Exxaro is one of the largest suppliers to Eskom, accounting for more than 30% of total power station demand. With the Waterberg expansions, Exxaro could become one of the largest coal producers in South Africa.

The coal supply agreement for Eskom's new base-load power station, Medupi, was signed in September 2008, underscoring the valued and long-standing business relationship Exxaro has built with the power utility. In terms of the agreement, Grootegeluk will supply an average of 14,6Mtpa of power station-grade coal for the next 40 years through a R9-billion brownfields expansion of the mine. The mine will increase production through a seven-day continuous operations programme to supply additional coal to the adjacent Matimba power station. Two new beneficiation plants will be constructed at the mine to process new production for Medupi. Grootegeluk has the largest washing and beneficiation complex in the world. Production from the new section of Grootegeluk is planned for the end of 2011, with ramp-up to full production by 2014.

These investments by Exxaro and Eskom will have a significant benefit for the local, provincial and ultimately national economy. Direct jobs created during construction will peak at about 9 500 (8 000 from Eskom's investment, and 1 500 from Exxaro's) and thousands of indirect jobs will be created. Some 550 permanent jobs will be created at Grootegeluk mine alone.

As a key role player in the mining industry, it is our responsibility to become more energy efficient, to promote the use of clean technologies, and to fast-track coal mining projects. In turn, it is government's responsibility to ensure approval of mining rights and to provide a context in which private investors can – and are encouraged to – invest in independent power producers.

Mineral sands acquisition

Effective 1 October 2008, we began the formal process of integrating Namakwa Sands into Exxaro.

Namakwa Sands' products are sold mainly on international markets, and for an entity that operates in one of South Africa's most beautiful but challenging environments on South Africa's west coast, it boasts significant market share. In 2007, Namakwa Sands produced 10% of the world's zircon, 8% of its titanium dioxide slag, and 5% each of its rutile and high-purity pig iron. Namakwa Sands has a well-established customer base across the world, and its incorporation into Exxaro will more than double the group's production of zircon, and effectively double its pig iron capacity.

With Namakwa Sands in our stable, Exxaro is now the third-largest integrated titanium dioxide feedstock group in the world. The benefits are considerable – ranging from a single marketing team for the mineral sands business, to shared infrastructure, furnace technology and mineral separation technology.

This makes Exxaro unique in that various mineral sands technologies representing the entire value chain, from mine to pigment, are housed in one group.

The strategy behind our continued presence in the mineral sands market is now unfolding. We have always believed we need to offer our stakeholders a balanced portfolio and, from the outset, we have chosen to protect the group's interests by spreading the risk to deliver value to our stakeholders, including our employees, over the longer term. This underpins our strategy of a moderately diversified portfolio with the building blocks of our sands business remaining sound as it is a dollar-denominated market where prices are contracted annually and often for three- to five-year terms. Together with our leading position as a long-term power station coal supplier to Eskom, this should provide considerable protection against market fluctuations and times of economic uncertainty. With demand for titanium dioxide feedstocks growing internationally, accompanied by supply constraints, we remain optimistic about this strategy.

Integration

In just two years, Exxaro has proved its ability to integrate acquisitions and mould these into a cohesive group. The process of integrating Namakwa Sands is currently well under way.

An integral element in creating value in the current economic environment has been to develop a focused group by integrating our people, attitudes, processes and systems to function as a single entity. During the year, this meant consolidating the strategies and best practices of all the different teams in our group. With the integration of people under way early in the year, and succession planning bedded down, the focus shifted to processes and systems.

A project to optimise enterprise resource planning was initiated in the first quarter. This included migrating various business units on to Exxaro's enterprise-wide resource planning system. By mid-2009, this will ensure more effective groupwide governance, decision-making, recording of business activities, risk management and greater ability to identify opportunities for continuous improvement.

Strategy

Our strategy is to consolidate in the short term, optimise growth plans over the medium term and innovate in the longer term. In light of global challenges, I believe it is more pertinent to review our immediate strategy (the year ahead) in this report. In our current consolidation phase our short-term goals are to focus on operational excellence, to optimise cash flow and implement the new organisational structure. Given the credit crisis and worldwide economic meltdown in the second half of 2008, the group is reviewing its capital expenditure programmes, including sustaining capital, as well as the project pipeline. We will focus on successfully implementing committed expansions while reprioritising other identified growth opportunities. These projects are detailed on page 43.

A continuous business improvement programme is under way to preserve the group's cash flow and ensure availability of sustaining capital.

Exxaro is well positioned to weather this economic storm:

- We are a major (and proven) supplier to Eskom
- We have a growing role as a steam coal exporter
- Production has been sustainably increased in our mineral sands operations and the marketing strategy consolidated
- An asset management and plant efficiency programme is under way in our zinc business. We are exploring alternative markets and reviewing strategic options.

Legislation

In recent years, the legislative environment for South Africa's mining industry has changed significantly. We welcome the deferment of the draft royalty bill – this is a valuable respite in the current economic climate.

Calendar 2009 also marks the end of the first cycle of the mining charter and its attendant scorecard. The process of reviewing the charter against progress and developments in the past five years begins in April and is expected to take some time to finalise. Exxaro has made good progress against scorecard targets (page 107), but our ultimate aim is closely aligned to the intention and spirit of the charter – equitable participation in the country's natural resources, with fair and representative workplaces.

During the year, Exxaro's applications to convert the mining rights associated with former Kumba Resources operations were granted. The process for executing these conversions should be completed in the current year. Applications to convert former Eyesizwe Coal mining rights were submitted in June 2008.

Sustainable development

This year, I have separated my review for the convenience of stakeholders. Our comprehensive sustainability report begins on page 74 with a message that outlines our strategy, progress and targets. This is supported by illustrative case studies available in a dedicated section in our electronic annual report, on www.exxaro.com/case_studies

Transformation

The genesis of today's Exxaro Resources has been a case study in transformation. On unbundling from Iscor in 2001, the groundwork was done under the Kumba Resources banner to create a group that offered equal opportunity to all stakeholders. This ethos permeated the 2006 transactions to create Exxaro, South Africa's flagship empowerment group in the mining industry. Among Exxaro's shareholders are over 9 000 of our own employees and communities that enable us to trade.

At a time when many black economic empowerment groups are struggling with onerous debt burdens, Exxaro's black shareholders are seeing the fruits of their investment. To date, shareholders in BEE Holdco (page 109), which owns some 53% of Exxaro, have received dividends totalling R994 million. Our own people, through the MPOWER trust, have benefited from over R28 million in dividends.

We have achieved the targets set by the mining charter for transformation (page 96 and 107), but we will not be satisfied until transformation is truly widespread and our workforce a fully representative demographic slice of South Africa.

Directorate and governance

Best-practice governance remains the standard at Exxaro, facilitated by the skills and experience of a dedicated board of directors.

In August 2008, Mike Kilbride retired after more than 30 years in the mining industry, predominantly with our group and most recently as chief operating officer. Mike played an invaluable role in shaping today's Exxaro and we wish him well in this new phase of his life. There is now a direct reporting line between the heads of Exxaro's commodity businesses and the chief executive officer.

Subsequent to the year end, Dirk van Staden retired as financial director of Exxaro after 12 years with the group and its predecessors, during which he played an instrumental role in almost every corporate transaction. His career spanned 34 years in the corporate environment and we thank him for an exceptional contribution and extend our very best wishes for a healthy and rewarding retirement. Dirk is succeeded by Wim de Klerk, a chartered accountant by profession, miner by experience, and long part of the Exxaro team who will head the competent Exxaro finance team.

During the year, Ms Nonkululeko Nyembezi-Heita and Ms Pinkie Ncetezo resigned from the board. We thank these directors for their contributions while in office.

Ms Simangele Mngomezulu and Mr Jeffrey van Rooyen were appointed as non-executive directors in August 2008. Both directors add to the expertise and diversity of the Exxaro board.

We thank Dr Len Konar for continuing to serve as Exxaro's acting chairman during the period. While the process of appointing an independent chairman has been more protracted than we envisaged, progress is being made.

Appreciation

It has been a year of highlights and challenges, at times formidable challenges. The spirit and dedication our people brought to dealing with the challenges was inspiring, as was their delight in celebrating the milestones. Exxaro is fortunate to have exceptional people at every level and I thank each of you for the valuable role you play in our success.

We also continue to enjoy a mutually beneficial relationship with our empowerment partners and we will concentrate on entrenching this partnership as we grow.

Prospects

After two years, Exxaro is proving its mettle in the commodities market – having grown admirably through good times and bad.

The group is expected to continue benefiting from strong demand for local power station coal. However, coking coal sales could be lower at reduced prices. Steam coal sales volumes should increase but at lower international prices.

Increased production volumes at all mineral sands operations, a full 12 months' contribution from Namakwa Sands together with the local and Australian currencies remaining at their present weaker levels, should improve prospects for this business in 2009 if market demand and prices remain at current stable levels.

The base metals business is expected to remain under pressure in 2009 as a result of continued depressed market conditions and zinc prices.

The equity accounted contribution from Sishen Iron Ore Company will be affected by market demand and the level of iron ore price adjustments effective from 1 April 2009.

Accordingly, the group will concentrate on capital prioritisation and working capital management together with continuous business improvement initiatives and cost control to offset lower demand and price challenges.

Consolidated results for 2009 will largely be driven by the extent to which global recessionary conditions impact on demand and prices for the group's commodities as well as the trading levels of the local and Australian currencies.

However, the uncertain market outlook remains a key factor to the group's results for 2009.

Sipho Nkosi
Chief executive officer

17 March 2009

MACRO-ECONOMIC AND COMMODITY REVIEW

World gross domestic product (GDP) growth continued to slow during 2008, reaching 2,3% after declining to 4,0% in 2007 from 4,1% the previous year. The slowdown was particularly pronounced in the second half of the year, with growth of only 2,2% and 0,3% recorded in the third and fourth quarters respectively. The major factor in this decline was the sub-prime meltdown and associated credit crunch which originated in the USA, but then spread to the rest of the world. This was followed by a loss of confidence from businesses and consumers which, in turn, resulted in tight credit, declining demand, reduced spending and investment, job losses, declining property prices and collapsing stock markets all over the world.

The impact on the world's advanced economies was severe, with negative economic growth recorded in all regions in the fourth quarter. Respective government efforts to curtail adverse economic developments through significant monetary easing and massive fiscal stimulus measures were not successful in the short term and an economic recession in the developed world in 2009 is a foregone conclusion. This recession is described globally as probably the worst since the Great Depression of the 1930s.

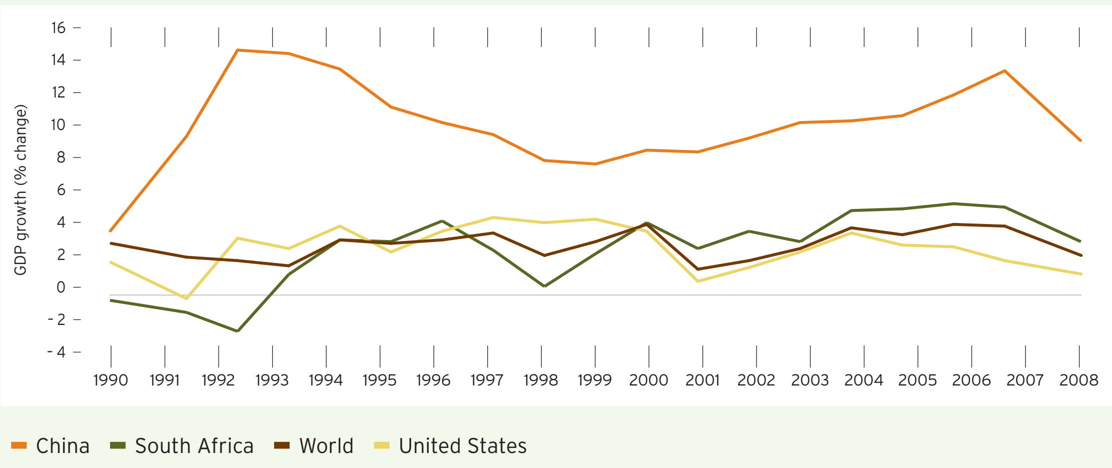
Previous arguments about a decoupling between the economies of developed and emerging nations proved erroneous. The travails of the developed world spilled over to the rest of the world following the collapse in commodity prices, leading to the drying up of capital flows to and capital flight from developing economies, and sharp falls in world trade. Emerging-market GDP growth rates fell from 7,3% in the first quarter of 2008 to 3,1% in the fourth quarter.

Economic growth in China remained the main driver of commodity demand in 2008, but expansion in that country slowed from 10,6% in the first quarter to 6,8% in the fourth, taking annual growth to 9,0% compared to 13,0% in 2007. This was mainly the result of sharply decreasing international trade. In line with developed countries, China also instituted major monetary easing and infrastructure investment measures to arrest the decline in economic activity. GDP growth in 2009 is expected to decline further to an average of 5,9%.

The key risks to the global economy are believed to be an unduly timid response to the crisis from governments globally as well as further deterioration in confidence from businesses and consumers alike. On the positive side, the precipitous fall in energy prices would boost economic recovery.

The South African economy was not immune to the economic problems that affected the rest of the world, with GDP growth declining in 2008 to 3,1% from 5,1% in 2007. On a year-on-year basis, growth decreased from 3,8% in the first quarter to an estimated 1,6% in the fourth. Consumer price inflation rose significantly above the Reserve Bank's target range of 3 – 6%, with the average for the year at 11,5%, almost double the upper range of the target. However, due to the deteriorating economic outlook globally and locally, the bank's tight monetary stance was reversed towards the end of the year. Falling oil prices will assist in easing inflation in 2009, but strong increases in electricity prices will counteract this. Inflation is expected to drop to within the Reserve Bank target range in the second half of 2009. A flight from risk by investors resulted in a weakening of the rand exchange rate against the US dollar and this trend is expected to continue in 2009. This will have a positive impact on the export earnings of the mining and manufacturing industries, even though the mining industry is now operating in an environment of weak and volatile commodity prices.

Comparative GDP growth rates



Source: Global Insight

Due to declining economic activity, infrastructure bottlenecks – electricity supplies and transport and harbour capacities, as well as the shortage of skilled and experienced human resources – will probably ease temporarily, although the situation remains tight. Coal rail capacity to Richards Bay remains a serious constraint.

Real GDP growth of only 1,0% is expected in 2009, but further negative developments internationally will continue having an adverse impact on economic expansion in South Africa.

Commodity review

In 2008, continuing robust materials-intensive economic growth in China and other emerging economies in the first half pushed oil and other bulk commodity prices to record levels. This was the fifth consecutive year of increasing prices for these commodities, and supply bottlenecks supported these price levels. Base metal prices, on the other hand, peaked in 2007 and declined in the first part of 2008 due to easing market fundamentals. The situation changed dramatically in the second half of the year, following the economic crises in developed economies. This resulted in a collapse in prices for oil and bulk commodities trading on a spot basis, with base metal prices following suit. The impact on contract prices will also be keenly felt once these come up for renegotiation.

Projections of global steel production indicate that crude output decreased by 14Mt (1,2%) to 1 330Mt in 2008. Again, it was a tale of two halves, with output increasing in the first five months of the year and then declining. Production increased by some 13Mt, or 2,7%, in China, with output starting to fall in July, resulting in a collapse in spot steel prices in that country, similar to the experience in the rest of the world. China was responsible for some 36% of world raw steel production in 2008, somewhat higher than in 2007.

Due to continuing favourable demand conditions in the first half of 2008, strengthened by unresolved supply bottlenecks, an increase of over 200% in the benchmark hard coking coal price was negotiated for 2008. However, decreasing steel production and the collapse in steel prices in the second half have put pressure on coking coal producers, with several having production cutbacks announced by the end of 2008. The outlook for contract prices in 2009 seems bleak and expectations are that the benchmark price could fall by more than 50%. Contract semi-soft coking and low-volatile PCI benchmark coal prices increased by more than 250% in 2008, but the outlook for 2009 is similar to that of hard coking coal, with respective settlements again expected to be more than 50% lower.

The average Richards Bay spot steam coal price for 2008, at US$120,88/tonne, was 92% higher than the average for 2007. The price pattern displayed by other commodities was also evident for steam coal, with the RBCT price reaching a high of US$177,45/tonne in August and then collapsing to US$78,50/tonne at the end of the year. The outlook for 2009 is cloudy, with the prospect of lower demand due to the global economic recession further dampened by the possibility of greater Chinese exports due to lower offtake in that country. The impact of restricted logistical capacity will thus also not be as pronounced as in 2008. All in all, prices could stabilise around the US$65/tonne level, but further weakness in the oil price could have a negative impact on this view.

Tight market conditions in the first half of 2008 resulted in Australian benchmark iron ore prices for the Asian basin increasing by 96,5%. The impact of world economic conditions is, however, best illustrated by the spot iron ore price in China. This collapsed from over US$170/tonne at the end of July to less than US$60/tonne towards the end of October. Prices subsequently recovered to US$75/tonne by December. The second half of 2008 was also characterised by consumers defaulting on offtake agreements and announcements of production cutbacks and postponed expansion projects by iron ore producers. Consensus forecasts of Australian benchmark prices for 2009 indicate a 30% decline.

The 2008 average London Metals Exchange (LME) cash zinc price was US$1 875/tonne, some 42% lower than the average for 2007. The decrease was driven by worsening market fundamentals, reflected in a refined zinc surplus of about 190kt developing during the year, compared to the surplus of 245kt in 2007. The zinc price declined steadily in the first nine months of the year from about US$2 400/tonne to US$1 700/tonne. In October the price started dropping precipitously to US$1 063/tonne, followed by a period of extreme price volatility in a band between US$1 250/tonne and $1 040/tonne, ending the year at US$1 120/tonne. Low prices since October were driven by expectations of declining demand due to the global economic crisis, increasing zinc stocks and divestment from commodity investment funds. In 2008 LME zinc stocks increased from 88kt to 253kt, primarily due to expanding zinc production in the first part of the year and stagnant demand in the second part. Low zinc prices and the dismal demand outlook led to western-world smelter capacity cutbacks of more than 500kt being announced by the end of the year.

This trend was also evident in the concentrate market, where western-world closures and cutbacks amounting to a production loss of almost 800kt in 2009 were announced by the end of 2008. Treatment charges favoured the refining industry in 2008 due to oversupply in the concentrate market. Contract treatment charges were around US$300/tonne at a zinc basis price of US$2 000/tonne. Spot treatment charges declined in 2008 to under realised contract treatment charges due to a decreasing concentrate surplus. A concentrate deficit is expected in 2009, resulting in significantly lower treatment charges being realised. Due to the concentrate and refined zinc production cutbacks, the surplus in the zinc market in 2009 is expected to be much lower than originally envisaged. This could result in zinc prices actually increasing somewhat from end-2008 levels to a forecast average of about US$1 250/tonne.

A small supply deficit was recorded in the titanium dioxide pigment industry in 2008, resulting in a rising price trend for most of the year. However, the increasing production trend of the first half was reversed once the ramifications of the economic crisis, in terms of pigment demand, became clear. This resulted in slightly negative output growth for the year. The extremely adverse impact of the worldwide economic slump on some major demand sectors for pigment products, namely the auto industry and housing sector, bodes poorly for pigment demand in 2009.

Titanium dioxide feedstock prices generally improved moderately in 2008. In particular, the market for chloride feedstock was tight, primarily due to supply disruptions such as the KZN Sands furnace shutdown, gas and electricity supply disruptions, the sinking of the Sierra Rutile dredge, closure of several smaller mining operations and slow production ramp-up from new producers. During the year, no new feedstock projects were approved. In view of the muted demand outlook for the pigment industry in 2009, the feedstock industry will also probably face a period of market surplus, with prices expected to generally move sideways.

Zircon prices declined in the first five months of 2008, primarily against expectations of an oversupplied market. However, the market turned out to be tight, leading to concerns about supply availability. This led to some precautionary buying and increasing prices in the second half. The global economic slowdown is, however, expected to lead to the tightness in the market reducing and prices moving sideways.

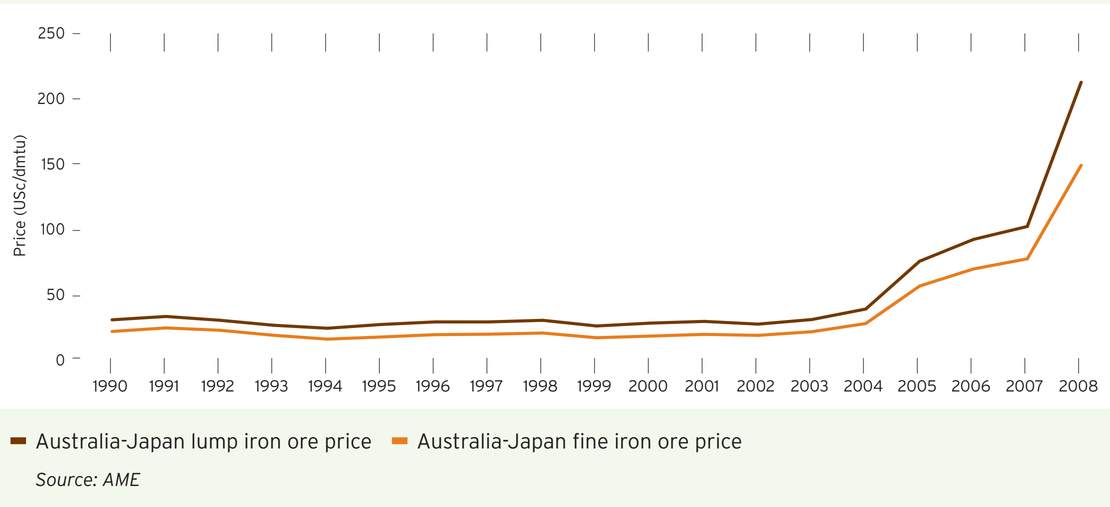
While the dollar generally continued to weaken against the currencies of commodity-exporting countries in the first half of 2008, the sub-prime crisis in the US and subsequent events precipitated a flight from risk, leading to capital outflows from most commodity-producing countries and significant weakening of the relevant currencies against the US dollar from August. This should bring some relief to commodity producers struggling with declining prices in terms of their local currency receipts from commodity exports.

The significant increases in mining costs and mining project capital costs since 2005 continued into 2008, but the economic crisis arrested this trend and the outlook is for mining costs to decline in 2009, with falling energy prices being a major factor. Capacity shortages in terms of contractors, machinery, equipment and mining professionals worldwide also abated and significant retrenchments in the mining industry in the last quarter of 2008 are expected to persist into 2009.

Global bulk freight rates reflected commodity prices in 2008. The Baltic Dry Index rose by more than 100% from January to June, but started tumbling as demand for ships dried up, ending the year some 90% lower than its high in June. It was estimated in late November that about 20% of the world's 'Cape-size' fleet was at anchor because of low demand. The bulk freight market is expected to remain depressed in 2009, but with freight rates improving from the extremely low levels at the end of 2008.

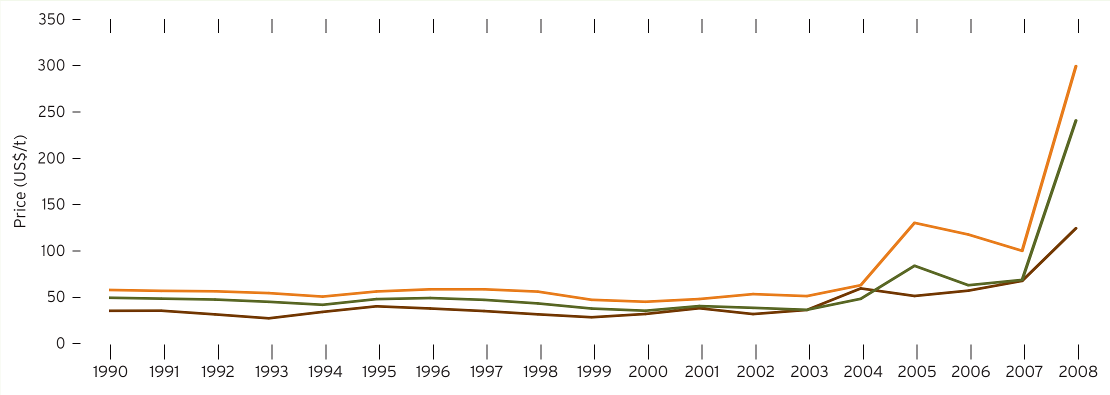
Planned global exploration expenditure in 2008 indicated a sixth consecutive annual increase, or some 26% over 2007. However, the crash in global commodity markets resulted in significant cutbacks in the last quarter of the year. This will cause the average increase for the year to be lower than planned. Exploration expenditure in 2009 will be significantly lower than in 2008. In time, this will lead to capacity shortages when demand shows a sustained upturn.

Nominal historical benchmark iron ore prices



Source: AME

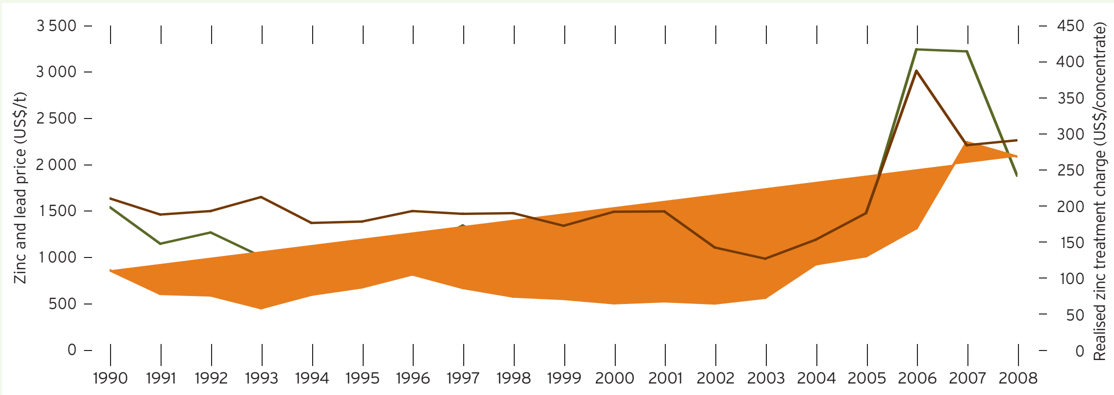
Nominal historical coal prices



Hard-coking coal benchmark price Semi-soft coking coal benchmark price RBCT spot steam coal price

Source: AME; SA Coal Report

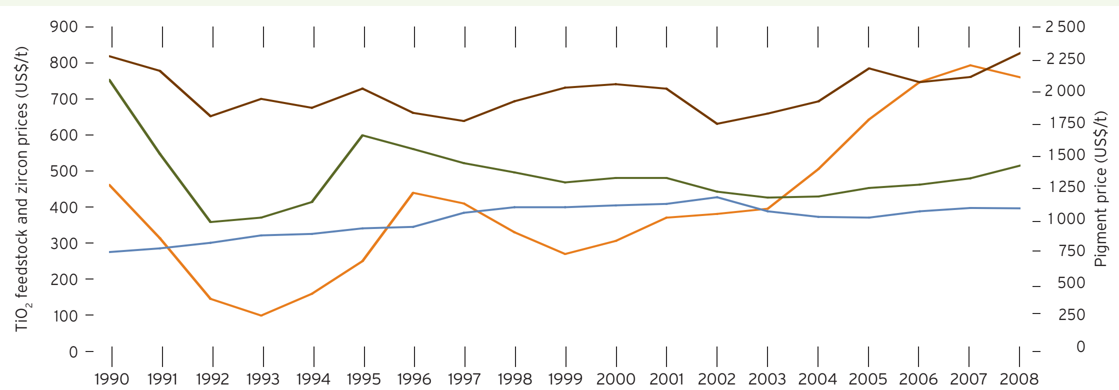
Nominal historical zinc and lead prices



LME spot lead price Zinc treatment charge LME spot zinc price

Source: AME; Brook Hunt

Nominal historical titanium dioxide pigment, feedstock and zircon prices



Zircon price Rutile price Chloride slag price US pigment price

Source: TZMI

FINANCIAL REVIEW

The group experienced strong demand at higher commodity prices despite the significant decrease in LME zinc prices.

Dirk van Staden
Financial director

Introduction

Calendar 2008 marked the completion of the remaining significant components of the November 2006 empowerment transaction that resulted in the creation of Exxaro. The acquisition of Namakwa Sands and a 26% interest in Black Mountain (Mining) (Pty) Limited (Black Mountain) became effective on 1 October and 1 November 2008 respectively. Accordingly, unless otherwise indicated, comments are for comparable purposes based on an analysis of the group's unaudited comparable supplementary financial results (pages 116 to 117) and physical information compiled (inside flap and page 8) for the 12 months ended 31 December 2008 and 2007 respectively as if both Namakwa Sands and the interest in Black Mountain were acquired on 1 January 2007.

The unaudited comparable supplementary financial results consolidate Namakwa Sands while equity accounting for the 26% interest in Black Mountain.

Overview of comparable group operating results

Table 1

	Unaudited 12 months ended 31 December	
R million	**2008**	2007
Revenue	**15 209**	11 449
Operating expenses	**12 398**	9 809
Net operating profit	**2 811**	1 640
Net operating profit margin (%)	**19**	14

The coal business reported record revenue and net operating profit as strong demand resulted in increased sales at higher prices despite a significant softening in international prices in the last quarter of the reporting period following the global economic meltdown. The sands business reported a higher consolidated net operating profit compared to 2007 as a profit contribution from KZN Sands and a substantially higher profit from Namakwa Sands more than offset a loss in the Australian operation. Significantly lower average zinc prices and an increased environmental provision resulted in the base metals business reporting an operating loss.

Revenue increased by 33% to R15,2 billion with net operating profit R1,2 billion higher at R2,8 billion.

An average exchange rate of R8,10 to the US dollar was realised on exports compared with R7,26 for the corresponding 12-month period in 2007. The continued strength of the Australian dollar to the US dollar at US$0,84 continued to impact negatively on the financial results of the mineral sands operations in Australia, despite the weakening of the Australian dollar in the last quarter of 2008.

Segmental results

Comparable segmental results are shown in tables 2 and 3.

Table 2

R million	Unaudited 12 months ended 31 December 2008	2007
Revenue		
Coal	9 040	5 087
Tied operations[1]	2 492	1 768
Commercial operations	6 548	3 319
Mineral sands	4 142	3 464
KZN Sands	974	984
Australia Sands	1 311	1 188
Namakwa Sands[2]	1 857	1 292
Base metals	1 829	2 732
Rosh Pinah	436	941
Zincor	1 733	2 558
Inter-segmental	(340)	(767)
Other	198	166
Total	15 209	11 449

Table 3

Net operating profit (Rm)/margin (%)	Unaudited 12 months ended 31 December 2008	%	2007	%
Coal	2 654	29	885	17
Tied operations[1]	83	3	88	5
Commercial operations	2 571	39	797	24
Mineral sands	448	11	99	3
KZN Sands	31	3	(157)	
Australia Sands	(82)		60	5
Namakwa Sands[2]	499	27	196	15
Base metals	(172)		688	25
Rosh Pinah	(14)		457	49
Zincor	(95)		298	12
Other	(63)		(67)	
Other	(119)		(32)	
Total net operating profit	2 811	19	1 640	14
Non-cash costs	1 093		919	
Earnings before interest, tax, depreciation and amortisation (EBITDA)	3 904	26	2 559	22

[1] *Tied operations refer to mining operations that supply their entire production to either Eskom or ArcelorMittal SA Limited in terms of contractual arrangements.*

[2] *Takes into account Namakwa Sands from 1 January 2007, for comparable purposes.*

Coal

Revenue increased by 78% to more than R9 billion due to significantly higher average international coal prices linked to global oil and energy increases, and stronger demand. Domestic prices followed this upward trend with international prices, however, declining in the last quarter of 2008 following the global economic crisis.

The commodity business reported an annual record net operating profit of R2,7 billion, an increase of 200% despite inflationary pressures, primarily in diesel and labour costs, exploration costs for Moranbah South in Australia and higher expenditure on projects in the Waterberg and Mpumalanga province.

Despite higher revenue, net operating profit from tied operations decreased slightly as lower environmental provisions resulting from the confirmed longer life of certain mines was passed on to Eskom in terms of the supply agreements.

Mineral sands

KZN Sands

The KZN mineral sands operation reported revenue R10 million lower than the R984 million reported in the corresponding period in 2007 in line with lower production volumes as a result of the Furnace 2 water ingress incident in February 2008. However, net operating profit increased by R188 million to R31 million, due to improved prices, a weaker local currency and cost savings. Net operating profit includes a R52 million fixed asset de-recognition in respect of the damaged Furnace 2.

Australia Sands

Revenue increased by 10% to R1,3 billion based on increased sales of synthetic rutile and zircon at higher prices. Net operating profit, however, declined by R142 million from the corresponding period in 2007 to a reported loss of R82 million in 2008. This was due to lower pigment production, plant maintenance-related issues, an emergency shut at a critical raw material supplier, the rebuild of all four chlorinators and gas supply interruptions in the first quarter of 2008, coupled with the continued strong Australian dollar. The weaker Australian dollar, at an average rate of 0,77 US cents for the six months ended 31 December 2008, together with improved mineral production, led to a net operating profit of R57 million in the second half of 2008 against a loss of R139 million in the first half.

Namakwa Sands

Exxaro acquired Namakwa Sands on 1 October 2008 for an adjusted consideration of R2 783 million made up as follows:

	Rm
• Cash consideration	2 015
• Price adjustments	
– Working capital	199
– MSP Project 1 000	448
– Tax recoupment – paid in Jan 09	121
	2 783

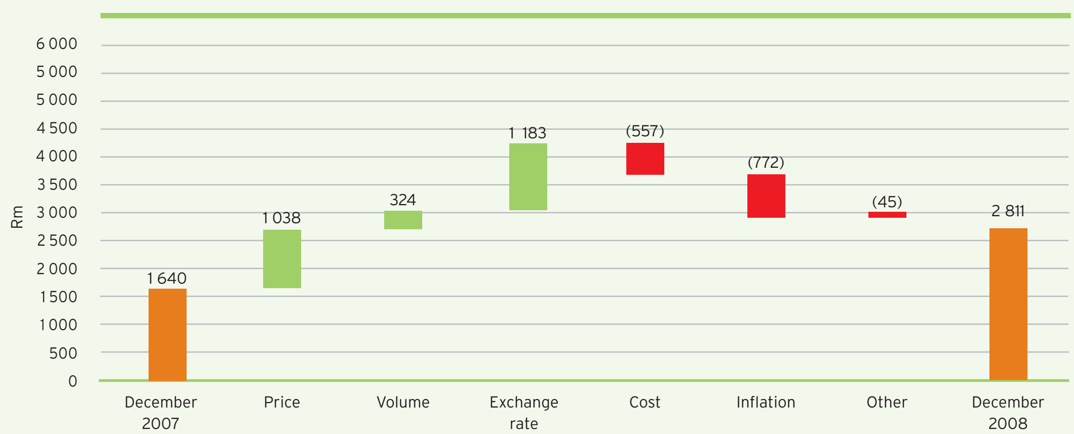
The capitalised price adjustments will result in either a subsequent cash inflow or additional future deduction from taxable income in KZN Sands.

Record production and sales at stronger zircon and average pig iron prices, combined with a weaker local currency, resulted in record revenue and net operating profit for the period of R1,9 billion and R499 million respectively.

Base metals

Revenue decreased by 33% to R1 829 million while net operating profit reduced from a profit of R688 million in 2007 to a loss of R172 million in 2008 as a result of a 42% decrease in the average zinc price for the year to US$1 874 per tonne, coupled with above-inflation increases in electricity, diesel and labour, higher maintenance expenses and an R87 million increase in the environmental rehabilitation provision at the Zincor refinery.

The following graph reconciles comparable net operating profit for 2007 to that of R2 811 million for 2008:



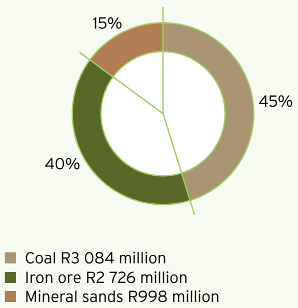
Industrial minerals

The group is currently evaluating the proposed divestment of its interest in the Glen Douglas dolomite mine and has accordingly disclosed its interest as a non-current asset and liability held for sale.

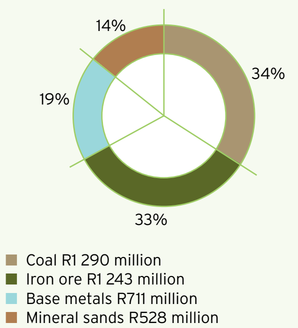
Pro-forma EBITDA

The pro-forma comparable EBITDA contributions of the various businesses, on the assumption that Exxaro's equity accounted investments of 26% in Black Mountain, 20% in Sishen Iron Ore Company (Pty) Limited (SIOC) and the 22% effective in Chifeng, are included in comparable EBITDA, are shown in the respective pie charts.

EBITDA contributions 12 months 2008*



EBITDA contributions 12 months 2007



* *Base metals EBITDA contribution was negative in 2008.*

Earnings

Attributable earnings for the period are R3 435 million or 1 002 cents per share, representing a 154% increase on comparable 2007 attributable earnings of R1 352 million or 396 cents per share.

Comparable attributable earnings
Table 4

	Unaudited 12 months ended 31 December	
R million	**2008**	2007
Net operating profit	**2 811**	1 640
Income from investments	**2**	2
Net financing cost	**(457)**	(453)
Equity accounted income	**1 601**	683
Taxation	**(546)**	(500)
Minority interest	**24**	(20)
Comparable attributable earnings	**3 435**	1 352
Weighted average number of shares	**343**	341
Comparable attributable earnings (cents per share)	**1 002**	396

Comparable net financing costs

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

	Unaudited 12 months ended 31 December	
R million	**2008**	2007
Interest expense and loan costs	**499**	391
Finance lease	**63**	59
Interest income	**(153)**	(96)
	409	354
Interest adjustment on non-current provisions	**48**	99
Total	**457**	453

The higher comparable interest expense is due to the assumption that the acquisition prices of Namakwa Sands and the interest in Black Mountain were paid on 1 January 2007.

The interest adjustment on non-current provisions refers to unwinding of the discount rate for environmental rehabilitation provisions accounted for at net present value. The reduction in 2008 is due to the confirmed longer life of certain mines that are tied operations to Eskom.

Comparable income from equity-accounted investments
Table 5

R million	Unaudited 12 months ended 31 December 2008	2007
SIOC	1 856	746
Chifeng Zinc	(4)	(18)
Black Mountain	(251)	(45)
Total	1 601	683

The results of SIOC are fully reported by Kumba Iron Ore Limited in its publication of financial results to 31 December 2008.

Production at Chifeng refinery was 101kt for the year compared to design capacity of 110ktpa. An equity accounted loss of R4 million was incurred compared to a loss of R18 million for the corresponding period in 2007.

Following Exxaro's decision in the first half of 2008 not to participate in the planned expansion of the Chifeng refinery by a further 100ktpa, the project has been indefinitely postponed in light of the substantial decline in demand for zinc metal.

Exxaro acquired a 26% interest in Black Mountain with effect from 1 November 2008 for R221 million, made up as follows:

	Rm
• Cash consideration	180
• Working capital adjustment	37
• Gamsberg exploration expenditure	4
	221

Exxaro's share of R251 million of the R965 million loss reported by Black Mountain has been taken to account in the illustrative figures. This includes R161 million for the impairment by Black Mountain of the carrying value of its assets.

Taxation

The corporate rate of 28% is reduced to an effective rate of 13% primarily due to:

• Share of associates and joint ventures differences mainly Exxaro's equity accounted share of SIOC's post-tax earnings	(11,9%)
• Prior-year adjustment	(1,7%)
• Reclassification of previously disallowed expenses, and exempt income	(2,1%)
• Disallowable expenditure	0,7%

Comparable headline earnings

Headline earnings, which exclude the impact of the impairment of the carrying value of assets in the earnings of Black Mountain, are R3 663 million or 1 068 cents per share; 167% higher than the R1 374 million or 403 cents per share of the previous reporting period.

Table 6

R million	Unaudited 12 months ended 31 December 2008	2007
Comparable attributable earnings	3 435	1 352
– Net impairment of property, plant and equipment (PPE)	20	18
– Share of associates' impairments and adjustments	169	(10)
– Gains or losses on disposal of PPE and subsidiaries	59	17
– Taxation effect of adjustments	(20)	(3)
Comparable headline earnings	3 663	1 374
Comparable headline earnings per share	1 068	403

Dividends

Exxaro's intention remains to progress to distributing 50% of attributable earnings to shareholders by means of interim and final dividend declarations. Dividend declarations in the medium term, however, may be lower to adequately provide for funding growth projects, comply with contractually agreed loan covenants, and maintain healthy key financial metrics.

Taking these factors into account, as well as the uncertain commodity market outlook, the board declared a final dividend of R2,00. This, together with the interim dividend of R1,75, results in a total dividend of R3,75 for the year. Total dividends declared for the 2008 financial year of R1 330 million equate to a dividend covered 2,6 times by attributable earnings and are paid or payable to shareholders as follows:

	Total Rm	Final Rm	Interim Rm
Gross dividend declared	1 330	710	620
BEE Holdco	699	373	326
Public	460	246	214
Anglo	131	70	61
Exxaro empowerment scheme (MPOWER)	40	21	19

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

Period ended	Dividend (cps)	R million	R million incl STC[1]	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
30 June 2008	175	620	620	13 August 2008	22 September 2008
31 December 2008	200	710	710	23 February 2009	30 March 2009
	535	1 894	1 894		

[1] *No STC is payable due to the use of STC credits from dividend receipts from SIOC.*

Cash flow (Actual as reported)

Table 7

	12 months ended 31 December	
R million	**2008**	2007
Net cash retained from operations	**3 574**	2 308
Net financing cost, taxation and dividends	**(1 664)**	(801)
Cash used in investing activities		
• New capacity	**(470)**	(727)
• Sustaining and environmental capital	**(1 147)**	(569)
Acquisition of investments and operations	**(3 157)**	(257)
Dividends received	**1 044**	379
Proceeds on sale of non-core assets and investments	**29**	50
Other	**(55)**	5
Cash (outflow)/inflow	**(1 846)**	388
Share issue	**31**	114
Increase in net debt on acquisition of a subsidiary		(25)
Other movements in net debt	**(83)**	(39)
(Increase)/decrease in net debt	**(1 898)**	438

Cash retained from operations was R3 574 million. This was mainly applied to taxation payments of R487 million, dividend payments of R984 million in March and September 2008 respectively, finance charges of R193 million and capital expenditure of R1 617 million of which R470 million was invested in expansion capacity and R1 147 million in sustaining and environmental capex.

Expansion capacity consisted mainly of the Sintel char plant, Inyanda coal mine and the pigment plant expansion in Western Australia.

After the payments before year-end of R2 662 million and R221 million respectively for the acquisition of Namakwa Sands and a 26% interest in Black Mountain, the group had a net cash outflow of R 1 846 million.

Net debt of R483 million at 31 December 2007 accordingly increased to R2 381 million at a net debt to equity ratio of 18% on 31 December 2008.

Debt structure and financial covenants

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

	Ratio	Covenants
Net debt to equity (%)	18	<125
EBITDA interest cover (times)	14	>4
HDSCR[1]	5,28	>1,3
CHDSCR[2]	4,91	>1,5

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

[2] 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 being less than 1,5.

During the year the group complied with all its contractually agreed loan covenants, except for the stand-alone funding package arranged for Rosh Pinah Zinc Corporation (Rosh Pinah) of R200 million to facilitate the disposal of a 43% interest to Namibian stakeholder groupings. Loan covenants were breached mainly as a result of the collapse in zinc prices in the second half of 2008 as well as above-inflation cost increases at the mine. Funding banks have, however, agreed to waive the breaches based on a contracted undertaking to settle the loans by 31 March 2009. At year-end Exxaro has provided shareholder loan funding of R67 million to Rosh Pinah.

Debt structure

The group's debt structure at 31 December 2008 was:

Debt structure R million	Drawn	Available	Repayment profile	
Long-term	4 150	1 761	500	2009
– Corporate	3 588	1 200	328	2010
– Australia Sands	562	561	419	2011
			794	2012
			2 109	After 2012
Cash and cash equivalents	(1 769)			
Net debt	2 381		4 150	
Short-term standby facilities		1 100		

The final dividend for payment in March 2009 will amount to a further cash outflow of R710 million, offset by a dividend inflow from SIOC of R1 123 million.

Organisational structure

The divestment of a 43% interest in Rosh Pinah to Namibian shareholder groupings, effectively reducing Exxaro's shareholding to 50,04%, became effective on 1 July 2008. Exxaro continues to manage the mine in terms of a management agreement.

At 31 December 2008 a total of 18kt representing 60% of Rosh Pinah's projected lead sales were hedged forward until 2011 at an average price per tonne of R16 089 and 78kt representing 60% of Rosh Pinah's projected zinc sales at an average price of R19 619.

Details of the hedging in place are as follows:

	Year	Tonnes hedged	Average USD price	Average ZAR price
Zinc				
	2008	13 500	2 256	17 854
	2009	26 400	2 521	18 939
	2010	26 400	2 216	19 944
	2011	26 700	2 061	19 976
		93 000	2 187	19 365
Lead				
	2008	2 750	1 814	14 625
	2009	6 675	1 591	13 509
	2010	5 175	1 713	15 692
	2011	5 500	1 967	19 066
		20 100	1 756	15 744

Capital expenditure

Table 8 compares capital expenditure for the 12-month periods ended 31 December 2008 and 2007 together with an estimate for the 2009 financial year.

Investment on the expansion of Grootegeluk mine at a capital cost of R9 billion over the next few years to supply Eskom's adjacent Medupi power station, and the AU$100 million Tiwest Kwinana pigment expansion project for an additional 40ktpa production, will dominate cash outflows on capital expenditure in 2009. Sustaining and environmental capital in 2009 includes replacement of primary mining equipment at the coal operations and the replacement programme for the flotation circuit at Rosh Pinah.

Following the credit crisis and global economic meltdown in the second half of 2008, Exxaro is reviewing its capital expenditure programme, including sustaining capital, as well as its project pipeline. The group will focus on the successful implementation of committed expansions while reprioritising other identified growth opportunities.

Table 8

Capital expenditure

R million	Financial year 2009 Estimate	12 months ended 31 December 2008	2007
Sustaining and environmental	805	**1 147**	569
Expansion			
• Coal	1 312	**337**	678
• Mineral sands	811	**104**	16
• Base metals	75	**26**	21
• Other	24	**3**	12
Total	3 027	**1 617**	1 296
Major cash flow commitments for investments not included in capital expenditure:			
– Mafube coal joint venture (50%)	713		

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 2007.

Exxaro did, however, early-adopt 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 implementation led to differences in the basis of segmentation compared to previous periods. As a result, new operating segments have been identified.

IAS 1 and IFRS 8 are disclosure standards and have no other impact on the recognition or measurement of items and accordingly their adoption has no effect on profit or equity for the year.

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 need to raise a provision for post-employment healthcare benefits that had been provided to a group of continuation and in-service members on the Witbank Coal Medical Aid Scheme 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 in 2007 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. The latest actuarial valuation of this liability at 31 December 2008 is R42 million with R42 million as a receivable from Eskom.

A further post-retirement benefit liability was acquired at an actuarial valuation of R25 million on the acquisition of the assets and liabilities of Namakwa Sands.

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 comparison to 31 December 2008 shows the volume-weighted average share price was R103,72 against R75,49 for the previous year. Daily trade in shares averaged 1 158 198 in 2008 compared to 849 137 in the previous period, an increase of 30% illustrating strongly improved liquidity. During the year the share price peaked at R159,50 in June 2008 (against a high of R107,00 in the previous financial period) and bottomed at R53,50 in October 2008 versus a low of R51,75 in January 2007.

For the period Exxaro performed in line with the FTSE/JSE Resources Index but underperformed the FTSE/JSE All Share Index by 5%.

Acknowledgements

As this is my final financial review of the group, I thank Sipho Nkosi, our chief executive officer, and the board of directors for their guidance and support during my term as financial director. My best wishes accompany them in the future governance and strategic direction of the group.

I also express my sincere appreciation to the very competent Exxaro finance teams for their commitment, dedication and valuable contributions.

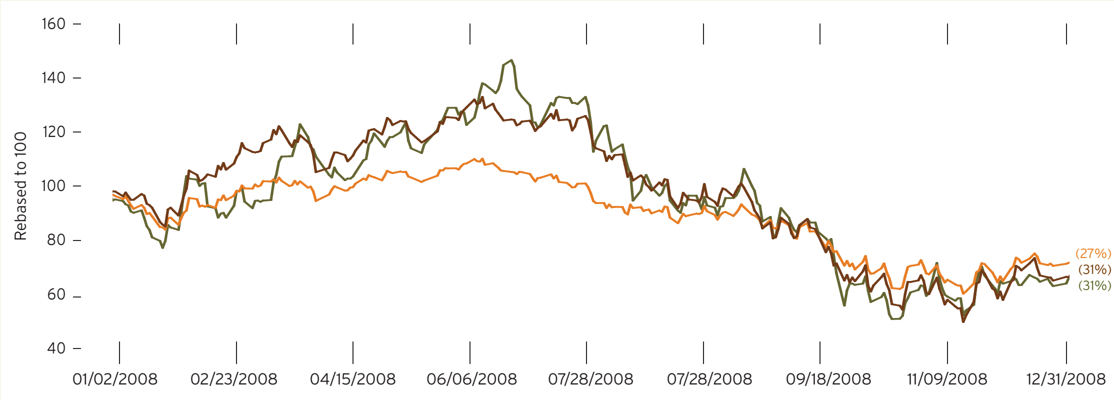
MANAGEMENT TEAM

Rian Strydom (42)
General manager: financial accounting

Riaan Koppeschaar (38)
General manager: corporate finance and treasury

Sakkie Prinsloo (55)
Group manager: taxation

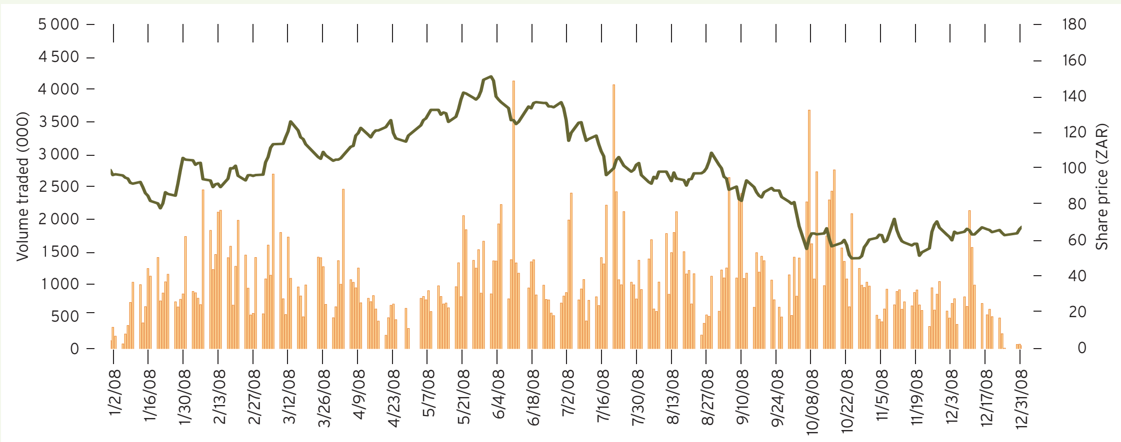
Relative performance for the period 1 January 2008 to 31 December 2008



Exxaro Resources Limited   FTSE/JSE All Share Index   FTSE/JSE Resources Index

Source: I-Net Bridge

Share price and volume traded for the period 1 January 2008 to 31 December 2008



Volume traded   Share price

Source: I-Net Bridge

Coal

OVERVIEW

Calendar 2008 was an exceptional period for Exxaro Coal, with Inyanda and Mafube coming on line and contributing to group results.

2009 Capital expenditure estimate

**A R713 million commitment in 2009 is also expected for the 50% Mafube coal joint venture participation.*

HIGHLIGHTS

- Record annual revenue of **R9 billion** and net operating profit of **R2,7 billion**
- Total production volumes reach **45Mt**
- **Higher production** from Inyanda and North Block Complex
- Construction of Grootegeluk **expansion on track** to supply Medupi power station.

Above: Haul trucks at shift change, Grootegeluk mine, Limpopo.

The positive turnaround at North Block Complex (NBC) in 2007 underpinned further growth at this mine in the review period with additional capacity now available due to mining new reserves.

The decision to discontinue underground activities at New Clydesdale mine for safety reasons in the prior year created the opportunity to accelerate the development of the Inyanda export coal mine through New Clydesdale beneficiating Inyanda's run-of-mine production, enabling it to capture valuable export income for the group.

After a catastrophic failure in 2007 as previously reported, Leeuwpan mine's stacker reclaimer was repaired and recommissioned in early 2009. Front-end loaders were deployed from September 2007 to minimise the impact on the business and performed above expectations under difficult circumstances.

Exxaro's joint venture participation in the Mafube expansion project with Anglo Coal has been delayed as certain conditions precedent are still outstanding. Despite this, the Mafube mine ramped up during the year and Exxaro's 50% share of export product added 733kt to overall export volumes, allowing the group to benefit from prevailing higher export prices.

South African coal exports have declined 13% from 72Mt in 2005 to approximately 63Mt in 2008, primarily due to rail logistics. Discussions with Transnet Freight Rail continue with the objective of developing solutions for sustainable improvements on the coal line.

Despite rail logistical challenges and in line with the strategic intent to increase Exxaro Coal's presence in the steam coal export market, production from the new mines Mafube and Inyanda together with Exxaro's increased export entitlement at the Richards Bay Coal Terminal (RBCT), boosted export volumes by 80% from 1,8mt to 3,3mt in 2008. Phase V of RBCT will be commissioned in 2009, although future allocations of rail and port capacity have not yet been finalised. With the introduction of additional rolling stock by Transnet Freight Rail in the first quarter of 2009, rail performance is expected to improve.

With international coal prices being linked to global oil and energy price increases, they rose to record levels in the first half of 2008 with domestic prices following this trend. International prices, however, softened considerably in the second half of the reporting period following the global economic crisis. Exxaro Coal was able to optimally capture value from both international and domestic price movements.

Exxaro Coal supplied the first 3,3Mt of the total 10Mt undertaking to Eskom as part of Eskom's request for 40Mt additional power station coal from the coal industry. Additional tonnage was supplied from NBC and Grootegeluk mines with the balance of 5,8Mt in 2009 and 0,9Mt in 2010 coming from the Grootegeluk, NBC and Leeuwpan mines.

Physical information and operating results

Overall production volumes were 9% higher than in 2007. Production and sales volumes are reflected below:

	2008	2007	Variance	Y-O-Y %
Production (000 tonnes)				
Power station coal	36 700	34 246	2 454	7
– Tied operations[1]	18 095	16 732	1 363	8
– Commercial operations	18 605	17 514	1 091	6
Coking coal	2 560	2 962	(402)	(14)
– Tied operations[1]	327	463	(136)	(29)
– Commercial operations	2 233	2 499	(266)	(11)
Other commercial operations	5 574	4 111	1 463	36
Total	44 834	41 319	3 515	9
Sales (000 tonnes)				
Eskom	36 255	34 226	2 029	6
– Tied operations[1]	18 054	16 699	1 355	8
– Commercial mines	18 201	17 527	674	4
Other domestic	5 481	5 237	244	5
– Tied operations[1]	352	449	(97)	(22)
– Commercial mines	5 129	4 788	341	7
Export commercial mines[2]	3 276	1 821	1 455	80
Total	45 012	41 284	3 728	9

[1] Tied operations refer to mines that supply their entire production to either Eskom or ArcelorMittal SA Limited in terms of contractual agreements.
[2] Includes steam coal exports from Exxaro's 50% share of the Mafube expansion project.

Operating results

Total	Rm
Revenue	9 040
Net operating profit	2 654
Capital expenditure on new capacity	337

Power station coal production at the Eskom-tied mines was significantly higher due to a good turnaround at Arnot after successfully implementing improvement initiatives. Exxaro's commercial mines, most notably North Block Complex, increased production to supply higher demand from Eskom. North Block Complex started mining new reserves and increased overall capacity.

Coking coal production, however, decreased by 402kt in 2008 due to challenging geological and mining conditions at Tshikondeni mine. In addition, Grootegeluk mine used its no 6 plant-tipping capacity to channel run-of-mine tonnages to produce additional power station coal from the no 2 washing plant, contributing to the reduction in coking coal production.

Steam coal production was significantly higher than the previous year mainly due to Inyanda ramping up in 2008, good production levels at Leeuwpan resulting from additional overburden removal in 2007 and increased production at North Block Complex.

Sales of power station coal to Eskom increased by 2Mt to 36,3Mt as a result of improved production performance at tied operations and demand from the electricity utility to increase stock levels at various power stations.

Other domestic sales were affected by lower production at Tshikondeni and a 13% decrease in sales to ArcelorMittal SA Limited in line with reduced demand in the steel and ferroalloy industry in the last quarter of 2008. The coal business was able to offset some of these lower sales volumes through additional sales from Leeuwpan and North Block Complex to the domestic market.

Prospects

In 2009, the focus will remain on optimising current assets as well as ensuring the successful commissioning and ramp-up of the Sintel char plant at Grootegeluk and development of the Diepspruit reserve at New Clydesdale.

The coal business is expected to continue experiencing strong demand for local power station coal. However, coking coal sales are anticipated to be lower at reduced prices in line with lower demand from the steel and ferroalloy industry. Steam coal sales volumes, in turn, should increase but at lower international prices.

All applications for new-order mining rights for the coal business have been granted, except for the Weltevreden deposit adjacent to Leeuwpan mine which is under consideration by the Department of Minerals and Energy.

Exxaro Coal aims to improve on the solid performance in 2008 by successfully commissioning projects scheduled for the new financial year. Effective cost-management and improvement initiatives will be pursued to ensure profitability even during a prolonged recessionary environment.

STRATEGIC OBJECTIVES

We will create exceptional value by being an innovative coal and reductants company, with a global footprint, and by utilising and developing excellence in people and superior processes. We aim to achieve our 2015 target of 75Mt of coal and 750kt of reductants by focusing on:

- Operational excellence
- Responsible custodianship of safety, health, environment and quality issues
- Continued optimisation of market position
- Value growth of the business
- Organisational excellence including high-performance culture, sustainability and transformation.

MANAGEMENT TEAM

Mxolisi Mgojo (48)
Executive general manager

Leon Groenewald (42)
Manager: finance

Mongezi Veti (43)
Area general manager: Arnot, New Clydesdale and Tshikondeni

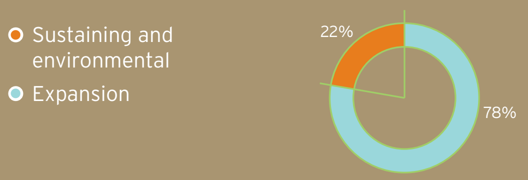
Johan Wepener (51)
Area general manager: Leeuwpan, Inyanda, North Block Complex and Mafube

Mineral sands

OVERVIEW

On 1 October 2008, Namakwa Sands became part of Exxaro, making the group one of the largest suppliers of titanium dioxide feedstock and zircon in the world and allowing it to be uniquely positioned in the global minerals sands industry.

2009 Capital expenditure estimate



HIGHLIGHTS

- **Consolidated** profit recorded
- Significant **maiden profit** contribution from Namakwa Sands
- Several **production records** at all operations

Above: Smelter operations at KZN Sands, KwaZulu-Natal.

The mineral sands technology expertise acquired with the Namakwa Sands transaction has assisted in the profitable turnaround of the KZN operation. The three operations (Australia Sands, KZN Sands and Namakwa Sands) now boast a complementary set of products and technologies, with a group consolidated marketing strategy other than for pigment, which is marketed by Tronox, Exxaro's partner in the Tiwest joint venture.

Despite growing titanium dioxide pigment demand from developing countries, declining GDP increases in developed economies, compounded by the global economic crisis, resulted in lower demand and only marginal price increases in 2008. Demand for feedstocks, zircon and low manganese pig iron (LMPI) remained strong in 2008 as evidenced by higher prices. Prices in 2009 for feedstocks, LMPI and zircon will remain challenging and are expected to move sideways.

Physical information and operations review

Production and sales volumes for 2008 and 2007 are disclosed below:

	2008	2007	Variance	Y-O-Y %
KZN Sands				
Production (000 tonnes)				
– Ilmenite	229	367	(138)	(38)
– Zircon	34	34	–	–
– Rutile	19	17	2	12
– Pig iron	50	90	(40)	(44)
– Scrap pig iron	16	20	(4)	(20)
– Chloride slag	95	150	(55)	(37)
– Sulphate slag	18	26	(8)	(31)
Sales				
– Ilmenite	40	50	(10)	(20)
– Zircon	36	27	9	33
– Rutile	14	18	(4)	(22)
– Pig iron	64	91	(27)	(30)
– Scrap pig iron	7	8	(1)	(13)
– Chloride slag	101	163	(62)	(38)
– Sulphate slag	17	29	(12)	(41)
Namakwa Sands[1]				
Production (000 tonnes)				
– Ilmenite	315	300	15	5
– Zircon	130	115	15	13
– Rutile	27	24	3	13
– Pig iron	103	91	12	13
– Scrap pig iron	6	11	(5)	(45)
– Chloride slag	135	126	9	7
– Sulphate slag	24	27	(3)	(11)
Sales				
– Zircon	135	115	20	17
– Rutile	27	26	1	4
– Pig iron	82	86	(4)	(5)
– Scrap pig iron	1	1	–	–
– Chloride slag	145	124	21	17
– Sulphate slag	26	30	(4)	(13)

[1] Namakwa Sands has been included from 1 January 2007 for comparable purposes
[2] Australia Sands' 50% interest in its Tiwest joint venture is disclosed

	2008	2007	Variance	Y-O-Y %
Australia Sands[2]				
Production (000 tonnes)				
– Ilmenite	**174**	216	(42)	(19)
– Zircon	**29**	36	(7)	(19)
– Rutile	**13**	17	(4)	(24)
– Synthetic rutile	**113**	100	13	13
– Leucoxene	**16**	16	–	–
– Pigment	**43**	54	(12)	(20)
Sales				
– Zircon	**35**	29	6	21
– Rutile	**14**	16	(2)	(13)
– Synthetic rutile	**62**	57	5	9
– Leucoxene	**17**	17	–	–

[1] Namakwa Sands has been included from 1 January 2007 for comparable purposes
[2] Exxaro Sands Australia's 50% interest in its Tiwest joint venture is disclosed

Operating results

Total	Rm
Comparable revenue	4 142
Comparable net operating profit	448
Capital expenditure on new capacity	104

KZN Sands

KZN Sands reported lower production as a result of the Furnace 2 water ingress incident at the end of February 2008, with only Furnace 1 being operational for the remainder of the year. Continuous improvement initiatives are impacting positively on production, with the Furnace 2 start up in early December 2008 ramping up according to plan.

Titanium slag produced at 113kt was 63kt lower than the comparable period in 2007. Furnace 1 performed well by producing more than 95kt of slag, equivalent to 87% of cold feed capacity. Low manganese pig iron production was in line with the decreased slag throughput while ilmenite production was aligned with lower smelter feed requirements at 138kt lower than the corresponding period in 2007.

Australia Sands

Record synthetic rutile production was achieved in 2008 resulting from stable operating conditions following the kiln shut in 2007. Although mineral production was lower as a result of dredging operations moving through lower ore grade areas, successful business improvement initiatives to increase yield and recoveries partially offset the negative variances. The 2009 mine plan indicates a higher grade than 2008 which should positively impact on mineral production in the new year.

Pigment production was substantially lower than the comparative period in 2007 as a result of maintenance-related issues, an emergency shut at one of the critical raw material suppliers, the rebuild of all four chlorinators and interruptions in gas supply in the first quarter of 2008. Several initiatives have been implemented to improve the performance of the pigment plant and, in December 2008, pigment production improved to pre-2008 levels. A stronger pigment production performance is expected in 2009.

Namakwa Sands

Exxaro acquired effective ownership of Namakwa Sands on 1 October 2008 for an adjusted consideration of R2 783 million. The breakdown of the acquisition price is detailed in the financial review.

Annual records were achieved for zircon, titanium slag and pig iron production. The record zircon production was attributable to higher grades and improved plant efficiencies. Record smelter production resulted from Furnace 2 operating on full power of 35MW following the de-bottlenecking of process difficulties which increased slag and iron tapped despite power cutbacks in the first quarter of 2008.

Efficiency improvements at the smelter operations include annual records reported for the chlorinatable (CP) slag ratio at 84,5% compared to a previous best of 82,5%, and iron recovery at 91,3% compared to the previous record of 90,3%.

Prospects

At Namakwa Sands the optimisation of mine planning and scheduling in 2009 is receiving priority to ensure optimal matching of current technology and driving integrated business improvement initiatives. The containment of unit costs at all operations will be embarked on, with identified savings initiatives aimed at realising profitable contributions from all three business operations.

Increased production volumes from all mineral sands operations and a full 12 months' contribution from Namakwa Sands, together with the local and Australian currencies remaining at their present weaker levels, should benefit this business in 2009 if market demand and prices remain at current stable levels.

STRATEGIC OBJECTIVES

- **Maintain position among leading global suppliers of titanium dioxide feedstock and zircon**
- **Downstream value addition**
- **Increase share in world chloride pigment production**

MANAGEMENT TEAM

Wim de Klerk (45)
Executive general manager

Mellis Walker (42)
Manager: finance

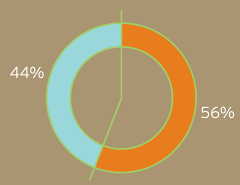
Base metals

OVERVIEW

A year characterised by significantly lower zinc metal demand and prices.

2009 Capital expenditure estimate

- Sustaining and environmental
- Expansion



HIGHLIGHTS

- **Rebuild** of roasters in Zincor's acid plant completed
- **Crushing circuit** at Rosh Pinah mine refurbished
- **Major plant** maintenance programmes to be completed in 2009

Above: Preparing for underground blasting at Rosh Pinah mine, Namibia.

Exxaro's base metals business encompasses the operations of Rosh Pinah zinc and lead mine in southern Namibia (now 50,04% held), the Zincor zinc refinery in Gauteng, a 22% effective interest in the Chifeng zinc refinery in Inner Mongolia, China and, with effect from 1 November 2008, a 26% interest in Black Mountain Mining (Pty) Limited.

The interest in Black Mountain was acquired for an adjusted consideration of R221 million as fully disclosed in the financial review. The acquisition formed part of the empowerment transaction that led to the creation of Exxaro in November 2006 and has as strategic intent the possible supply of concentrate from the adjacent Gamsberg project to the Zincor refinery.

The record-high price environment in 2006 and 2007 has been followed by significantly lower zinc metal prices due to lower local and international demand. The average zinc price for the year of US$1 874 per tonne was 42% lower than the equivalent average of US$3 231 in 2007. Higher treatment charges only marginally offset the impact of lower prices.

Physical information and operating results

Production and sales volumes for 2008 and 2007 are reflected below:

	2008	2007	Variance	Y-O-Y %
Production (000 tonnes)				
Zinc concentrate – Rosh Pinah	94	95	(1)	(1)
– Black Mountain[1]	15	15	–	–
Zinc metal				
– Zincor	87	101	(14)	(14)
– Chifeng[2]	23	23	–	–
Lead concentrate – Rosh Pinah	20	22	(2)	(9)
– Black Mountain[1]	17	15	2	13
Zinc metal sales				
– Domestic	93	93	–	–
– Export	33	29	4	14
Lead concentrate – Rosh Pinah				
Export	22	19	3	16

[1] *Exxaro's 26% interest in Black Mountain has been disclosed from 1 January 2007 for comparable purposes.*
[2] *Exxaro's effective interest in the Chifeng refinery is disclosed.*

Operating results

Total	Rm
Revenue	1 829
Net operating loss	(172)
Capital expenditure on new capacity	26

Production of zinc metal at Zincor refinery of 87kt was 14% lower than 2007. This was due to limited power supply and a total plant blackout following a transformer failure that caused major delays and instability throughout the plant in the second half of 2008, as well as the extended shut and rebuild of two roasters in the acid plant.

Zinc metal sales, however, remained in line with 2007 despite a drastic reduction in the second half when the global economic crisis caused a sharp decline in the local market.

Production of zinc concentrate at Rosh Pinah mine of 94kt is in line with 2007 although lower metal content grades were recorded. This was caused by plant stoppages and instability from equipment failures at the crushing and flotation circuits of the plant and failures due to an unstable electricity supply. A capital replacement programme of the flotation circuit is planned for the second half of 2009 while the crushing circuit was fully refurbished in the second half of the review period.

Zinc concentrate railed from Rosh Pinah was 11% lower as problems with the availability of railway wagons led to lower imports of cement into Namibia and subsequent backhaul of concentrate. Lead sales were higher than 2007 due to rescheduled shipments.

Prospects

Completion of the major capital replacement and refurbishment programmes, with plant stability, is a focus area for 2009.

The base metals business is expected to remain under pressure in 2009 given continued depressed market conditions and zinc prices.

Working capital management together with cost control and business improvement initiatives will be required to offset interim lower demand and price challenges.

STRATEGIC OBJECTIVES

- Securing a long-term, viable, quality feedstock supply for Zincor
- Operational improvement at current businesses

MANAGEMENT TEAM

Wim de Klerk (45)
Executive general manager

Mellis Walker (42)
Manager: finance

GROWTH

Following the credit crisis and global economic meltdown in the second half of 2008, Exxaro is reviewing its capital expenditure programmes, including sustaining capital, as well as its project pipeline. The group will focus on successfully implementing committed expansions while reprioritising other identified growth opportunities.

Coal

Grootegeluk Medupi expansion

Exxaro board approval for the coal supply agreement and implementation of the project to expand Grootegeluk mine, at a capital cost of R9 billion, was obtained in August 2008. In September 2008 an agreement was concluded with Eskom for the supply of 14,6Mtpa of power station coal for 40 years from Grootegeluk mine to Eskom's adjacent Medupi power station, currently under construction. The first coal is to be supplied in the last quarter of 2011 with full production from 2014.

Waterberg mine

A pre-feasibility study and geological exploration work on a potential greenfields mine adjacent to Grootegeluk mine is being progressed. This potential mine has the capability of supplying the market with power station and metallurgical coal.

Sintel char project

The commissioning of the Sintel char plant at Grootegeluk mine to produce reductants for the ferroalloy industry is behind schedule. This is due to delays experienced with construction contractors. Ramp-up of the facility began in August 2008 but was delayed to February 2009 when the refractory lining of the four retorts failed during the heating process. All retorts should be commissioned by end-June 2009, with full production of 160ktpa estimated by the end of the year.

Market coke

A feasibility study on producing high-quality market coke from semi-soft coking coal produced at Grootegeluk mine is under review.

Mafube coal mine

Commissioning of the Mafube expansion project, at a capital cost of R1,9 billion, in which the group is a 50:50 joint venture partner with Anglo Coal, has been completed and ramp-up to full capacity was reached by end-2008. At full production, the mine will produce 3Mtpa of export steam coal and 2Mtpa of power station coal.

Inyanda coal mine

Commissioning of the beneficiation plant at the R290-million Inyanda mine was successfully completed in the second quarter of 2008. Full production of 1,5Mtpa, mostly for the export market, was exceeded by the end of the year.

The Blackhill railway siding has been successfully commissioned and is being operated at design capacity. This is currently the only train-loading facility in Exxaro where Jumbo railway wagons can be loaded to full capacity.

Eerstelingsfontein reserve

All mining authorisations and regulatory approvals for mining the Eerstelingsfontein reserves near Belfast to supply 1Mtpa of product to the local market have been obtained. Full production is expected by the second quarter of 2009.

Moranbah South resource

Exploration of the hard coking coal resource on the adjacent properties of Moranbah South and Grosvenor South in Queensland, Australia, in joint venture with Anglo Coal Australia, is progressing according to schedule. Exploration is focused on geological work to delineate long-wall mining resources. The potential for bord-and-pillar mining operations will also be explored. Moranbah South has the potential to produce large volumes of premium-quality hard coking coal.

Diepspruit reserve

Development of the Diepspruit reserve at New Clydesdale (NCC) is planned to produce its first coal by the second quarter of 2009. At full production, the R136-million project will produce 1,3Mtpa run-of-mine coal for beneficiation at NCC for supply to the export steam coal market.

Co-generation project

Exxaro formed a joint venture with Promethium Carbon to develop co- and on-site generation projects of up to 200MW each. The bankable feasibility phase for some of these projects is nearing completion and discussions are under way with host parties on offtake agreements and contractual arrangements. It is anticipated that three projects will be initiated in 2009.

Botswana Gas project

Exxaro has concluded an agreement with Sekaname (Pty) Limited to begin a coal-bed methane exploration programme in Botswana. The focus of the study will be to prove economic gas flow rates from coal-bed methane seams. The purpose of the joint venture, in which Exxaro has a 75% interest, is to explore the feasibility of creating a gas-based energy business.

Mineral sands

Fairbreeze mine

The feasibility study for the construction of the Fairbreeze mine, south of the existing Hillendale mine, is being updated with start of construction targeted for the second half of 2009. Production is planned for the first half of 2011 after mining Braeburn and Braeburn extension in the next three years.

Port Durnford mine

The feasibility study for Port Durnford mine, south-west of Hillendale mine, will be completed in 2010. This mine could supply the KZN furnaces for more than 20 years, if proven viable.

Centane deposit

A drilling campaign to confirm the Shell-Rhoex results for the Centane deposit in Eastern Cape took place in August 2008. Samples analysis will be completed in 2009.

Toliara Sands

The Toliara Sands project's feasibility study for the Ranobé deposit in south-western Madagascar is still under way. Further process work is being done on ilmenite product from the Ranobé deposit. An aerial radiometric and magnetic survey was completed for the northern Monombo-Marombe area. Results from this survey will determine whether to continue with further drilling.

Kwinana pigment expansion

Implementation of the Tiwest Kwinana pigment expansion project for an additional 40ktpa production is on track, with commissioning targeted for the first quarter of 2010. Exxaro is funding 100% of the A$100-million expansion project.

Dongara

The Dongara feasibility study, which forms part of the Tiwest joint venture, is under way and will be completed by 2009. Given the increased life expectancy of the Tiwest current dry mine operation at Cooljarloo, production at Dongara is not planned to start before 2011. This deposit has the potential to provide feedstock to the Tiwest mineral separation plant for six years. Alternatives for Dongara are being investigated. Exploration at Cooljarloo West has started and will continue in 2009.

Base and other metals

Turkey iron ore and base metal opportunity

Exploration activities in Turkey are still in their early stages with further participation being critically reviewed in the current depressed economic environment. The area includes zinc, lead copper and iron ore prospects. A total of R110 million was expensed for the year on acquisition and exploration costs.

More than 11 000 metres of mainly iron ore-focused exploration drilling was completed between April and October 2008. Exploration activities have been suspended for the winter and will resume again in the second quarter of 2009.

Technical evaluation on a bulk ore sample is also in progress at the Exxaro research and development test facilities. Results are expected towards the end of 2009.

Chifeng refinery

The feasibility study to expand Chifeng refinery by a further 100ktpa was completed in the first half of 2008. After reviewing the prospect, Exxaro concluded that the planned expansion does not meet its investment criteria, and decided not to participate. The expansion plans have since been indefinitely delayed as a result of the substantial decline in demand for zinc metal.

REVIEW OF MINERAL RESOURCES AND RESERVES

The mineral resources and ore reserves underpinning Exxaro's current operations and growth projects are summarised in the tables on pages 48 to 55. Mineral resources are reported inclusive of ore reserves and at 100%, irrespective of the percentage attributable to Exxaro, except in the case of Gamsberg and Black Mountain because figures received from Anglo Base Metals represent resources exclusive of reserves. Significant changes in the resource or reserve figures have been explained by relevant footnotes attached to each table. 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 the competent persons 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 on written request.

The processes and calculations associated with the estimate have been audited by internal competent persons and, on a three- to four-year cycle basis, by external consultants. In the case of Namakwa Sands, which was acquired by Exxaro in 2008, the figures listed in the tables represent the tonnages quoted in the Anglo American 2007 financial statements, depleted by tonnages mined during the reporting period.

The person within Exxaro designated to take corporate responsibility for mineral resources and ore reserve, HJ van der Berg, the undersigned, has reviewed and endorsed the reported estimates.

HJ Van Der Berg
MSc (Geology), BSc (Hons)
Pr Sci Nat (400099/01)
Manager Mineral Assets

Comment

Exxaro's tenure over its mineral assets as listed in the tables was audited and is confirmed with the following consideration. 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 positive progress has been made. The new mining right application over certain Leeuwpan properties is still under consideration by the Department of Minerals and Energy (DME).

Exxaro applied for the conversion of all ex-Kumba old-order mining licences to new-order mining rights in 2005. Additional information requested by the DME has been provided. Applications for the conversion of all ex-Eyesizwe mines were submitted in 2008, well ahead of the final date for submission on 30 April 2009. Exxaro received written confirmation from the DME in December 2008 that the ex-Kumba mining licences have been converted. The DME needs to schedule the execution of these rights.

Exxaro's coal resources in the Waterberg coalfield, both in the form of the existing mining area and prospecting rights, are regarded as one of the cornerstones of the company's future, and their management and optimisation will remain a focus area in 2009. Prospecting rights in the Mpumalanga coalfield are being prioritised to determine the optimum fit in the company's growth strategy.

Internationally, additional exploration done on the Moranbah South project in Queensland, Australia, in co-operation with Anglo Coal Australia, has confirmed that it is a valuable coking coal resource. The pace of exploration will be increased in 2009 to facilitate the start of a feasibility study on certain areas by 2010. The other international resources growth opportunity – namely iron ore in Turkey – was pursued through an intense exploration programme during the eight-month long exploration cycle (April to November) and the potential for a small, but profitable, operation established. The 2009 programme will focus on taking the potential mineral resource to pre-feasibility/feasibility level and an investment decision. Base metal potential in Turkey will also be evaluated in 2009 to determine whether it fits Exxaro's growth strategy. At Rosh Pinah zinc mine, boreholes based on the conceptual extension of the ore model intersected good mineralisation and drilling to delineate the mineralised area will continue in 2009.

The objective to manage and grow Exxaro's mineral assets was strongly pursued during the review period and will continue in 2009, with distinct focus on prioritised targets. The approach will be to enhance understanding of the mineral resources through the innovative integration and interpretation of available information and by tracking value creation. The foremost objective will be to support Exxaro's quest to continually improve on safe working conditions. Equally important are the mineral resources needed to sustain Exxaro's competitiveness through the challenges ahead, but ultimately it is critical to ensure Exxaro has the mineral assets available on which to base its growth strategy when the cycle turns positive again.

REVIEW OF MINERAL RESOURCES AND RESERVES continued

Table 1: Exxaro's Mineral Resource estimates for 2007 and 2008

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	% attributable to Exxaro	Resource category	2008 Tonnes (million)	2008 Grade	2007 Tonnes (million)	2007 Grade	% change
Coal Mpumalanga	Arnot mine [1] (captive market)	100	Measured	176,8	Raw coal	171,7	Raw coal	
			Indicated	8,5	Raw coal	74,0	Raw coal	
			Inferred	6,5	Raw coal	17,1	Raw coal	
			TOTAL	191,8	Raw coal	262,8	Raw coal	(27,0)
	Matla mine [2] (captive market)	100	Measured	256,5	Raw coal	302,3	Raw coal	
			Indicated	483,0	Raw coal	112,8	Raw coal	
			Inferred	71,3	Raw coal	–	–	
			TOTAL	810,8	Raw coal	415,1	Raw coal	95,3
	Inyanda mine [3]	100	Measured	15,5	Raw coal	18,1	Raw coal	
			Indicated	–	–	–	–	
			Inferred	–	–	–	–	
			TOTAL	15,5	Raw coal	18,1	Raw coal	(14,6)
	Leeuwpan mine [4]	100	Measured	186,6	Raw coal	163,1	Raw coal	
			Indicated	2,8	Raw coal	6,5	Raw coal	
			Inferred	–	–	–	–	
			TOTAL	189,4	Raw coal	169,6	Raw coal	11,7
	Mafube mine	50,0	Measured	122,5	Raw coal	58,2	Raw coal	
			Indicated	–	–	41,9	Raw coal	
			Inferred	54,3	Raw coal	81,8	Raw coal	
			TOTAL	176,8	Raw coal	182,0	Raw coal	(2,8)
	NBC mine [5] (North Block Complex)	100	Measured	32,4	Raw coal	7,1	Raw coal	
			Indicated	20,2	Raw coal	8,3	Raw coal	
			Inferred	–	Raw coal	–	–	–
			TOTAL	52,6	Raw coal	15,4	Raw coal	242,9
	Belfast project [6] (prospecting)	100	Measured	107,7	Raw coal	23,9	Raw coal	
			Indicated	3,7	Raw coal	24,0	Raw coal	
			Inferred	7,1	Raw coal	4,8	Raw coal	
			TOTAL	118,5	Raw coal	52,7	Raw coal	124,6
	NCC mine [7] (New Clydesdale)	100	Measured	16,8	Raw coal	13,7	Raw coal	
			Indicated	40,3	Raw coal	27,4	Raw coal	
			Inferred	–	–	–	–	
			TOTAL	57,1	Raw coal	41,1	Raw coal	39,0
	Strehla project (prospecting)	100	Measured	–	–	–	–	
			Indicated	22,5	Raw coal	22,5	Raw coal	
			Inferred	–	–	–	–	
			TOTAL	22,5	Raw coal	22,5	Raw coal	0,0
Coal Limpopo	Grootegeluk mine [8]	100	Measured	4 117	Raw coal	774	Raw coal	
			Indicated	1 347	Raw coal	3 534	Raw coal	
			Inferred	96	Raw coal	1 107	Raw coal	
			TOTAL	5 559	Raw coal	5 415	Raw coal	2,7
	Grootegeluk West project [9] (prospecting)	100	Measured	17	Raw coal	–	–	
			Indicated	5 357	Raw coal	–	–	
			Inferred	590	Raw coal	5 290	Raw coal	
			TOTAL	5 963	Raw coal	5 290	Raw coal	12,7
	Waterberg South project (prospecting)	100	Measured	–	–	Not reported		
			Indicated	–	–			
			Inferred	699	Raw coal			
			TOTAL	699	Raw coal	–	Raw coal	0,0

				2008		2007		
Commodity	**Operation**	**% attributable to Exxaro**	**Resource category**	**Tonnes (million)**	**Grade**	**Tonnes (million)**	**Grade**	**% change**
Coal Limpopo (continued)	Waterberg North project (prospecting)	100	Measured	–	–	Not reported		
			Indicated	–	–			
			Inferred	2 176	Raw coal			
			TOTAL	2 176	Raw coal	–	Raw coal	0,0
	Tshikondeni mine (captive market)	100	Measured	24,4	Raw coal	25,3	Raw coal	
			Indicated	10,1	Raw coal	10,1	Raw coal	
			Inferred	–	–	–	–	
			TOTAL	34,5	Raw coal	35,4	Raw coal	(2,7)
Coal Australia	Moranbah South project (10) (prospecting)	50	Measured	165,6	Raw coal	53,4	Raw coal	
			Indicated	767,8	Raw coal	494,3	Raw coal	
			Inferred	406,1	Raw coal	762,3	Raw coal	
			TOTAL	1 339,5	Raw coal	1 310,0	Raw coal	2,3

				2008		2007		
Commodity	**Operation**	**% attributable to Exxaro**	**Resource category**	**Tonnes (million)**	**Grade**	**Tonnes (million)**	**Grade**	**% change**
					% Ilmenite		% Ilmenite	
Mineral sands KwaZulu-Natal	Hillendale Mine + Braeburn + Braeburn Extension (11)	100	Measured	53,4	3,35	62,6	3,53	
			Indicated	–	–	–	–	
			Inferred	–	–	–	–	
			TOTAL	53,4	3,35	62,6	3,53	(14,6)
	Fairbreeze A+B+C+C Ext (mining right)	100	Measured	202	3,7	202	3,7	
			Indicated	27	2,5	27	2,5	
			Inferred	–	–	–	–	
			TOTAL	229	3,6	229	3,6	0,0
	Fairbreeze D (mining right, additional resource not included in Fairbreeze LOM)	100	Measured	–	–	–	–	
			Indicated	9,2	2,5	9,2	2,5	
			Inferred	–	–	–	–	
			TOTAL	9,2	2,5	9,2	2,5	0,0
	Block P (mining right)	100	Measured	–	–	–	–	
			Indicated	40,6	3,1	40,6	3,1	
			Inferred	–	–	–	–	
			TOTAL	40,6	3,1	40,6	3,1	0,0
	Block P Extension project (prospecting)	100	Measured	–	–	–	–	
			Indicated	–	–	–	–	
			Inferred	42	2,7	42	2,7	
			TOTAL	42	2,7	42	2,7	0,0
	Port Durnford project (12) (prospecting)	51	Measured	142,5	3,0	–	–	
			Indicated	340,1	2,8	1 004,6	2,8	
			Inferred	466,0	2,5	117,3	2,9	
			TOTAL	948,6	2,7	1 121,9	2,9	(15,4)
Mineral sands Eastern Cape	Eastern Cape project (prospecting) (Nombanjana, Ngcizele, Sandy Point old and recent)	100	Measured	232,9	4,5	232,9	4,5	
			Indicated	–	–	–	–	
			Inferred	–	–	–	–	
			TOTAL	232,9	4,5	232,9	4,5	0,0

REVIEW OF MINERAL RESOURCES AND RESERVES continued

Commodity	Operation	% attributable to Exxaro	Resource category	2008 Tonnes (million)	2008 Grade	2007 Tonnes (million)	2007 Grade	% change
					% Ilmenite		% Ilmenite	
Mineral sands Limpopo	Gravelotte sand and pebbles (mining right)	100	Measured	75,1	9,1	75,1	9,1	
			Indicated	–	–	–	–	
			Inferred	31,3	4,0	31,3	4,0	
			TOTAL	106,4	7,6	106,4	7,6	0,0
	Gravelotte rock (mining right)	100	Measured	–	–	–	–	
			Indicated	–	–	–	–	
			Inferred	112,3	20,7	112,3	20,7	
			TOTAL	112,3	20,7	112,3	20,7	0,0
	Letsitele sand project (prospecting)	100	Measured	12,5	10,5	12,5	10,5	
			Indicated	–	–	–	–	
			Inferred	–	–	–	–	
			TOTAL	12,5	10,5	12,5	10,5	0,0
	Letsitele rock project (prospecting)	100	Measured	–	–	–	–	
			Indicated	53,6	25,9	53,6	25,9	
			Inferred	–	–	–	–	
			TOTAL	53,6	25,9	53,6	25,9	0,0
Mineral sands Western Cape	Namakwa Sands mine [13]	100	Measured	181,3	3,9	Not reported		
			Indicated	393,2	3,6			
			Inferred	262,9	2,4			
			TOTAL	837,4	3,3			
Mineral sands Madagascar	Ranobé – Upper sand unit (prospecting)	100	Measured	208,8	4,8	208,8	4,8	
			Indicated	320,4	4,0	320,4	4,0	
			Inferred	181,3	3,5	181,3	3,5	
			TOTAL	710,5	4,1	710,5	4,1	0,0
					% THM		% THM	
Mineral sands Australia	Tiwest– Cooljarloo mine [14]	50	Measured	62,5	3,4	117	2,7	
			Indicated	281,8	2,4	297	2,4	
			Inferred	10,0	2,4	25	1,8	
			TOTAL	354,3	2,6	439	2,4	(19,3)
	– Jurien project (mining right)	50	Measured	–	–	–	–	
			Indicated	25,6	6,0	25,6	6,0	
			Inferred	–	–	–	–	
			TOTAL	25,6	6,0	25,6	6,0	0,0
	– Dongara project [15] (prospecting)	50	Measured	91,4	4,5	1,3	6,9	
			Indicated	–	–	75,4	6,6	
			Inferred	–	–	–	–	
			TOTAL	91,4	4,5	76,7	6,6	19,2

Commodity	Operation	% attributable to Exxaro	Resource category	2008 Tonnes (million)	2008 Grade		2007 Tonnes (million)	2007 Grade		% change
					% Zn	% Pb		% Zn	% Pb	
Base metals Namibia	Rosh Pinah mine (zinc and lead)	50,04	Measured	4,7	8,7	2,2	5,0	8,6	1,9	
			Indicated	5,8	6,6	1,8	6,4	6,4	1,8	
			Inferred	1,7	4,8	0,8	1,7	4,9	0,9	
			TOTAL	12,2	7,2	1,8	13,1	7,1	(1,8)	(7,1)

Commodity	Operation	% attribu-table to Exxaro	Resource category	2008 Tonnes (million)	Grade Zn%	Pb%	Cu%	Ag g/t	
Base metals Northern Cape	Black Mountain Mining [16] – Deeps mine (zinc, lead, copper and silver)	26	Measured	1,1	4,4	4,0	0,6	53,0	Not reported in 2007
			Indicated	2,5	3,7	4,5	0,6	59,0	
			Inferred	2,4	4,4	1,4	1,1	14,0	
			TOTAL	6,0	4,1	3,2	0,8	40,0	
	– Broken Hill mine (zinc, lead, copper and silver)	26	Measured	0,5	2,2	1,9	0,7	33,0	Not reported in 2007
			Indicated	0,1	2,4	1,1	0,2	36,0	
			Inferred	–	–	–	–	–	
			TOTAL	0,6	2,3	1,8	0,6	34,0	
	– Swartberg mine (zinc, lead, copper and silver)	26	Measured	–	–	–	–	–	Not reported in 2007
			Indicated	17,3	0,6	2,9	0,7	35,0	
			Inferred	24,5	0,7	2,8	0,6	41,0	
			TOTAL	41,8	0,7	2,8	0,7	39,0	
	Gamsberg mine [16] (zinc)	26	Measured	–	–	–	–	–	Not reported in 2007
			Indicated	–	–	–	–	–	
			Inferred	54,2	4,1	–	–	–	
			TOTAL	54,2	4,1	–	–	–	

Commodity	Operation	% attribu-table to Exxaro	Resource category	2008 Tonnes (million)	2008 Grade	2007 Tonnes (million)	2007 Grade	% change
					% SiO_2		% SiO_2	
Industrial minerals Gauteng	Glen Douglas mine (metallurgical dolomite)	100	Measured	179,2	<2,5	180,3	<2,5	
			Indicated	–	–	–	–	
			Inferred	125,2	<2,5	125,2	<2,5	
			TOTAL	304,4	<2,5	305,5	<2,5	(0,4)
	Glen Douglas mine (aggregate dolomite)	100	Measured	36,1	Raw material	37,7	Raw material	
			Indicated	–	–	–	–	
			Inferred	193,7	Raw material	193,7	Raw material	
			TOTAL	229,8	Raw material	231,4	Raw material	(0,7)

The tonnages are quoted in metric tonnes and million tonnes is 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.

1 The review of geological information during the reporting period and subsequent creation of a new geological model has resulted in the decrease.
2 The increase is primarily the result of the creation of a new geological model incorporating 84 new drill holes drilled since 2004 and the inclusion of additional resources in areas previously excluded from the statement.
3 The change is the result of mining depletion.
4 The significant increase was the result of the re-classification of underground to opencast resources (~27,3Mt) due to a revised business plan.
5 Revised business plan including opencast mining of seams 3, 4 (previously not reported) and 2 (previously reported as underground) at Glisa resulted in a significant increase in the resource.
6 Increase is mainly the result of re-classification of previously underground resources to opencastable resources (revised business case) and inclusion of additional resources previously excluded from the statement.
7 The significant change is mainly the result of adding coal resources by drilling areas previously not included.
8 Changes within various categories are the result of updating the geological model in 2008 (48 additional holes) and re-classification of measured resources.
9 A prospecting right adjacent to Grootegeluk mine. Changes in various categories are due to additional drilling, creation of a new geological model and re-classification of resources.
10 The 2007 and 2008 figures as estimated by Anglo Coal Australia covering the joint-venture area.
11 The decrease is the result of mining depletion.
12 Extensive drilling (~30 000m), the update of the geological model (cut-off changed from 3% THM to 3% ilmenite) and subsequent exclusion of areas previously reported on, resulted in the changes within categories and overall decrease.
13 Operation was acquired in October 2008. Figures were calculated by depleting the Anglo American audited 2007 statement.
14 Mine plan changes to access higher grades (by excluding areas of lower grade and stripping additional low-grade ore as overburden) has resulted in a ~41Mt loss.
15 Extensive drilling (~64 000m), creation of a new geological model, and re-optimisation of the resource areas resulted in the significant change.
16 Shareholding in project obtained in 2008. Figures received from Anglo Base Metals. Resources are additional to reserves.

Table 2: Exxaro's ore reserves estimates for 2007 and 2008

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.

				2008					2007					
Commodity	Operation	% attributable to Exxaro	Reserve category	ROM (Mt)	Grade	Saleable product (Mt)			ROM (Mt)	Grade	Saleable product (Mt)			% change
						Coking coal	Thermal coal	Metallurgical coal			Coking coal	Thermal coal	Metallurgical coal	
Coal Mpumalanga	Arnot mine [17] (captive market)	100	Proved	86,1	–	N/A	85,7	N/A	97,3	–	N/A	94,3	N/A	
			Probable	1,2	–	N/A	1,2	N/A	–	–	N/A	–	N/A	
			TOTAL	87,3	–	N/A	86,9	N/A	97,3	–	N/A	94,3	N/A	(10,3)
	Matla mine [18] (captive market)		Proved	110,3	–	N/A	137,3	N/A	203,3	–	N/A	201,3	N/A	
			Probable	264,2	–	N/A	258,5	N/A	67,3	–	N/A	66,6	N/A	
			TOTAL	374,5	–	N/A	395,8	N/A	270,6	–	N/A	267,9	N/A	38,4
						A-grade export steam coal					A-grade export steam coal			
	Inyanda mine [19]	100	Proved	13,9	–		8,7		16,3	–	10,2			
			Probable	–	–				–	–	–			
			TOTAL	13,9	–		8,7		16,3	–	10,2			(14,8)
	Leeuwpan mine	100	Proved	88,0	–	N/A	48,4		95,2	–	N/A		53,0	
			Probable	57,4	–	N/A	34,3		42,4	–	N/A		23,9	
			TOTAL	145,4	–	82,7			137,6	–	N/A	76,9		5,6
						Export	Thermal				Export	Thermal		
	Mafube mine [20]	50	Proved	40,6	–	22,0	11,4	N/A	44,3	–	23,92	12,08	N/A	
			Probable	66,8	–	24,7	20,9	N/A	–	–	–	–	N/A	
			TOTAL	107,4		46,7	32,3	N/A	44,3		23,92	12,08	N/A	142,5
	NBC mine [21] (North Block Complex)	100	Proved	24,2	–	N/A	24,2	N/A	4,9	–	N/A	4,8	N/A	
			Probable	19,6	–	N/A	19,6	N/A	–	–	N/A	–	N/A	
			TOTAL	43,8	–	N/A	43,8	N/A	4,9	–	N/A	4,8	N/A	799
	Belfast project [22]	100	Proved	91,9	–	56,8	29,9	N/A	22,0	–	14,6	7,4	N/A	
			Probable	3,0	–	–	–	N/A	21,1	–	10,3	9,0	N/A	
			TOTAL	94,9	–	56,8	29,9	N/A	43,1	–	24,9	16,4	N/A	(120,3)
	NCC mine [23] (New Clydesdale)	100	Proved	12,5	–	N/A	8,6	N/A	10,5	–	N/A	7,7	N/A	
			Probable	–	–	N/A	–	N/A	0,6	–	N/A	0,4	N/A	
			TOTAL	12,5	–	N/A	8,6	N/A	11,1	–	N/A	8,1	N/A	12,5
Coal Limpopo	Grootegeluk [24] mine	100	Proved	2756	–	124,0	1 094, 1	105,3	739	–	37,9	348	35,7	
			Probable	552	–	28,1	221,0	14,9	2 041	–	111,9	954	59,9	
			TOTAL	3 308	–	152,1	1 315,1	120,2	2 780	–	149,8	1 302	95,6	19,0
	Tshikondeni mine (captive market)	100	Proved	4,41	–	2,6	N/A		4,3	–	2,4	N/A		
			Probable	–	–	–	N/A		–	–	–	N/A		
			TOTAL	4,41	–	2,6	N/A		4,3	–	2,4	N/A		3,5

Commodity	Operation	% attributable to Exxaro	Reserve category	2008 ROM (Mt)	2008 Grade % THM	2008 Total heavy mineral (THM) composition % Ilmenite	% Rutile	% Zircon	% Leucoxene	2007 ROM (Mt)	2007 Grade % THM	2007 Total heavy mineral (THM) composition % Ilmenite	% Rutile	% Zircon	% Leucoxene	% change
Mineral sands KwaZulu-Natal	Hillendale mine [25] (including Braeburn and Braeburn Extension)	100	Proved	25,8	7,5	55,0	3,7	6,5	1,9	19,1	8,2	53,0	4,0	6,0	2,0	
			Probable	2,7	5,0	63,0	8,0	4,0	2,0	2,7	5,0	63,0	4,0	8,0	2,0	
			TOTAL	28,5	7,3	55,8	4,1	6,3	1,9	21,8	7,8	54,0	4,0	6,0	2,0	30,5
	Fairbreeze A+B+C+ C ext [26]	100	Proved	137,4	6,1	59,9	3,1	8,3	1,4	137,4	6,1	60	3,1	8	1,4	
			Probable	44,1	7,2	61,3	3,4	8,1	1,8	44,1	7,2	61	3,4	8	1,8	
			TOTAL	181,5	6,4	60,3	3,3	8,1	1,7	181,5	6,4	60	3,3	8	1,7	0,0
Mineral sands Limpopo	Gravelotte sand (mining right)	100	Proved	52,4	13,0	85,0	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
Mineral sands Western Cape	Namakwa Sands mine [27]	100	Proved	64,7	12,2	38,7	1,8	9,8	3,9	Not reported						
			Probable	217,9	10,0	37,8	2,1	9,8	4,1							
			TOTAL	282,6	10,5	38,0	2,0	9,8	4,1							
Mineral sands Australia	Tiwest – Cooljarloo mine [28]	50	Proved	58,0	3,3	60,6	4,3	9,3	3,2	41	2,7	59	4,7	10	2,8	
			Probable	56,0	2,7	60,4	4,6	8,4	3,1	95	2,9	61	4,4	9	3,1	
			TOTAL	114,0	3,0	60,5	4,4	8,9	3,1	136	2,8	61	4,5	10	3,0	(16,1)
	– Jurien (mining right)	50	Proved	–	–	–	–	–	–	–	–	–	–	–	–	
			Probable	15,7	7,9	54,0	6,8	10,0	2,3	15,7	7,9	54,0	6,8	10	2,3	
			TOTAL	15,7	7,9	54,0	6,8	10,0	2,3	15,7	7,9	54,0	6,8	10	2,3	0,0
	– Dongara project [29] (prospecting)	50	Proved	29,5	7,3	48,6	7,0	10	2,0	–	–	–	–	–	–	
			Probable	–	–	–	–	–	–	20,2	10,2	50	6,7	8	1,3	
			TOTAL	29,5	7,3	48,6	7,0	10	2,0	20,2	10,2	50	6,7	8	1,3	46,0

Commodity	Operation	% attributable to Exxaro	Reserve category	2008 ROM (Mt)	2008 Grade % Zn	2008 Grade % Pb	2008 Saleable product (Mt) zinc metal (x 1 000t)	2008 Saleable product (Mt) lead metal (x 1 000t)	2007 ROM (Mt)	2007 Grade % Zn	2007 Grade % Pb	2007 Saleable product (Mt) zinc metal (x 1 000t)	2007 Saleable product (Mt) lead metal (x 1 000t)	% change
Base metals (zinc and lead) Namibia	Rosh Pinah mine [30]	50,04	Proved	3,3	10,1	2,4	327	80	3,3	9,4	2,0	310	64	
			Probable	2,7	7,4	1,8	203	49	5,0	6,2	1,9	312	96	
			TOTAL	6,0	8,9	2,2	530	129	8,3	7,5	1,9	622	160	(27,9)

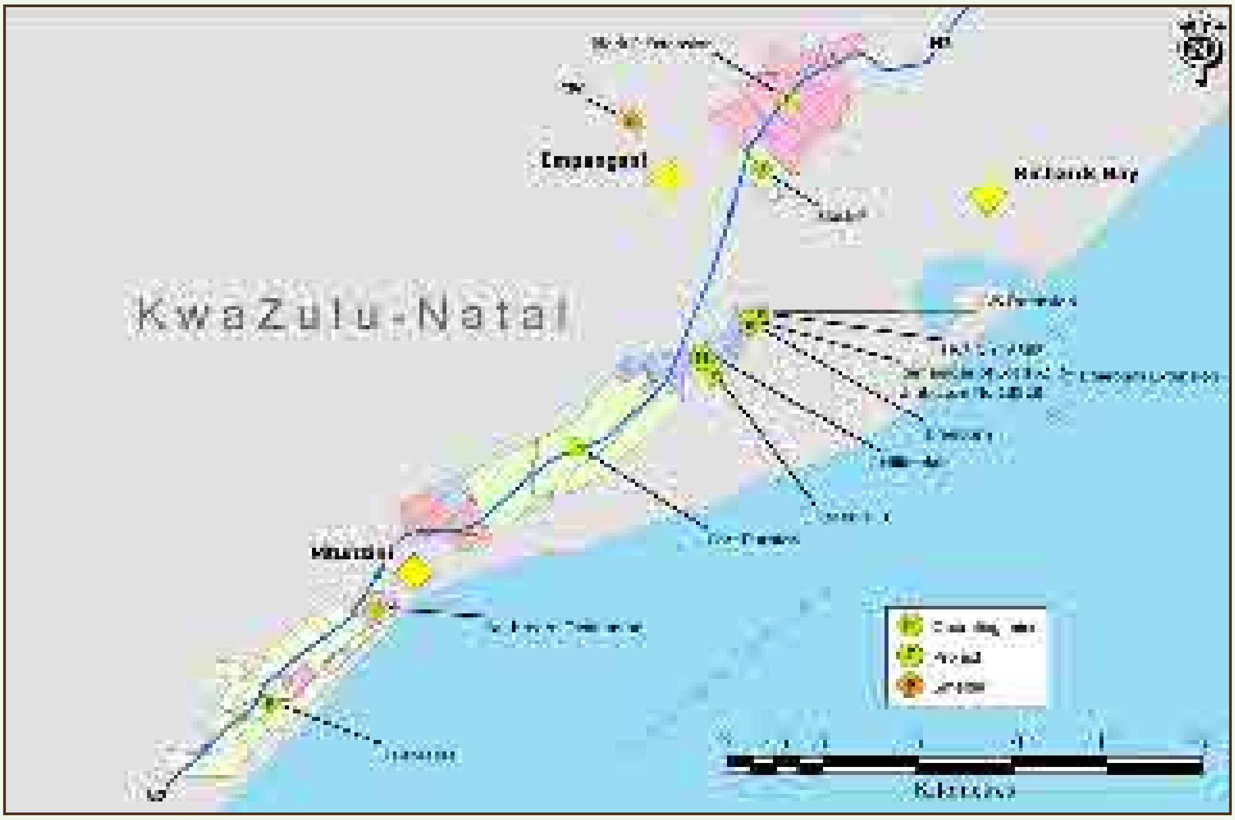
Commodity	Operation	% attributable to Exxaro	Reserve category	2008 ROM (Mt)	Grade % Zn	Grade % Pb	Grade Cu %	Grade Ag g/t	Saleable product (Mt) zinc metal (x 1 000t)	Saleable product (Mt) lead metal (x 1 000t)	Saleable product (Mt) copper metal (x 1 000t)	Saleable product (Mt) silver metal (x 1 000t)	
Base metals (zinc, lead, copper and silver) Northern Cape	Black Mountain Mining [31] – Deeps mine	26	Proved	2,9	3,7	3,2	0,4	40	109,4	93,2	13,4	116,8	Not reported in 2007
			Probable	5,9	2,9	2,9	0,4	42	170,1	168,2	21,9	244,5	
			TOTAL	8,8	3,2	3,0	0,4	41	279,5	261,4	35,3	361,3	
	Gamsberg mine	26	Proved	34,2	7,5	–	–	–	2,6	–	–	–	Not reported in 2007
			Probable	110,3	5,5	–	–	–	6,1	–	–	–	
			TOTAL	144,4	6,0	–	–	–	8,7	–	–	–	

Commodity	Operation	% attributable to Exxaro	Reserve category	2008 ROM (Mt)	2008 Grade	2008 Saleable product (Mt)	2007 ROM (Mt)	2007 Grade	2007 Saleable product (Mt)	% change
					% SiO_2	Metallurgical dolomite (Mt)		% SiO_2	Metallurgical dolomite (Mt)	
Industrial minerals Gauteng	Glen Douglas Dolomite mine	100	Proved	42,8	<2,5	40,2	43,4	<2,5	40,8	
			Probable	-	-	–	–	–	–	
			TOTAL	42,8	<2,5	40,2	43,4	<2,5	40,8	(1,4)
						Aggregate (Mt)			Aggregate (Mt)	
	Glen Douglas Dolomite mine	100	Proved	10,5	Raw dolomite	9,8	11,3	Raw dolomite	10,6	
			Probable	-	–	–	–	–	–	
			TOTAL	10,5	Raw dolomite	9,8	11,3	Raw dolomite	10,6	(6,8)

Note

Tonnages are quoted in metric tonnes and million tonnes is 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.

17 The change is the result of mining depletion, a decrease in the resource base and a new mine plan. Revised cut-off parameters (mine height and maximum acceptable mining slope angle) have been implemented.
18 Change is the result of the significant increase in the resource base.
19 Change is the result of mining depletion.
20 The transfer of ~67Mt of additional resources (outside LOM plan in 2007) to LOM plan has resulted in the significant increase in the reserve. Figures estimated by Anglo Coal.
21 Change is the result of significant increase in the resource base.
22 Project is included pending the approval of the mining right. The change is the result of increase in the resource base.
23 The change reported is the result of an increase in the resource base.
24 The change is the result of the significant increase in the indicated and measured resource categories.
25 The new mining right for Braeburn Extension (~12,8Mt) was granted and executed during the reporting period and it is therefore included for the first time as a reserve. The mining right for Braeburn, although granted, has not been executed and is therefore only reported as a probable reserve.
26 Fairbreeze C is included pending the approval of a mining right.
27 The figures were calculated by depleting the Anglo audited 2007 statement.
28 The netto decrease is the result of mining depletion and the decrease in the resource base.
29 The change is the result of increase in the resource base and re-optimisation of mine plan.
30 Infill drilling has contributed to a ~1,6Mt gain but economic considerations exclude mining of lowgrade ore (~3,7Mt) previously included. The changes however have resulted in a higher Zn and Pb headgrade.
31 Shareholding in projects obtained in 2008. Figures received from Anglo Base Metals.



Map depicting Exxaro's mineral sands mines, projects and smelter in KwaZulu-Natal.

Map depicting Exxaro's coal mines and projects in relation to the coalfields in Limpopo, Mpumalanga and Gauteng.

EXECUTIVE COMMITTEE

Sipho Nkosi (54)
Chief executive officer
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 as a marketing coordinator. In 1992 he joined Southern Life Association as senior manager, strategic planning. In 1993 he was appointed 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 of Exxaro.

Dirk van Staden (59)
Financial director
Bluris, 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 and project finance, treasury operations and legal services. In June 2001 he was appointed executive director, finance of the former Kumba Resources Limited.

Trevor Arran (41)
Executive general manager: corporate affairs and strategy
BSc (Hons)(Econ Geo), AMP (UP/GIBS), BEP, Diploma Project Management

Trevor has a wide mining background, supplemented by financial experience gained in equity markets, investment banking and new business.

Wim de Klerk (45)
Executive general manager, commodity operations: sands and base metals
BCom (Hons), CA(SA), TEP, EMP (Harvard)

After joining Iscor in 1996, Wim served on the executive management team of Iscor, responsible for strategy and continuous improvement. From 2001, he was responsible for Exxaro's mineral sands commodity business and assumed additional responsibility for the base metals businesses in 2008.

Dr Humphrey Mathe (58)
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.

Mxolisi Mgojo (48)
Executive general manager, commodity operations: coal
BSc (Hons), MBA, AMP (Whanton)

Previously at Eyesizwe Coal, he was responsible for marketing and coal logistics. Until June 2008, Mxolisi was responsible for the base metals and industrial minerals commodity business when he assumed his current position.

Retha Piater (54)
Executive general manager: human resources
BCom (Hons), MBA, Advanced Management Programme (Insead)

Retha has 22 years of human resources experience across the various business units and commodities, specifically in the area of remuneration.

Dr Nombasa Tsengwa (44)
Executive general manager – safety and sustainable development
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).

Ernst Venter (52)
Executive general manager: growth
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. Prior to assuming his current position, he was responsible for the coal commodity business.

Marie Viljoen (62)
Company secretary

Marie has 22 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.

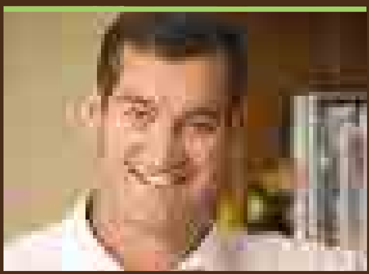
- *Mike Kilbride retired as chief operating officer on 31 August 2008, and Dirk van Staden as financial director subsequent to the end of the financial year, on 28 February 2009.*

POWERING POSSIBILITY


Sipho Nkosi


Dirk van Staden


Trevor Arran


Wim de Klerk


Dr Humphrey Mathe


Mxolisi Mgojo


Retha Piater


Dr Nombasa Tsengwa


Ernst Venter


Marie Viljoen

DIRECTORATE

1 **Sipho Abednego Nkosi (54)**
Chief executive officer
BCom (Hons)(Econ), MBA (Univ Mass, USA), Diploma in Marketing Management

2 **Dirk Johannes van Staden (59)**
Financial director
BIuris, LLB, Advanced Management Programme (Insead)

3 **Philip Michael Baum (54)**
Non-executive director
BCom, LLB, H DIP Tax Law

4 **Jurie Johannes Geldenhuys (66)**
Independent non-executive director
BSc (Eng)(Elec), BSc (Eng)(Min), MBA (Stanford), Pr Eng

5 **Ufikile Khumalo (43)**
Non-executive director
BSc (Eng), MSc Eng, MAP, SEDP (Harvard)

6 **Deenadayalen Konar (55)**
Independent non-executive director
BCom, CA(SA), MAS, DCom

7 **Simangele Esther Ann-Maria Mngomezulu (54)**
Non-executive director
Diploma public relations, Diploma community development, Certificate Executive Preparation Programme

8 **Vincent Zwelibanzi Mntambo (51)**
Non-executive director
BJuris, LLB, LLM

9 **Richard Peter Mohring (61)**
Independent non-executive director
BSc (Eng)(Mining), MDP, PMD (Harvard); Pr Eng

10 **Nkululeko Leonard Sowazi (45)**
Non-executive director
BA, MA (Urban and reg plan) (UCLA)

11 **Jeffrey van Rooyen (59)**
Independent non-executive director
BCom, BCompt (Hons), CA(SA)

12 **Dalikhaya Zihlangu (42)**
Non-executive director
BSc (Min Eng), MDP, MBA (Wits)

- *Nonkululeko Nyembezi-Heita resigned as non-executive director with effect from 29 February 2008.*
- *Pinkie Kedibone Veronica Ncetezo resigned as non-executive director with effect from 30 April 2008.*
- *Michael James Kilbride retired as chief operating officer and executive director on 31 August 2008.*
- *Dirk van Staden retired as financial director subsequent to the end of the financial year, on 28 February 2009.*

POWERING POSSIBILITY


Sipho Abednego Nkosi


Dirk Johannes van Staden


Philip Michael Baum


Jurie Johannes Geldenhuys


Ufikile Khumalo

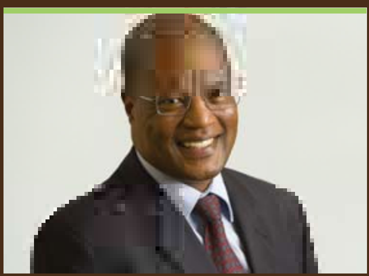

Deenadayalen Konar


Simangele Mngomezulu


Vincent Zwelibanzi Mntambo


Richard Peter Mohring


Nkululeko Leonard Sowazi


Jeffrey van Rooyen


Dalikhaya Zihlangu

Social development: Grootegeluk mine is rolling out a housing project as part of its social and labour plan commitment where five ground-breaking new houses are being built in Lephalale in partnership with the town's local government. Here Onicca Mfisa, one of the 24 local people trained in building skills, puts finishing touches to one of the houses.

exxaro
POWERING POSSIBILITY

GOVERNANCE & SUSTAINABILITY

About this section:

Highlights of the year

Key governance highlights and developments included:

- Review of board charter and board committees' terms of reference
- Compilation and implementation of groupwide delegation of authority policy and framework
- Compilation of groupwide conflict of interests policy
- Compilation of groupwide compliance policy

Key sustainability highlights included:

- HIV/Aids policy revised
- Improved environmental reporting
- Stakeholder engagement further improved
- Mining charter targets largely exceeded

CORPORATE GOVERNANCE

Exxaro is a company of the 21st century and therefore understands that diversity, empowerment and development at every level can only be achieved through effective, transparent and accountable leadership.

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

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

- Adherence to sound principles of direction and management
- Implementation of best practices in corporate management
- Understanding conceptual issues in corporate governance, including a review of national and international developments to gain a better appreciation of corporate governance systems and mechanisms
- Clarification of issues pertaining to the board of directors and management
- Recognition of shareholder/stakeholder rights and responsibilities.

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

In compliance with the mining charter, Exxaro is one of the largest black-owned and managed resources companies listed on the JSE, comfortably exceeding charter requirements with a 53% black economic empowerment (BEE) shareholding.

Compliance with King II

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

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

Ethics

In line with Exxaro's value of honest responsibility, compliance with the group's code of ethics is monitored by the group risk manager and company secretary, and ethical behaviour is encouraged throughout the group by communicating regularly with employees, using a number of different communication channels.

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

Formal disciplinary measures are in place to deal with any identified incidents of corruption and fraud. In addition to Exxaro's other compliance and enforcement activities, a reporting hotline (whistle-blowing) is in place through which all stakeholders can report suspected corruption, conflicts of interest, contraventions of group values or other reportable irregularities, with guaranteed anonymity. Details of the reporting mechanisms: Hotline: 0800 20 35 79 Hotmail: Exxaro@tip-offs.com.

Alleged irregularities reported on the hotline are fully investigated. Some resulted in criminal prosecution.

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

Board of directors

Functions

The board is the focal point of Exxaro's corporate governance system, with ultimate accountability and responsibility for the company's performance and affairs. The board charter details the purpose and composition of the board, responsibilities of board members, requirements for board meetings and remuneration of directors. The charter was reviewed during the year to assess compliance with the current regulatory framework and international best practices.

During the review period, the Exxaro board completed a self-assessment of its performance. We intend to establish formal board evaluation procedures in future.

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

Composition

The board is an appropriate mix of skills, experience, demographic diversity and personalities to ensure effective leadership and sound governance.

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

The board currently comprises 12 directors:

- Four independent non-executive directors
- Two executive directors
- Six non-executive directors.

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

Independence

There is a clear distinction in Exxaro between the roles of chairman and chief executive officer (CEO) to ensure no one has unfettered powers of decision-making. Identifying suitable candidates for the role of independent chairman has taken longer than anticipated. During the year our acting chairman, Dr Len Konar, ensured continuity in the board's activities. Appointed in 2001, Dr Konar is an independent non-executive director, responsible for the effective functioning of the board in his acting capacity.

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

Appointments and succession planning

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

All appointments are based on a formal and transparent process. Candidates are selected against criteria deemed appropriate for Exxaro, its industry and its transformation objectives.

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

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

Accountability

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

We believe open communication with our directors is a priority in ensuring their accountability. Therefore all material information is disseminated to them between board meetings.

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

Remuneration

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

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

Non-executive directors' remuneration is summarised below:

Non-executive remuneration

Name	Fees for services R	Benefits and allowances R	Total R
PM Baum	181 570		181 570
JJ Geldenhuys	267 083	23 427	290 510
U Khumalo	146 427		146 427
Dr D Konar	540 686		540 686
SEA Mngomezulu	55 642		55 642
VZ Mntambo	206 990		206 990
RP Mohring	307 146	21 357	328 503
PKV Ncetezo**	68 997	7 314	76 311
NMC Nyembezi-Heita*	38 125		38 125
NL Sowazi	193 284		193 284
J van Rooyen	64 545		64 545
D Zihlangu	206 990	8 735	215 725

Attendance

Board meetings	Appointed to board	19 Feb	23 May	30 Jul	12 Aug	28 Nov
PM Baum	17 Feb 04	•	√	•	•	√
JJ Geldenhuys	1 June 01	√	√	√	√	√
U Khumalo	28 Nov 06	√	•	√	√	√
MJ Kilbride	1 June 01	√	•	√	√	***
Dr D Konar (acting chairman)	1 June 01	√	√	√	√	√
SEA Mngomezulu	13 Aug 08	–	–	–	–	√
VZ Mntambo	28 Nov 06	√	•	•	√	√
RP Mohring	28 Nov 06	√	√	√	√	√
PKV Ncetezo	28 Nov 06	√	**	**	**	**
SA Nkosi	18 Oct 01	√	√	√	√	√
NMC Nyembezi-Heita	28 Nov 06	√	*	*	*	*
NL Sowazi	28 Nov 06	√	•	√	√	√
J van Rooyen	13 Aug 08	–	–	–	–	√
DJ van Staden	1 June 01	√	√	√	√	√
D Zihlangu	28 Nov 06	√	√	√	√	√

*√ Attended • Apologies * Resigned on 29 February 2008*
*** Resigned on 30 April 2008 *** Retired on 31 August 2008*

Board committees

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

These terms of reference were reviewed during the year and changes made where necessary to reflect our continuous drive to comply with regulatory changes and international best practices.

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

To ensure that board committees effectively discharge their responsibilities, the chairman of the board provides quarterly feedback to the board on their performance and achievement of their mandate.

Audit, risk and compliance committee

Composition and meeting procedures

The committee consists of four members and the majority (including the chairman) are independent directors. Executive directors, the senior audit partner and head of the outsourced internal audit function also attend meetings and have unrestricted access to the chairman and committee members. Non-executive directors may also attend by invitation. When required, suitably qualified people may be co-opted to render specialist services.

The committee meets at least four times a year.

Role, purpose and principal functions

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

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

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

- Basic accounting assistance
- Payroll services
- Tax services
- Human resources services
- Information technology services
- Appraisal or valuation services
- Legislative and administrative decision-making and corporate governance
- Internal audit and risk management.

This policy was complied with in the year under review.

Attendance

Director	Appointed to committee	18 Feb	23 May	12 Aug	28 Nov
Dr D Konar (chairman)	11 Feb 02	√	√	√	√
RP Mohring	30 May 07	√	√	√	√
NL Sowazi	30 May 07	•	•	√	√
J van Rooyen	13 Aug 08	—	—	—	√

√ Attended • Apologies

Safety, health and environment committee (SHE)

Composition and meeting procedures

The committee consists of five members with an independent chairman. The CEO and executive general manager: safety and sustainable development attend meetings as standing invitees.

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

The committee meets at least three times a year.

Role, purpose and principal functions

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

The role of the committee is to:

- Oversee independent assurance of sustainability performance
- Oversee the development of policies and guidelines for its specific fields
- Review the policies and performance of the group on the progressive implementation of safety and sustainability policies
- Encourage independently managed subsidiaries, associates and significant investments to develop their own policies, consistent with those of the group
- Receive reports on substantive safety and sustainability risks and liabilities
- Monitor key indicators on accidents and incidents and, where appropriate, ensure this information is communicated to other companies managed by or associated with the company
- Consider for adoption substantive national and international regulatory and technical developments
- Facilitate participation, co-operation and consultation on related matters with government, national and international organisations, supranational authorities, other companies and other relevant associations.

Attendance

Director	Appointed to committee	17 April	29 July	31 Oct
JJ Geldenhuys (chairman)	11 April 02	√	√	√
MJ Kilbride	11 April 02	√	√	***
RP Mohring	1 June 08	–	√	√
D Zihlangu	18 April 07	√	√	√

√ *Attended* *** *Retired on 31 August 2008*

TREMCO

Composition and meeting procedures

The committee consists of four members, chaired by an independent director. The CEO, financial director (FD), executive general manager: human resources, and compensation and benefits advisers may be invited to attend any meeting.

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

The committee meets at least four times a year.

Role, purpose and principal functions

The purpose of the committee is to:

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

Attendance

Director	Appointed to committee	19 Feb	15 May	30 Jul	29 Oct
NMC Nyembezi-Heita (chairman)	9 May 07	√	*	*	*
RP Mohring (chairman)	1 Mar 08	—	√	√	√
PM Baum	16 Mar 04	•	√	•	√
JJ Geldenhuys	1 Jun 08	—	—	√	√
VZ Mntambo	9 May 07	√	√	√	√
PKV Ncetezo	9 May 07	√	**	**	**

*√ Attended • Apologies * Resigned on 29 February 2008*
*** Resigned on 30 April 2008*

Executive committee

The executive committee (Exco) is chaired by the CEO and consists of 10 members. It meets formally every six weeks and informally weekly.

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

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

Management committees

The strategic co-ordination forum

The forum met every six weeks until the retirement of the chief operating officer on 31 August 2008. This forum will be replaced by the portfolio review committee, chaired by the CEO.

The mandate of this forum is to:

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

Investment review committee

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

In fulfilling these objectives, the committee ensures that:

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

Offshore review committee

The committee meets quarterly, or more frequently, if required. Its primary responsibilities include:

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

Intellectual property committee

Exxaro acknowledges the importance of intellectual property and its proper management. This committee ensures possible innovations are exploited and, if appropriate, patented and properly maintained. Copyright, trademark and possible infringement issues are also addressed. The committee also comprises the company secretary, representatives of the finance and technology departments, and Exxaro's legal representatives.

Sustainability

Sustainability is a cornerstone of the Exxaro group and our approach is embedded in the first of our corporate values: "empowered to grow and contribute". Our aim is to encourage entrepreneurship as far as possible to transform this value into reality for as many stakeholders as possible (page 74).

Black economic empowerment codes of good practice

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

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

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

Disclosure policy

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

Conflicts of interest

Exxaro has drawn up a comprehensive conflicts of interest policy that applies to all directors, management and employees in regulating conditions which could or do constitute a conflict.

The primary objectives of this policy are to:

- Provide guidance on the behaviour expected in accordance with the company's values
- Promote transparency and avoid business-related conflicts of interest
- Ensure fairness in dealing with the interests of all employees, other affected individuals, and the company
- Document the process for disclosure, approval and review of activities that may amount to actual, potential or perceived conflict of interests
- Provide a mechanism for the objective review of personal outside interests.

External communications

Briefing analysts, investors and fund managers is an important element of maintaining investor relations. However, we will only provide "price-sensitive" information after disclosing that information to the market.

Broader stakeholder communication plans have been implemented. The group believes in clear, transparent, concise and timely dissemination of relevant information to all stakeholders. This is achieved through a multitude of channels and media, including written, electronic and verbal presentations. Specifically, there are a number of mechanisms for stakeholders to interact with the board and its sub-committees. These include annual general meetings, representative forums, internal communications across a range of platforms and more.

Marketing communication

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

SHAREHOLDER INFORMATION

Market listings and other information

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

Closing JSE share prices are published in most national and regional South African newspapers and are available during the day on the Exxaro and other websites. Share prices are also available on I-Net Bridge, Reuters and Bloomberg.

Exxaro has an over-the-counter sponsored American depositary receipt (ADR) facility with the Bank of New York (BoNY) under a deposit agreement. For additional information, please refer to the BoNY website: www.adrbny.com

ADR holders

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

Dividend determination

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

Shareholder communication

General shareholder enquiries

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

All enquiries concerning shares held in ADR form should be directed to BoNY.

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

Publication of financial statements

Shareholders wishing to view the annual report or interim report in electronic rather than paper form can access it on the Exxaro website: www.exxaro.com

Shareholder information

Major shareholders

As of 31 December 2008, the one entity known to Exxaro as owning more than 10% of its shares is Main Street 333 (Pty) Limited with 186 550 873 shares representing 52,54% of the number of shares in issue. This entity is commonly referred to as BEE Holdco (refer to page 109).

SHAREHOLDERS' ANALYSIS

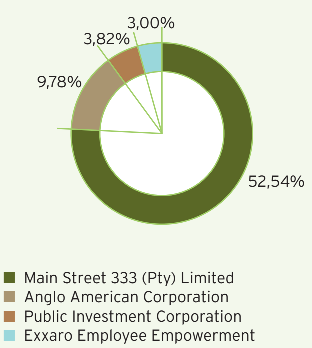
at 31 December 2008

Issued share capital: 355 036 600

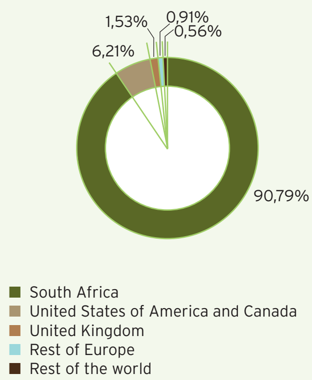
Shareholder spread	Number of shareholders	% of shareholders	Number of shares	% of issued capital
1 – 1 000 shares	16 618	83,15	4 787 182	1,35
1 001 – 10 000 shares	2 670	13,36	7 892 799	2,22
10 001 – 100 000 shares	551	2,75	17 031 860	4,80
100 001 – 1 000 000 shares	120	0,60	35 587 755	10,02
1 000 001 shares and over	27	0,14	289 737 004	81,61
	19 986	**100,00**	**355 036 600**	**100,00**

Category	Number of shareholders	% of shareholders	Total shareholding	% of issued capital
Black economic empowerment	1	0,01	186 550 873	52,54
Corporate holdings	390	1,95	39 105 250	11,01
Unit trusts/mutual funds	2 582	12,92	34 595 502	9,74
Pension funds	451	2,26	26 270 183	7,40
Custodians	40	0,20	23 772 833	6,70
Investment trusts	41	0,20	12 122 987	3,42
Insurance companies	71	0,35	11 452 301	3,23
Exxaro Employee Empowerment	1	0,01	10 618 974	2,99
Private investors	15 976	79,94	8 491 230	2,39
Charity	80	0,40	968 148	0,27
Other funds/holdings	351	1,75	852 092	0,24
American depositary receipts	1	0,01	236 227	0,07
	19 986	**100,00**	**355 036 600**	**100,00**

Beneficial shareholding 3% or more



Geographical split of beneficial shareholders



Public/non-public shareholders	Number of shareholders	% of shareholders	Total shareholding	% of issued capital
Public shareholders	19 975	99,95	122 239 574	34,43
Non-public shareholders	12	0,06	232 797 026	65,57
Directors and associates	6	0,03	18 546 824	5,22
Main Street 333 (Pty) Ltd*	1	0,01	168 004 782	47,32
Anglo American Corporation	1	0,01	34 730 282	9,78
Exxaro Employee Empowerment	1	0,01	10 618 974	2,99
Assore Ltd	1	0,01	600 000	0,17
Kumba Management Share Trust	1	0,01	296 164	0,08
	19 986	**100,00**	**355 036 600**	**100,00**

** Directors' holdings of 18 546 091 excluded.*

Beneficial shareholders holding 3% or more	Total shareholding	% of issued capital
Main Street 333 (Pty) Limited	186 550 873	52,54
Anglo American Corporation	34 730 282	9,78
Public Investment Corporation	13 554 640	3,82
Exxaro Employee Empowerment	10 618 974	3,00

Geographic split of beneficial shareholders	Total shareholding	% of issued capital
South Africa	322 349 860	90,79
United States of America and Canada	22 024 931	6,21
United Kingdom	5 436 199	1,53
Rest of Europe	3 232 186	0,91
Rest of the world	1 993 424	0,56
	355 036 600	**100,00**

Directors	Number of shares	% of shares
Nkosi, SA	8 016 068	2,26
Mntambo, VZ	5 529 881	1,56
Zihlangu, D	2 818 552	0,79
Sowazi, NL	2 181 590	0,61
Van Staden, DJ	565	0,00
Konar, D	168	0,00
Total	**18 546 824**	**5,22**

** Please note that indirect beneficial holdings of Nkosi, Mntambo, Zihlangu and Sowazi were held under Main Street 333 (Pty) Limited.*

RISK MANAGEMENT

Risk philosophy

Exxaro maintains an integrated enterprise-wide risk management (ERM) programme to guide individual business units in their risk management endeavours to either prevent or reduce the adverse impacts of operational losses, earnings surprises and reputational damage.

Risk appetite

The audit, risk and compliance committee of the board approves Exxaro's risk appetite within the board-approved risk philosophy and methodology. Exxaro's risk-bearing capacity is a function of its ability to withstand unexpected losses and the impact of such losses on the group's ability to continue as a going concern.

Risk culture

Risk owners are responsible for continuously monitoring both the existing and ever-changing risk profile of the environment in which they operate.

Business unit managers play an important role in identifying operational risks and appropriate mitigating strategies.

Risk identification process

The risk management process is continuous, with well-defined steps. Risks from all sources are identified and once they pass a set materiality threshold, a formal process begins in which causal factors and consequences are identified and the correlation with other risks and mitigating controls is reviewed.

The top business risks, appropriately categorised and based on impact and likelihood of occurrence, together with mitigating control measures, are disclosed below in descending order. These top business risks have been approved by the executive committee, the audit, risk and compliance committee of the board, and the board itself.

High-level business risks

Risk	Impact	Probability	Control measures
• **Strategic** Lengthy process of executing new mining rights and possible restrictive conditions attached to converting rights	High	High	Ensure compliance with mining charter requirement. Continuous engagement with the Department of Minerals and Energy (DME).
• **Strategic** Confirmation of long-term viable quality feedstock resource for KZN Sands smelter.	High	High	Finalise sands feedstock reserve prioritisation.
• **Strategic** Long-term viable quality zinc concentrate supply to zinc refinery in Springs.	High	High	Continued exploration activity at Rosh Pinah zinc mine and identification of viable zinc concentrate supply sources.
• **Strategic** Funding of value-added growth within balance sheet and equity-raising constraints.	High	High	Ranking value-adding opportunities in a strategy aligned growth process and within an acceptable capital structure underpinned by cash flow generation and preservation.
• **Strategic** Longer term decline in commodity prices affecting dividend payouts thereby negatively impacting on stable BEE shareholder structure.	High	Medium	Continuous business improvement. Optimised use of operating assets. Maintain a healthy balance sheet through judicious consideration of growth aspirations and global market conditions.
• **Operational** Anticipated significant price increases for electricity combined with power supply uncertainty, and the impact of interruptions on safety, production and profitability.	High	High	Participation in industry forums that engage with Eskom and the National Energy Regulator of South Africa (NERSA). Investigation into co-generation. Implementation of power saving initiatives and examination of alternatives with regard to the conservation and use of electricity throughout operations. Commitment to assist Eskom with additional coal supply required to achieve stability in the power grid.
• **Operational** KZN Sands – not achieving cold feed furnace production capacity at both furnaces.	High	High	Continuous improvement combined with projects and complementary technologies to maintain achievement of nameplate capacity, including ongoing investigation into alternative hearth technology.

Risk	Impact	Probability	Control measures
• **Profitability** Volatility in currencies combined with impact of forecast macro-economic parameters and commodity prices on operating margins, returns on investments, project cost escalation in respect of growth aspirations and loan covenant compliance.	High	High	Judicious hedging policy. Continuous business improvement initiatives with rigorous tracking. Optimised use of operating assets to leverage benefits of higher throughput. Investigate downstream integration opportunities and diversification of markets and product sector.
• **Profitability** Impact on buoyant construction and engineering market on the cost of capital projects.	High	High	Maintaining a database on escalation of major commodity items based on industry trends and own experience to ensure comprehensive provision for escalation on project costing and timing of long-lead items.
• **Profitability** Infrastructure constraints inhibiting coal exports and ability to transfer zinc feedstock to zinc refinery.	High	High	Engagement to obtain expansion of the Coallink rail capacity in order to fully utilise Exxaro's Richards Bay Coal Terminal allocation of 6,3Mtpa by the end of 2009.
• **Human resources** Attraction and retention of key skills impacting on current production and future growth.	High	High	Implementation of effective retention strategy for key disciplines. Remain an employer of choice due to: – regularly benchmarked market-related remuneration – comprehensive training and development – growth opportunities. Focus on innovative recruitment initiatives and succession planning. Continuous rotation and exposure of own talent in multidisciplinary project teams.
• **Safety** Unacceptable safety record resulting in government, labour union and other stakeholder intervention.	High	High	Enhancement of safety awareness and preventative programmes through a strong focus on hazard identification and visible felt leadership.
• **Safety** HIV/Aids pandemic.	High	High	Improve voluntary counselling and testing enrolment by creating a conducive environment for disclosure and treatment participation.
• **Environmental** Risks posed by continuously changing and onerous environmental legislation.	High	High	Continuous monitoring of work performed in line with rehabilitation strategy. Ongoing rehabilitation is managed out of operational budgets while Exxaro Environmental Rehabilitation Fund provides for the final closure costs. Continuous engagement with authorities.
• **Reputational** Impact to imminent changes to the mining charter and potential application of BBBEE legislation.	Medium	High	Proactive planning to ensure compliance in terms of ownership, preferential procurement and employment equity.

SUSTAINABLE DEVELOPMENT

Sustainable development is a cornerstone of the Exxaro group, embedded in our strategy and the first of our corporate values which states "empowered to grow and contribute". To be truly effective, however, we believe empowerment must be a two-way process between Exxaro and our stakeholders.

Message from the chief executive officer

During the year, as part of reviewing the structure and strategy of Exxaro, we streamlined certain divisions, resulting in a safety and sustainable development (S&SD) division that incorporates all the elements of triple bottom-line reporting: social, environmental and economic. The head of S&SD, a well-qualified and experienced senior executive, reports directly to me and to the board through a focused board sub-committee (page 66). By creating an integrated department, targets can be closely aligned with the group's short- and long-term strategies, national priorities and expressed stakeholder needs.

In essence, our mission is to create unrivalled value for all stakeholders through our processes, thinking and passion. Breaking this down into measurable targets in the longer term means:

- Sustainable returns to our shareholders – including our own people
- An injury-free work environment – one where every employee has the freedom to grow and develop
- A healthy workforce – with an appropriate balance between individual responsibility and healthy working conditions
- Responsible use of our natural resources.

Reaching our long-term goals requires short-term action, focused on:

- Maximising efficiencies in the current economic climate
- Reducing the number of injuries (page 81)
- Managing our use of natural resources (pages 84, 87 and 91).

The analysis on page 10 contextualises the focus areas for our group at present.

Managing a mining group in the 21st century, particularly the safety, health, environmental (SHE) and social aspects, requires an unprecedented level of statutory and non-statutory compliance. More importantly, we believe it requires a genuine desire to preserve at every level – in the skills of people, in the resources of our planet and in the prosperity of our communities. This requires a holistic view of the strategic issues that influence SHE. For Exxaro, these include:

- Legislation in different territories
- Corporate strategy:
  - Continually becoming more proactive
  - Finding the correct balance between generic policies, eg Exxaro's *I care* rules, and the operational needs of each business unit

  - Commodity choices – the group risk environment where our current dominance in coal presents a high-risk profile
  - Efficiency and cost management
- International SHE issues (Namibia, Australia, China, etc)
- Business unit strategy/needs and risk minimisation
- Stakeholder perceptions.

SHE services are statutory by nature; whatever is new or being discontinued depends on legislative changes or changes in risk profile. These, in turn, inform work volumes. Managing these volumes while meeting stakeholder needs is an ongoing challenge, and not specific to our group or industry.

Performance

Exxaro's performance on the key elements of sustainable development – economic, social and environmental – during the year was mixed. On the positive side, we established a carbon footprint for the group and clarified our strategy on energy, revised our HIV/Aids strategy and initiated a major drive on water management. We also exceeded 2009 mining charter targets for employment equity at management level and for women in mining, and increased the number of registered mining learnerships by more than 60%.

Areas where we missed our targets include our disappointing safety performance, which is being vigorously addressed (page 81). Exxaro operations without international health and safety (OHSAS 18001) and environmental standards (ISO 14001) in place are well advanced in their preparations and should achieve certification in 2009.

We were pleasantly surprised to be judged the best newcomer – extractive industries in the 2007 Association of Chartered Certified Accountants (ACCA) sustainability reporting awards. Surprised, because as a new group formed from two established companies, we knew that much work was needed to standardise systems and ensure meaningful reporting. We said as much in our 2007 report. However, receiving this prestigious award has reinforced our resolve to report on sustainability issues as well as we do on financial aspects of our business. We believe today's stakeholders deserve no less.

In November 2008, the second annual report from South Africa's Carbon Disclosure Project – part of a global initiative that tracks companies' greenhouse gas emissions, targets and responses to climate change – was released. The local survey covers the top 100 companies on the JSE. Interestingly, in the carbon-intensive sector, Exxaro was ranked fifth against far more established companies in the metals and mining sector.

In our quest to be a truly responsible business in all respects, Exxaro became a signatory of the United Nations Global Compact in 2007 – the world's largest voluntary corporate citizenship initiative that outlines 10 universally accepted principles on human rights, labour, the environment and anti-corruption. This is another tangible illustration of the group's commitment to sustainable development. Exxaro is already voluntarily working towards complying with various local and international sustainability protocols, including the Global Reporting Initiative (GRI) and the JSE's Socially Responsible Investment (SRI) index.

Today Exxaro is one of over 6 200 global compact signatories in 120 countries, and one of more than 1 000 organisations in nearly 60 countries using GRI guidelines.

Responsible business practices are a long-term value proposition for Exxaro: it makes business sense for us to invest in creating a sound environment in which to operate, based on universal values, accountability and transparency. It's also the right thing to do and we do it with passion.

Sipho Nkosi
Chief executive officer

17 March 2009

APPROACH TO SUSTAINABLE DEVELOPMENT

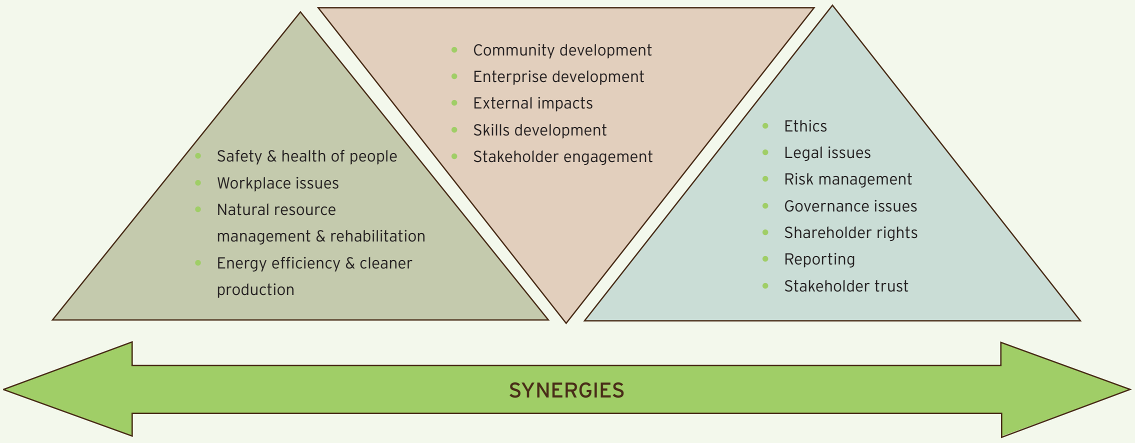
We believe **sustainable development is integral** as part of our value proposition to stakeholders.

In July 2008, the safety and sustainable development division was created to ensure that Exxaro has a sustainable development platform with a clear programme. While the targets and objectives of this division are still being developed, cognisance will be given to priorities raised in the 2002 World Summit on Sustainable Development, and we are carefully examining the issues raised at that summit that give rise to sustainable development programmes in organisations, including:

- Role of mining in communities
- Role of ethics in business
- Environmental care
- Due diligence
- Social responsibility
- Operating within the legal framework
- Participating in the legal process.

We have already distilled these into three major areas, graphically shown below:

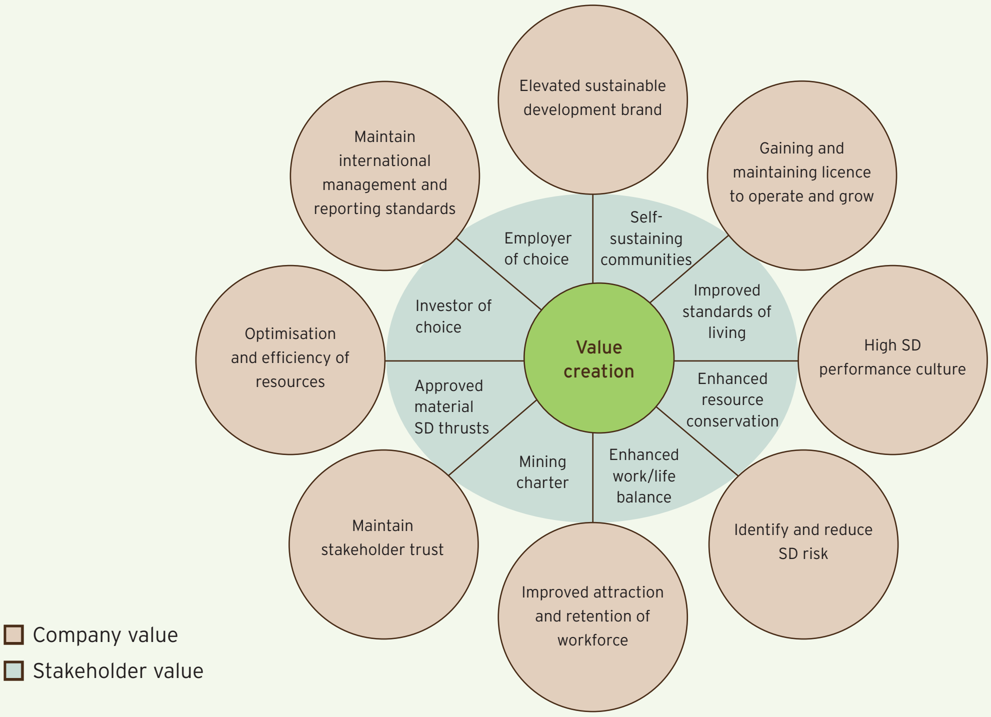
Sustainable development focus areas



The existing safety, health and environment (SHE) and sustainable development structures across the group are being reviewed in line with Exxaro's strategy. Underpinned by a comprehensive 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 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 Minerals. In line with our commitment, sustainability is a key performance indicator in the economic, social and environmental aspects of our business.

The business case for sustainable development is graphically shown overleaf, with the outer ring representing areas that add value for Exxaro and the inner ring value for our stakeholders – the ultimate aim, however, is creating value for all.

The business case for sustainable development (SD)



We believe sustainable development is integral as part of our value proposition to stakeholders. Our shareholders need to understand the coherent process that underpins the way we do business: from the strategy that drives our growth, to our keen understanding of the risks that may impede that strategy and the commitment of our management teams to achieving profitability and sustainability. Therefore, we are giving equal emphasis to strategic growth and sustainable development, acknowledging that Exxaro's success in South Africa rests on their interdependence. To ensure continual improvement, our strategy is regularly reviewed.

To remain abreast of the changing needs of our stakeholders and the impact of our operations and initiatives, Exxaro businesses have completed socio-economic assessments of most of their operations. Through this process and continual community engagement forums, Exxaro has been able to establish a relationship of trust within communities where it operates.

In finding the balance between economic interests and social and environmental concerns of our stakeholders, Exxaro implements specific interventions and developmental projects guided by the social needs of the community, and by the national priorities of society at large, including:

- Education, training and skills development
- Healthcare promotion, particularly HIV/Aids programmes
- Job creation, SMME (small, medium and micro enterprises) and other business opportunity development
- Conservation of environment, including awareness programmes
- Infrastructure development.

As a mining group, our challenge is to demonstrate that the way we approach our business contributes to sustainable development. This means balancing 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 an open and accountable way. This will require leadership in promoting sustainability as a business philosophy.

Accordingly, our operations have social and labour plans and environmental management plans, most of which have been approved by authorities. These plans guide the implementation of a balanced approach between Exxaro's interests and the social and environmental concerns of the community.

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.

Through triple bottom-line reporting, charting our progress towards these targets is a measurable performance indicator for every level of management, and the responsibility of every person in our group.

Scope of report

Exxaro's 2008 annual report includes the group's sustainable development performance, integrating our economic, social and environmental results for the year for a group-wide understanding. It also sets out the challenges and opportunities that lie ahead.

Although the group is only two years old in its present form, the process of merging the former Kumba Resources and Eyesizwe operations is almost complete and the consolidation of the Namakwa Sands operations began in October 2008. This makes data comparability challenging in some areas. Throughout these processes, however, the group's earlier adoption of triple bottom-line reporting has remained a cornerstone of our commitment to sustainable development and of our determination to entrench global best practices in all operations. Exxaro therefore reports against the 2006 guidelines of the Global Reporting Initiative (G3), and the content of the 2008 report has been prepared in line with GRI intermediate application level B+.

The methodologics for determining specific indicators are described in the text, eg injuries (page 82), carbon footprint (page 87) and air quality management (page 86).

Stakeholder engagement

Stakeholder engagement is fundamental to create value for all our employees, interested and affected parties as well as with authorities. Effective and strategically aligned stakeholder engagement within Exxaro will lead to more equitable and sustainable socio-economic development and will enable better management of risk and reputation.

To strengthen stakeholder engagement, Exxaro has adopted AccountAbility AA1000SES Standards, which include the following processes:
- To develop a database with stakeholders
- To engage with stakeholders in developing a proactive approach
- To determine material issues
- To respond on all issues
- To ensure completeness.

In 2008, Exxaro developed a software system for socio-economic development which focuses mainly on stakeholder engagement. In addition to the processes of AA1000SES, the system also focuses on project management, donations (cash contributions), donations-in-kind (non-monetary), volunteerism and reporting against the requirements of the mining charter and codes of good practice. The system was installed in five of our operations by July 2008, and by mid-2009 will be fully implemented and operational at all business units.

Communication between Exxaro and each stakeholder group is facilitated in a number of ways:
- Employees are invited to provide views and comments on internal communication within the group through bi-monthly newsletters, an intranet, regular employee surveys and feedback from various forums.
- Customer perceptions are regularly surveyed through external service providers

- Supplier interaction is continual through external perception surveys, forums and other initiatives
- Trade unions – regular consultation with all recognised unions by the group's employee relations management unit
- Government – consultation is at national, provincial, district and local level
- Regulators – senior Exxaro members meet with officials from different and relevant government departments
- Industry bodies – Exxaro's chief executive officer has just begun his second term as president of the Chamber of Mines, and the group actively participates in chamber issues
- Investors – there is regular interaction between management and the investor community, from financial results presentations to roadshows, open days, site visits and individual meetings. Full use is made of technology to give investors complete access to group operations and management
- Media – regular interaction takes place between management and media representatives
- Communities – in addition to stakeholder engagement plans, operational management members serve on municipal forums for integrated development planning and local economic development, and actively participate in capacity-building initiatives
- Interest groups – Exxaro is building strong relationships with relevant non-government bodies and interest groups such as the Centre for Corporate Citizenship, African Institute for Corporate Citizenship, National Business Initiative and others.

Across the group, issues raised by stakeholders are appropriately channelled. These issues are considered and included in the risk evaluation process, as set out on page 72. Responses are supplied as soon as practical and disseminated across the organisation.

Awards

- Exxaro's first sustainability report (integrated into the 2007 annual report) was judged best newcomer – large enterprises at the annual Association of Chartered Certified Accountants (ACCA) awards. Hosted by ACCA South Africa, Exxaro competed against 30 companies and was specifically commended for its high standard of reporting and exceptional coverage of human resources-related issues, governance and financial disclosure
- Exxaro's internal newsletter, xxplore, took the trophy in the annual South African Publication Forum competition
- A supply-chain management initiative between Grootegeluk mine and Hitachi to improve the availability of Hitachi trucks at the mine won a major pan-African accolade in 2008. Judged the "best cross-functional teamwork project" at the Institute of Purchasing South Africa (IPSA) awards, it has boosted production at Grootegeluk with considerable cost savings. This rewarding partnership has also facilitated breakthrough design changes for these trucks which will benefit users across South Africa.

Report scope and boundary

Sustainability performance in this report spans the 12 months from 1 January to 31 December 2008. For the review period, Exxaro reports against the revised GRI guidelines, referred to as G3 to differentiate them from GRI's 2002 guidelines.

Although Namakwa Sands only officially became part of the group in October 2008, data from this operation is included. This report excludes the following operations where we do not have management control:

- 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 has an equity joint venture with an existing refinery facility. Exxaro owns 38% of Phase 2 and 25% of Phase 3 in this venture, resulting in an effective 22% economic interest in the expanded operation.
- Mafube

In determining material issues to include in this report, Exxaro has used the methodology recommended by G3 which spans external and internal factors:

- External:
  - Key sustainability issues raised by stakeholders
  - Sectoral issues and challenges reported by peers and industry bodies such as the Chamber of Mines

  - Relevant legislation and voluntary agreements (local and international) of strategic significance to the group and its stakeholders
  - High-profile sustainability issues, impacts or opportunities, from climate change to HIV/Aids.
- Internal:
  - Exxaro's values, policies, strategies, processes and targets
  - The interests and expectations of stakeholders for whom our corporate progress is paramount, including employees, shareholders and suppliers
  - Key risks defined by corporate risk methodologies
  - Critical factors for Exxaro's success, including the synergy between our operations and the universal aims of sustainable development.

The outcome of this process identified numerous material issues detailed in the risk management section on page 72. We have focused on the top three – safety, profitability and operational – in this report (page 10).

Ongoing feedback from a range of stakeholders helps us to contextualise certain issues better for more informed understanding by readers. Feedback is a critical element of our reporting process and should be directed to:

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Mobile: +27 83 609 1452
www.exxaro.com

SRI compliance

Exxaro again qualified for inclusion in the JSE's revised Socially Responsible Investment (SRI) index in November 2008. This index identifies best practice in corporate social responsibility and corporate governance in a benchmark index.

Exxaro is classified as having an overall high environmental impact because it is involved in mining and metals. Ranked among the 21 best performers on the SRI, Exxaro exceeds the minimum JSE requirement for environmental policy by including all key issues and specifically the following elements:

- responsibility at board level with supporting resources
  - the SHE committee is responsible for monitoring and performance, using consulting forums to inform executive management
- commitment to use objectives and targets
- commitment to monitoring and auditing
- commitment to public reporting
- globally applicable corporate operating standards
- commitment to stakeholder involvement
- commitment to address product or service impact.

Solid progress is being made in areas that do not yet fully comply with JSE SRI requirements, specifically providing objectives and targets for all key areas, and reporting on strategic moves towards sustainability:

- Exxaro provides compliance objectives on biodiversity, rehabilitation, water, air quality and greenhouse gas. However, targets are only for energy emissions at present. Targets are being determined for other key impact areas.
- Strategic moves towards sustainability are now covered in Exxaro's revised SHE policy and the group executive committee commitment statement.

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.

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 report by Ernst & Young (page 110).

SAFETY, HEALTH AND ENVIRONMENT PERFORMANCE

We aspire to be a **good international citizen** through our endeavours to contribute to sustainable development challenges facing the world

Commitment to safety, health, environment and sustainable development

Safety, health and environment (SHE) is an integral part of our business and a critical pillar of our success in achieving sustainable development. As part of our programme of continual improvement towards our vision of zero harm, we publicly report on our safety, health and environment performance.

We aspire to be a good international citizen through our endeavours to contribute to sustainable development challenges facing the world, hence our keen interest and participation in SHE issues beyond the call of law and, most importantly, on international treaties to which South Africa is a signatory.

We will sustain our SHE programmes through smart partnerships with all our stakeholders and periodically review our policy and management standards to ensure they are appropriate and relevant to the organisation.

A formal SHE policy informs most of our SHE-related work beyond our mine gates or work that the government may perceive as contributing to the well-being of South Africans.

Our SHE governance model has a focused compliance approach, meeting legislative requirements as a minimum. Proper risk management systems and processes are then modelled around key risks for implementation at operational level. A risk-based approach also informs the way resources are allocated and used within the group to ensure precision, progress and dedicated responsibilities towards legal compliance.

During the reporting period, no significant fines, sanctions for non-compliance with environmental laws and regulations were imposed on any Exxaro operations.

Safety

At industry level

Safety is one of the biggest issues facing the South African and international mining industries, and local experts have set new goals and deadlines for getting the country's safety statistics in line with global standards.

In 2003, the mining sector set a series of sector targets on safety and health, with the goal of reducing injuries and fatalities by 20% per annum for the following 10 years. When members met at a summit in 2005, they realised not much progress had been made.

Accordingly, the chamber has adopted a Mining Occupational Safety and Health best-practice system, with the deadline of 2013 for achieving these industry-wide goals. Four task teams will address particular issues, namely noise, dust, falls of ground, capacity building and leadership. One example of the work being done by a task team is investigation into a fogging system that could reduce dust in mining operations.

At Exxaro, we are working towards a 30% per annum overall safety improvement. We are earning from processes used abroad, and focusing on adopting the new system identified by the chamber.

Keeping our people safe

Our target is zero injuries and, therefore, zero fatalities. Our aim is to achieve this through stringent application of management protocols, programmes and systems. Formal management-worker health and safety committees are in place at all operations, and meet regularly to ensure we reach those targets.

Immediate management action is supporting our drive towards zero harm, with highlights already recorded at these business units including:

- Staffing high-risk areas with additional safety practitioners
- Retraining safety representatives
- Coaching and reinforcing the practice of using mini-HIRAs (hazard identification and risk assessments) before every task
- Implementation of a structured visible felt leadership (VFL) programme (a formal and monitored process in which leaders spend time with employees at work to focus on safety, reinforce positive behaviour and correct negative actions).

Although key risks differ by operation, the group's major challenges are vehicle incidents, energy and machinery isolation, and risk awareness and discipline at all levels. Skills shortages effectively exacerbate these challenges and ensuring the group has sufficient trained people remains a priority.

A number of initiatives were launched in 2007 to address these risks, supported by corporate audits and incident investigations in the review period. Results to date have been satisfactory:

- The roll out of revised *I Care* fatal risk controls is ensuring special emphasis on the risks responsible for fatalities at Exxaro and the preventive measures in place to manage these risks better
- Revised HIRA standards have been rolled out to all operations and are ensuring a higher level of risk identification and mitigation
- Vehicle safety – revised standards have set a minimum compliance level for vehicles to operate on company property or be used for company business
- Visible felt leadership – improved communication and understanding of key safety risks between management and employees to improve risk awareness and proactively address and mitigate safety risks on the floor before accidents occur.

An initiative focused on incident notification, investigation and communication is in the final stages of development. This will include proper application of lessons learned.

All lost-time injuries are investigated by the relevant business unit manager. All fatalities are investigated by a committee with the appropriate skills, headed by an independent chairman. Each business unit tracks its adherence to standards and legislation through a programme of self-assessments and corporate audits.

Exxaro's initiatives to improve safety performance extend to contractors at all operations as part of a formal programme:

- Contractors are managed as part of Exxaro's workforce
- Corporate contractor management standards are in place and adherence is enforced by each operation's contractor manager
- Monthly inspections to ensure compliance
- Induction and medicals are required by all contractors before starting work
- Contractors participate in monthly SHE meetings at operations.

A policy is in place that details Exxaro's approach to identifying, preparing for and responding to emergency situations affecting employees and surrounding communities. This spans all known types of emergency including fire, flood, bomb threats, etc. Emergency situations that have occurred have been well handled, demonstrating the comprehensiveness of both policy and training.

Exxaro set a target of zero fatalities and lost-time injury frequency rate (LTIFR) per 200 000 man-hours worked of 0,21 for 2008, a 30% reduction on the LTIFR target for 2007. While there has been a steady reduction in the LTIFR from 0,52 in 2005 to 0,36 in 2007, actual performance was 0,39 in 2008. In risk-specific terms, the leading cause of injuries was lifting and materials handling, followed by energy and machine isolation, vehicle safety, ground control and working at heights. We are disappointed that we again missed our target in a year when the focus was on completing the integration of the former Eyesizwe and Kumba Resources' systems, standards and procedures. The safety of our people is fundamental to our business, and we will not rest until we achieve our safety goals through collective responsibility, commitment and ongoing focus.

The fatality frequency rate per million man-hours worked in 2008 was 0,13. Our target remains zero, as any death is unacceptable. Despite excellent safety performances at several mines, we regrettably lost five colleagues during the year, four of whom were employed by contractors at Exxaro operations. There were two fatalities at Matla – one in March and one in November, and one each at Hlobane in February, Grootegeluk in September and Leeuwpan in October (non-reportable incident that happened outside working hours). Each case was thoroughly investigated, and lessons learned incorporated into our safety programmes to create an injury-free work environment.

The improved safety performance in the final quarter of the year could indicate that initiatives implemented throughout the year are beginning to have an impact on behaviour.

Health and hygiene

Exxaro is committed to reducing employee exposure to health risks in the workplace. We have also committed resources in responding to the major challenge of HIV/Aids.

Key risks

As a mining group, our major health and hygiene risks are noise, dust and thermal stress. Other risks include gases and illumination. These vary by commodity and by type of operation.

In a systematic process that includes a hygiene surveillance programme, business units identify, rank and quantify their risks. Workplace exposures are linked to individuals, and this informs the medical surveillance programme.

To improve our management of identified workplace risks in the enlarged group more effectively, standards for hazardous chemicals and tuberculosis will be implemented in 2009.

A group-wide awareness campaign that focused on the key risks (noise, dust and thermal stress) was introduced at all business units, emphasising the importance of employees caring for their own health today, to live a quality life in future – even after retirement. Creating awareness of the importance of individuals taking responsibility for their own health and that of their colleagues in the workplace is central to employees understanding the need to comply with procedures aimed at reducing adverse health effects.

see www.exxaro.com/case_studies
ZINCOR WORKPLACE WELLNESS

Meeting mining sector targets

One of the targets set by the mining sector on noise and silicosis was to ensure that employees entering the industry after December 2008 would not develop noise-induced hearing loss or silicosis.

Following the baseline audit we conducted in 2007 to assess Exxaro's readiness to meet sector targets, our business units began to implement appropriate corrective actions to enable them to meet these goals.

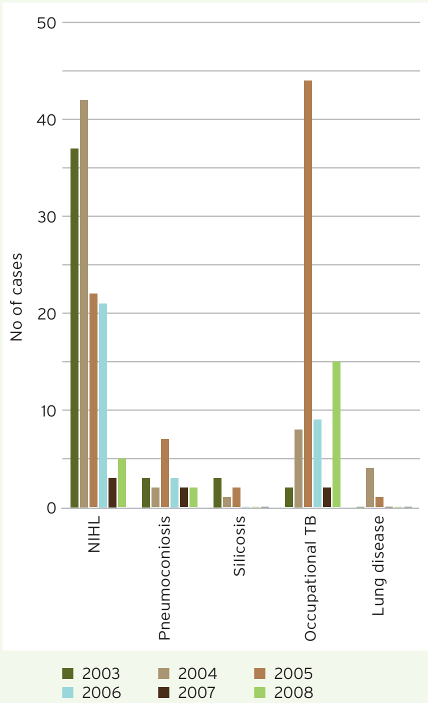
Occupational diseases

In 2008, Exxaro had 22 occupational disease cases accepted for compensation. These included five cases of noise-induced hearing loss (NIHL), two cases of pneumoconiosis, and 15 cases of occupational tuberculosis (TB). The increase in occupational TB cases from two in 2007 to 15 in the review period can be explained by the fact that in 53% of the cases, there were co-existing medical conditions which may have contributed to increased susceptibility to occupational TB.

We will continue to focus on implementing hearing conservation and dust control programmes to reduce employee exposure to aggravating risks in the workplace.

see www.exxaro.com/case_studies
ARNOT TAKES ACTION

Cumulative occupational diseases



HIV/Aids

HIV/Aids remains a challenging disease in South Africa, with one out of every six people living with HIV/Aids in the world found in South Africa.

Exxaro HIV prevalence is currently estimated at 14%. At the end of 2008, 64% of our employees had participated in voluntary counselling and testing. However, at some sites less than half the employees have tested. Our target for 2009 is to get at least 50% of all employees at each site to test for HIV.

The group's HIV/Aids programme was reviewed and the strategy revised to address identified implementation gaps.

The major strategic objectives of Exxaro's HIV/Aids programme are to:

- Reduce risk of infection. This includes providing a workplace programme focused on prevention, early detection, treatment and support
- Reduce the cost of intervention by quantifying and reducing direct, indirect and systemic costs

- Minimise impact on financial returns by reducing absenteeism, retaining skills and increasing productivity
- Improve the health of employees and business sustainability (by improving employee wellness and prolonging lives).

The range of services available to employees includes:
- Telephonic support through a call centre
- Lifestyle and nutrition counselling
- Anti-retroviral readiness and adherence counselling
- Anti-retroviral treatment
- Monitoring of side effects and adverse drug reactions
- Post exposure prophylaxis.

One of our challenges has been ensuring adherence to treatment and this will be an area of focus in 2009. Training will be provided to encourage employees to be more supportive to HIV positive employees and peer educators will be equipped with skills to help colleagues adhere to treatment.

Progress on achieving Exxaro's strategic objectives will be tracked over time by introducing targets on training, testing enrolments and adherence to treatment.

see www.exxaro.com/case_studies
COMBATING HIV THROUGH EDUCATION

Environmental management

Conserving natural resources and reducing the burden of pollutants to the natural environment remains our core focus in this field. We strive to achieve this by:
- Complying with all applicable environmental legislation – as a minimum standard
- Developing innovative policies and programmes for addressing environmental impacts.

All our South African operations have environmental management programmes required under the Mineral and Petroleum Resources Development Act (MPRDA) and the National Environmental Management Act (NEMA), which is one of the key indicators in ensuring that Exxaro becomes a sustainable business. Given that the principles of the precautionary approach recommended by GRI are embedded in these pieces of legislation, Exxaro adopts the precautionary approach in evaluating business opportunities.

To enhance implementation of these legal requirements and the sustainable use of natural resources, draft standards for managing air quality, water, biodiversity, rehabilitation and incidents have been completed.

In pursuit of sustainable development, Exxaro is responding to the global threat of climate change, beginning with successfully determining the group's carbon footprint. This process will allow us to identify opportunities in our operations to reduce greenhouse gases (page 87).

A dedicated in-house environmental management specialist unit is making good progress in addressing environmental risks and impacts to enhance Exxaro's legal compliance.

Key risks and management activities

Key environmental risks from Exxaro's mining and mineral processing activities include:
- Water and waste management
- Air quality and climate change
- Biodiversity and land management
- Rehabilitation and environmental liability management.

Water and waste management

To manage Exxaro's waste water risks, the following management actions were taken during the review period:
- Integrated water and waste management plans were developed for Matla and the char plant. All other Exxaro operations have plans in place, except Arnot, Glen Douglas and Glisa which are planned for 2009.
- Water balances were revised and updated for Zincor, the char plant and KZN Sands' Hillendale mine. In progress are Glen Douglas, Matla, Arnot and KZN Sands' central processing complex.

Water efficiency projects at Exxaro

Business unit	Description
Grootegeluk	• In-pit storage of stormwater runoff for plant use with a pH neutralisation plant to avoid corrosion • Dewatering of Basalt aquifer as process water, the Basalt aquifer is fed mainly by seepage from unlined pollution control dams, stockpile areas and slimes facility • Water recovery from slimes disposal facility
Matla	• Excess water from underground is being considered for distribution to Eskom as process water subject to water quality
Leeuwpan	• Water recovery from slimes disposal facility • Stormwater runoff that accumulates in pit and plant area recycled via process water dams • Water reclamation through the press filter at plant reclaims water from the slimes
Inyanda	• Water reclamation from slimes facility • Stormwater runoff from plant area captured and returned to plant for re-use • Pit water from groundwater flow and runoff pumped back to dirty water facilities for re-use • Sewage biologically treated with an option for re-use
Tshikondeni	• Co-disposal facility with water reclamation back to plant for re-use • Stormwater runoff collected in lined pollution control dams at shaft areas for re-use in process water system
New Clydesdale	• Slimes disposal underground with percolated water recovery for re-use in plant area with zero abstraction from Olifants River for coal-washing purposes • Stormwater runoff at plant area recycled back as process water. • Pit stormwater runoff used for dust suppression at Vaalkranz North
North Block Complex	• Excess water from Blesbok pit and stormwater runoff collected in pollution control dams for dust suppression.
Zincor	• Rainwater collection from roofs to augment process water requirements • Borehole abstraction used to draw back seepage water from aquifer to curb spread of pollution plume and augment process water supply to plant
Glen Douglas	• Stormwater runoff into open-cast areas used as process water in plant area
KZN Sands	• Hillendale has reduced water consumption from Umgeni Water during rainfall season due to reclamation of stormwater runoff to plant • Seepage and runoff at central processing centre collected and used as process water for various purposes
Namakwa Sands	• At mineral separation plant and smelter, process water recycled from disposal facilities back to plant

Considering South Africa's status as a water-scarce country, in November Exxaro and other major coal producers signed a joint initiative to collaborate on water management issues in the highveld region of Mpumalanga province in an attempt to find innovative long-term solutions. Other signatories are Anglo Coal SA, BHP Billiton Energy Coal SA, Xstrata and Eskom.

In the year ahead, water management will be a significant area of focus for Exxaro, focusing on various aspects from security of supply to water efficiency, waste water management and pollution control.

Water withdrawal by source

	Arnot	Glisa	Inyanda	Leeuwpan	Matla	New Clydesdale	North Block Complex	Tshikondeni	Glen Douglas	Rosh Pinah	Zincor	KZN Sands	Namakwa Sands
Source	Eskom	Mokolo Dam, boreholes, pit water	Olifants River, (Mpumalanga) boreholes	Boreholes	Eskom	Olifants River (Mpumalanga)	Municipal	Unwa Dam, boreholes	Municipal	NAMWater	Municipal, boreholes, rainwater harvest	Municipal	Olifants River, (Western Cape), seawater

see www.exxaro.com/case_studies
ZINCOR WATER RESOURCE CONSERVATION AND RECLAMATION

Air quality management

Exxaro's air quality management activities are aimed at ensuring compliance with the requirements of the South African National Environmental Management Air Quality Act, limiting impacts on the receiving environment and key receptors by adopting a continuous improvement approach through innovative environmental management.

Given the nature of our diverse businesses, certain activities present greater challenges for adequate air quality management such as emissions generated from:

- Blasting
- Spontaneous combustion of discard dumps
- Mineral ore-processing and handling activities
- Wind erosion of exposed mining and operational areas
- Entrainment of dust from unpaved operational roads
- Tail-pipe gaseous emissions of on-site vehicles.

As a group, Exxaro does not produce ozone-depleting substances. In addition, the group does not report on NO_x and SO_x emissions as this is only relevant at two operations, Zincor refinery and KZN Sands. Monitoring systems are being established at these operations.

Using the Exxaro air quality management framework, 75% of business operations completed detailed emissions inventory and dispersion models during the year, and 93% of our operations monitor ambient concentration of dust fallout from mining activities. Monitoring activities at KZN Sands and Grootegeluk have been expanded to include PM10 (smaller particle matter suspended in air) using active analysers with remote data loggers and offsite data quality control and checks.

see www.exxaro.com/case_studies
ROASTER REBUILD AT ZINCOR HELPS ADDRESS FUGITIVE GASEOUS EMISSIONS

Climate change, energy and greenhouse gases

Energy management

Exxaro has adopted a consolidated approach with all related issues integrated under the energy management steering committee. This previously functioned as the clean energy forum but has been realigned to increase the prioritisation and management focus given to this important issue.

The scope of the steering committee includes operational energy management issues as well as the implementation of projects to enable Exxaro to thrive in a low-carbon economy. The forum is led by an executive general manager, and comprises senior management from corporate services and business units. Topics addressed include:

- Regulatory environment
- Energy consumption data reporting
- Energy security
- Energy efficiency
- Mitigation and clean-energy opportunities
- Integration with sustainability management.

The forum's objectives include establishing a cross-functional management structure to address all energy-related issues, and ensuring the development of a comprehensive energy-consumption and carbon footprint reporting framework.

Energy efficiency

Exxaro remains committed to the energy efficiency accord signed in 2005 and, by participating in the energy efficiency technical committee (facilitated by the National Business Initiative), is playing a leading role in industry collaboration with the DME and other government agencies.

Exxaro uses just under 1% of all the electricity generated by Eskom. In 2006, Exxaro produced 379 443 tonnes of carbon dioxide equivalent (CO_2e) through the consumption of petrol and diesel and more than 1,5 million tonnes of CO_2e from purchasing electricity from the Eskom grid. Establishing these quantities – and investigating ways to reduce them – was the first step towards reaching Exxaro's 2015 goal of improving energy efficiency by 15%. In 2007, the group's electricity bill was R256 million – 3% of total operating expenses. This cost per tonne may increase significantly over the next four years purely as a result of tariff increases, which will be partially mitigated by the extensive energy efficiency initiatives being undertaken.

Mitigation and clean-energy opportunities

The Exxaro Chair in Business and Climate Change is based at Unisa's College of Economic and Management Sciences. The R3-million three-year sponsorship will help in developing a core body of knowledge on climate change in South Africa to assist local businesses to adapt to, and reduce the effects of, climate change. This reinforces Exxaro's commitment to achieving clean energy standards and remaining competitive while dealing effectively with climate change, potential energy shortages, related environmental concerns and rising costs of energy.

Exxaro has initiated a pre-feasibility study on two renewable energy projects with the potential of generating 250 – 400MW, in either wind or solar generation. The group is also progressing with a feasibility study on co-generation to produce some 200MW of electricity from waste energy such as furnace off-gas and waste heat at its own and at other organisations' operations. The objective is to minimise energy waste, thus increasing energy efficiency dramatically. The carbon footprint of electricity from these sources is virtually zero and would reduce Exxaro's carbon footprint.

Carbon disclosure project

As noted in the chief executive's sustainable development message, Exxaro was recognised for its comprehensive response to climate change issues in the group's first participation in the carbon disclosure project. This process assesses four issues surrounding climate change namely:

- Climate change risks and opportunities – identify strategic risks and opportunities and their implications
- Greenhouse gas (GHG) emissions accounting – determine actual absolute GHG emissions
- Performance – against targets and plans to reduce GHG emissions
- Governance – determine responsibility and management approach to climate change.

see www.exxaro.com/case_studies
CO-GENERATION ON THE WEST COAST

Case study – Guyuni's people see the light

Houses in the Guyuni community in Limpopo, near Exxaro's Tshikondeni mine, had never enjoyed the simple luxury of electricity until Exxaro partnered with the Alternative Energy Development Corporation (AEDC) to bring zinc air fuel cells to the village. Exxaro is serious about improving the quality of life of the communities around its mines.

All households have been equipped with zinc-air fuel cells, and community members now enjoy the benefits of proper lighting and power for radios, cellphone chargers and small appliances drawing less than 35W. They are also saving money – the operating cost of the cells is less than the cost of candles and paraffin.

In addition to cheaper, better-quality light, community members now have the opportunity to use the energy to create their own employment. The cells can be used to power haircutters, sewing machines, soldering irons and for charging cordless power tools. They can even power a computer with internet access. A service shop has been established to service fuel cells and other electrical items, and to supply new fuel cell anodes. The shop will also receive a much-needed photocopier as a value-added service to the community and its learners.

These cells are kind to the environment – once their energy is exhausted, the zinc anodes are fully recycled, so no pollution or toxic chemicals are created in the recharging process. A vegetable garden was set up in the community where waste water is used and zinc oxide serves as a fertiliser.

Easy, affordable energy

The zinc-air fuel cell can power lights, radios, small TVs, cellphone chargers and other small appliances that draw less than 35W.

- The cells are designed to deliver uninterrupted power for up to 240 hours before the anode needs changing
- The fuel set comes in a neat carry case with a plug outlet
- If more energy is required, the cells can be linked in parallel – so two cells can power a fridge that requires 60W
- AEDC also supplies a range of appliances compatible with the cells, including a deep freeze, colour TV and DVD player combo, an anti-malaria vapourising unit, and a PC and flat-screen LCD monitor combination.

Biodiversity management

Conservation is becoming increasingly important as climate change impacts on habitats and the richness of global biodiversity. Exxaro-owned and managed land has significant biodiversity given the wide geographical distribution of the group's operations. A summary of the biomes, vegetation types and associated business units is available at www.exxaro.com

PROGRESSIVE MANAGEMENT OF BIODIVERSITY

Desktop studies (including Precis list)	Biodiversity baseline assessment	Mapping of vegetation units	Biodiversity action plans
Completed for all Exxaro operations	Operations completed: • Tshikondeni • Fairbreeze Ext C • Glen Douglas • Zincor • New Clydesdale	Operations completed: • Tshikondeni • Fairbreeze Ext C • Glen Douglas • Zincor • New Clydesdale • Grootegeluk	Scheduled for 2009: all operations
	Balance of operations scheduled for 2009.	Balance of operations scheduled for 2009.	

see www.exxaro.com/case_studies
A ZEBRA NAMED INYANDA

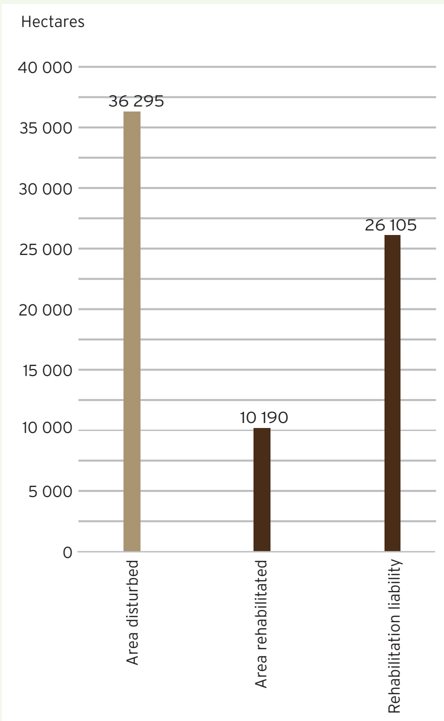
Exxaro's mine rehabilitation policy and management standard is based on a legal and risk approach – a system of chronological steps to optimise ongoing rehabilitation at operational business units and prepare for efficient mine closure. It also emphasises the fact that rehabilitation starts at the feasibility stage of a mining operation.

This will now inform physical processes and financial provisions, including rehabilitation performance indicators.

Most business units are already reporting on these indicators each quarter. By closely monitoring this data, rehabilitation backlogs can be identified before undue financial liabilities occur. The goal of the environmental rehabilitation department is to report against set ongoing rehabilitation budgets per business unit, in terms of volumes and finance.

Exxaro contributed R54,9 million in 2008 and had R342 million in its trust fund at 31 December 2008 for mine closure activities. Annually updating rehabilitation provisions also guides potential rehabilitation optimisation alternatives that will decrease the closure liabilities of mines in the long term.

Exxaro 2008 rehabilitation performance status



SAFETY, HEALTH AND ENVIRONMENT PERFORMANCE continued

Land management

Land management is aimed at reducing or preventing various business-related risks, such as:

- Safety – previously mined areas, ie inactive sites that are scheduled for later rehabilitation and pose a safety risk in the interim
- Environment – risk assessments of all inactive sites
- Illegal occupation or invasion of land – settling disputes.

ISO/OHSAS certification

Nine of Exxaro's 15 operations have both the international health and safety certification (OHSAS 18001) and environmental certification (ISO 14001). While we did not meet our target of having all operations internationally certified in 2008, preparations are well advanced and certification of the outstanding business units is expected in the current year. To date, one operation has completed the conversion to OHSAS 18001:2007.

Environmental performance – 2008

To measure continuous improvement, all business operations have guidelines for reporting on relevant diesel, gas, electricity and water use performance indexes. These are included in the table on the following page together with a schedule of environmental incidents.

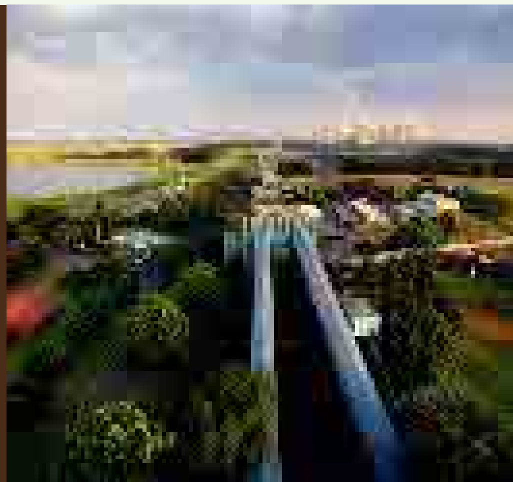
Corporate integrated safety, health and environment audits

Internal integrated safety, health and environment audits conducted by the head of the safety and sustainable development division, and executive general managers, have now been rolled out across group operations. With three mines audited to date, areas identified for improvement include:

- Adherence to standards and procedures
- Severe skills shortages in safety management (establishment of professionals-in-training programme for safety practitioners and implementation of skills retention programme)
- Application of site-specific procedures and tracking operational adherence to standards and legislation through a programme of self-assessments and corporate audits.

Exxaro is also actively participating in representative industry forums to ensure the group develops and applies best practices at all operations.

Case study – Innovation and nature work hand in hand



In our prior report, we outlined the environmental challenges faced with expanding Matla while preserving one of the larger wetland systems in Mpumalanga's highveld, the sensitive and highly important Blesbokspruit/Rietspruit ecosystem.

In an example of innovation and nature working hand in hand, the team at Matla are going below the wetland using undermining, a technique typically used when a mine extends under a building, roadway or town. The team has adapted this approach into an innovative engineering design that allows them to extend Matla's underground shortwall mining operation with minimal impact on the Blesbokspruit/Rietspruit wetland that lies above the surface.

The Matla wetland management project is one of Exxaro's key biodiversity conservation projects. It is unique in that the water flow and function of the wetland is protected through a shortwall mining design that allows for even subsidence of the area. The entire wetland area will drop by 1,8m, thus avoiding the formation of ponds and ensuring the continued natural flow of water. The flow of water into the wetland is controlled in a way that protects the ecosystem and allows mining to continue without the risk of flooding.

The Blesbokspruit/Rietspruit wetland is one of the larger and more sensitive wetland systems in the area. Mining these coal reserves could have destroyed 120 hectares of identified non-channelled riparian wetland and another 132 hectares of the seasonally inundated non-channelled floodplain at the bottom of the valley. This innovative solution has ensured that the normal wetland function and biodiversity will remain intact.

Commodity business: 1 January – 31 December 2008

	Electricity (Gj)		Diesel (Gj)		Sasol Gas (Gj)		Petrol used (Gj)		Total energy use (Gj) *	
Commodity business	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Exxaro Coal	1 692 223	1 816 119	2 258 568	1 380 903	0	0	18 223	13 421	3 969 015	3 210 442
Exxaro Base Metals	1 795 828	1 852 900	143 596	145 703	18	0	414	584	1 939 855	1 999 187
Mineral Sands	2 051 525	1 983 715	173 422	72 944	319 020	320 593	1 087	0	2 545 053	2 377 251

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

	Water (m^3)		Product (Kt)		Energy per tonne	
Commodity business	2008	2007	2008	2007	2008	2007
Exxaro Coal	11 623 896	7 746 713	44 834 000	40 534 259	0,09	0,08
Exxaro Base Metals	3 206 356	3 844 548	1 603 000	1 664 507	1,21	1,20
Mineral Sands	14 771 649	10 307 560	1 201 000	684 273	2,12	3,47

	Electricity per tonne		Diesel per tonne		Water per tonne	
Commodity business	2008	2007	2008	2007	2008	2007
Exxaro Coal	0,04	0,04	0,05	0,03	0,26	0,19
Exxaro Base Metals	1,12	1,11	0,09	0,09	2,00	2,31
Mineral Sands	1,71	2,90	0,14	0,11	12,30	15,06

	CO_2 from electricity purchased (tonnes)**		CO_2 from diesel (tonnes)***	
Commodity business	2008	2007	2008	2007
Exxaro Coal	517	483	167 238	102 325
Exxaro Base Metals	519	493	10 633	10 797
Mineral Sands	593	528	12 841	5 405

*** Electricity purchased x 1,04*
**** Diesel purchased x 2,69 ÷ 1 000*

Reported CO_2 emissions reflect burning fossil fuels and electricity consumption. CO_2 emissions from processes (spontaneous combustion, flaring, etc) are not currently reported as methodologies are still being developed and reviewed for the relevant operations. Please note that CO_2 emission figures in the 2007 report were overstated by a factor of 1 000 due to the use of kilowatt hours as opposed to megawatt hours in the conversion calculation. These are therefore restated in this report.

	Environmental incidents		
Commodity business	Level 1	Level 2	Level 3
Exxaro Coal	458	5	0
Exxaro Base Metals	137	2	0
Mineral Sands	201	10	0
Total	796	17	0

Level 1: minor impact and/or non-compliance
Level 2: intermediate impact and/or non-compliance
Level 3: major impact and/or non-compliance

ECONOMIC PERFORMANCE

Generally residents from local communities are employed at business units, except in areas where specific skills are not available. About **70% of employees at the various business units are recruited from local communities.**

Economic value generated and distributed

Component	Comment	2008
Direct economic value generated		
• Revenues	Net sales plus revenues from financial investments and sales of assets	R13 843 million (page 140)
Economic value distributed		
• Operating costs	Payments to suppliers, non-strategic investments, royalties, and facilitation payments	R11 376 million (page 140, 158)
• Employee wages and benefits	Total monetary outflows for employees (current payments, not future commitments)	R2 644 million (see note 3 to AFS* on page 158)
• Payments to providers of capital	All financial payments made to the providers of the organisation's capital.	Interest expense and loan costs of R283 million (note 4 to AFS* on page 161)
• Payments to government (by country)	Gross taxes	Note 7 and 25.3 to AFS* on page162 and 179
• Community investments	Voluntary contributions and investment of funds in the broader community (includes donations)	R19,8 million page 104
Economic value retained (calculated as economic value generated less economic value distributed)	Investments, equity release, etc	Value-added statement on page 115

** AFS = annual financial statements*

Retirement and medical plans

All permanent employees must belong to a defined-contribution retirement fund. By definition these are fully funded with no employer funding liability, and all recognised funds are registered with the Pension Funds Board. These are adequately funded as per the latest actuarial valuations on 31 December 2007 available from the funds.

The rand value of all employer contributions to retirement funds for the year was R166 million (2007: R144 million).

The challenge faced by corporate South Africa remains unresolved in terms of pending legislative amendments that aim to make membership of a national basic retirement fund and medical aid compulsory. Draft legislation is only expected in mid-2009, after which the group will prepare an appropriate action plan.

Medical aid membership is voluntary under agreements for employees in the bargaining units at Exxaro Resources, Exxaro Coal and Glen Douglas Dolomite. At all other group employers and for the management and specialist category of employees, medical aid is compulsory.

At 31 December 2008, Exxaro had 8 038 employees (79,3% of the workforce) who belonged to medical aids with stipulated employer subsidies, representing R51 million (2007: R61 million).

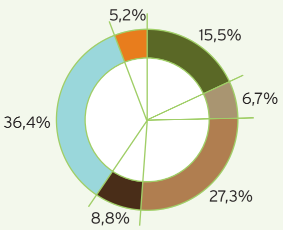
Accredited medical aid funds have been structured to exclude any employer liability for post-retirement medical benefits in respect of either existing or past employees. However, there is post-retirement medical liability for certain employees of Matla Coal as well as Namakwa Sands. The employer liability at 31 December 2008 has been actuarially valued and is appropriately disclosed in the financial statements and in the financial review on page 22.

Market presence

Approximately 74% of all employees' remuneration is based on collective agreements with trade unions determining minimum wages for each grade. Other employees' remuneration is based on performance and market competitiveness.

Less than 1% of the workforce is governed by sectoral determinations issued by the Department of Labour for farm and forestry workers. Those employed by the company are substantially better off than the minimum requirements stipulated by the Basic Conditions of Employment Act. In all cases, minimum conditions of employment in Exxaro exceed the requirements of the Act.

Distribution of employees per region



Generally residents from local communities are employed at business units, except in areas where specific skills are not available. About 70% of employees at the various business units are recruited from local communities.

see www.exxaro.com/case_studies
INVESTING IN RESEARCH

Preferential procurement practices

Exxaro continues to follow the narrow-based standard for mining houses in reporting expenditure with historically disadvantaged South Africans (HDSAs). Hopefully, this statutory anomaly can be addressed in the mining charter review scheduled for 2009 to deal with conflicting legislation specific to the mining industry (codes of good practice from Department of Trade and Industry (dti) versus stipulations of Department of Minerals and Energy). The availability and capacity of rating agencies verified by the South African National Accreditation system remains a challenge in transforming the supplier industry.

Exxaro has policies, guidelines and systems in place to promote procurement from HDSA companies in the stipulated categories of capital goods, consumables and services. As a group, we have long given preference to companies that demonstrate HDSA involvement, development and support in ownership, management and skills development.

Over the years, we have tracked our performance on procurement from HDSA companies, which indicates good progression from 2004 at 16%, 2005 (24%), 2006 (37%) and 2007 (35%). The target for 2007 was specifically set at 35% to provide for the introduction of the dti's codes of good practice. The performance for 2008 was a commendable 39% against a target of 40%, influenced largely by the transition to the dti codes. In rand terms, this represented R2,36 billion spent with HDSA-owned, -empowered and -influenced companies. The target for 2009 is set at 45%.

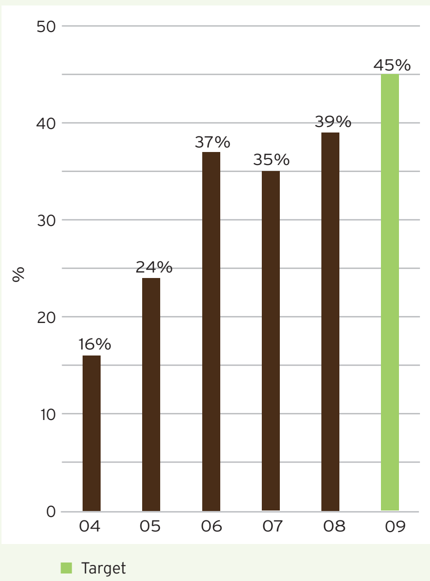
ECONOMIC PERFORMANCE continued

Close monitoring, tracking and stakeholder engagement continues to ensure strong partnerships with suppliers. Exxaro's major suppliers are encouraged to transform, and secure accreditation in line with the codes of good practice, but with an indication of their narrow-based status.

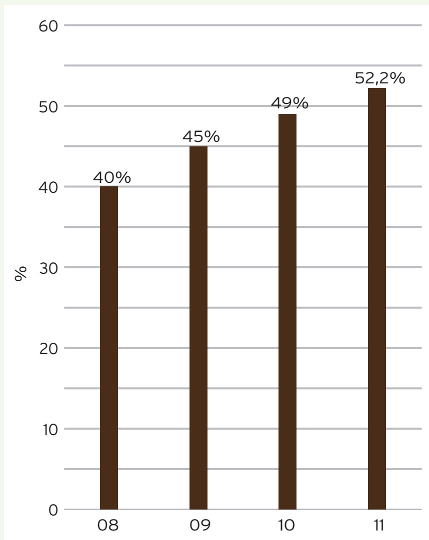
In line with Exxaro's future expenditure, companies that are likely to have increased and longer-term business relationships with the group are viewed as strategic partners for transformation. These suppliers are encouraged to form partnerships with local HDSAs in areas of group operations. We also encourage transformation in areas such as employment equity, skills development, enterprise development and employee share ownership plans.

Accurately tracking spending on suppliers by category – as required by the mining charter – remains an industry-wide challenge. The targets shown graphically are annual percentages, and reporting is in line with the current mining charter.

Procurement from HDSA



Preferential procurement targets



SOCIAL PERFORMANCE

The skills shortage hits where it hurts most – business's bottom line. And while everyone is fishing from the same skills pond, not everyone is contributing to it.

Exxaro's current staff complement is 10 135, including Namakwa Sands. Building on the leading practices entrenched in recent years, we focus on exceeding compliance targets in South Africa through training and development to maximise individual potential – and reduce the shortage of skills in our industry (page 97) – equality and safety in the workplace, meeting our employment equity targets and improving standards of living in our stakeholder communities.

Following the merger between Kumba Resources and Eyesizwe Coal, the process of aligning and standardising all human resource processes – from staffing, training and development, performance management, talent management, reward and recognition, through to e-learning – will culminate in an integrated human resource systems environment early in 2009. This will give managers immediate access to a "single view" of all essential employee information, and improved contractor management.

Wage agreements that govern remuneration are in place at all group employers, while formal processes determine the remuneration of non-unionised employees. Six-monthly market surveys ensure that total remuneration is market related. At all levels, minimum conditions of employment exceed the requirements of South Africa's Basic Conditions of Employment Act.

During the year, there were no reported incidents of discrimination in the group.

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

In the bargaining units, there are 8 096 employees, with 2 039 employees in the management and specialist category. All are full-time employees with only one person in Gauteng being a part-time employee (in a bargaining unit). In Gauteng, 15 employees in the management and specialist category are expatriates. Two are based in China, one in Australia, one in The Netherlands, 10 in Namibia and one in Switzerland. The regional distribution is as follows:

Region	Bargaining unit	Management and specialist category	Total
Gauteng	906	671	1 577
KwaZulu-Natal	511	167	678
Limpopo	2 346	416	2 762
Mpumalanga	3 191	495	3 686
Namibia	436	96	532
Western Cape	706	194	900

The challenge of finding suitable skills to staff new projects is ongoing. Exxaro has an active programme to retain scarce skills that accounts for 2–3% of total payroll (page 97).

Since collective agreements determine specific guaranteed minimum salaries, there is no discrimination between salaries of men and women. In the management and specialist category, all employees are on performance contracts and individual salaries are based on performance and not gender. The breakdown of male/female employees per category and region is shown below.

Gender breakdown by category and region: at 31 December 2008

	Bargaining unit		Management and specialist category		
Region	Male	Female	Male	Female	Total
Gauteng	735	171	476	195	1 577
KwaZulu-Natal	454	57	134	33	678
Limpopo	2 137	209	367	49	2 762
Mpumalanga	2 835	356	431	64	3 686
Namibia	406	30	69	27	532
Western Cape	614	92	162	32	900
Total	**7 181**	**915**	**1 639**	**400**	**10 135**

During the year, a third-party audit by a leading industry expert confirmed that all relevant Exxaro policies fully complied with South Africa's Employment Equity Act 55 of 1998.

Exxaro's employment equity reports for the period 1 October 2007 to 30 September 2008, as submitted to the Department of Labour, reflect the following level of representation per occupational level by designated groups (historically disadvantaged South Africans or HDSAs – blacks, coloureds, Indians and white females as per mining charter definition) and split between permanent and temporary employees:

Employment equity – 1 October 2007 – 30 September 2008

Level	Male				Female				Foreign nationals		Total
	B	I	C	W	B	I	C	W	Male	Female	
Top management	5	1	0	18	1	0	0	1	0	0	26
	0	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Senior management	20	7	4	156	2	1	2	24	2	0	218
	0	*0*	*0*	*16*	*0*	*0*	*0*	*3*	*0*	*0*	*19*
Professional, specialists and middle management	186	30	22	396	45	20	3	99	0	0	801
	2	*1*	*0*	*45*	*0*	*1*	*0*	*4*	*0*	*0*	*53*
Skilled technical, academically qualified and junior management	57	10	1	149	3	0	0	7	0	0	227
	0	*0*	*0*	*7*	*0*	*0*	*0*	*0*	*0*	*0*	*7*
	868	35	154	1 079	158	22	37	306	10	0	2 669
	45	*0*	*0*	*68*	*20*	*2*	*2*	*51*	*0*	*0*	*188*
Semi-skilled staff	3 146	21	470	140	179	9	85	86	89	0	4 225
	92	*0*	*1*	*33*	*16*	*0*	*0*	*16*	*0*	*0*	*158*
Unskilled staff	1 047	0	2	28	128	0	2	2	17	0	1 226
	231	*0*	*0*	*8*	*11*	*0*	*0*	*0*	*0*	*0*	*250*
Total permanent employees	5 329	104	653	1 966	516	52	129	525	118	0	10 067
Total temporary employment service labour	*370*	*1*	*3*	*177*	*47*	*3*	*2*	*74*	*0*	*0*	*675*
Total staff complement	5 699	105	654	2 143	563	55	131	599	118	0	10 742

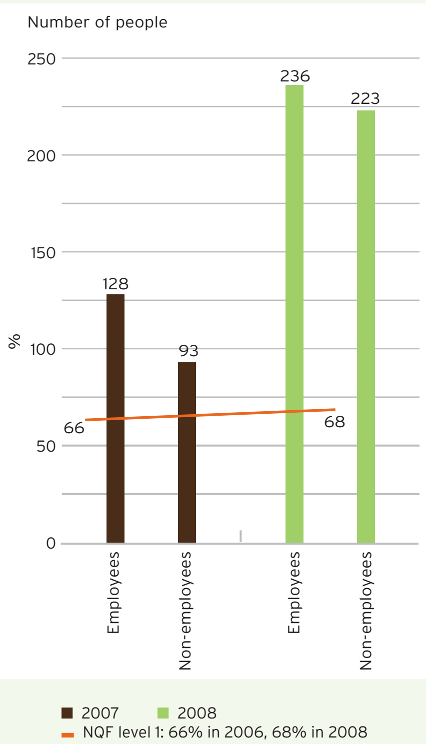
B – blacks   I – Indians   C – coloureds   W – whites

Literacy and numeracy

Exxaro offers sponsored, voluntary adult basic education and training (ABET) programmes at all commodity businesses, except where employees are fully literate. Exxaro carries the full cost of these programmes, totalling some R3,3 million in 2008. Candidates are screened and counselled to ensure they are able to make informed decisions, and an incentive scheme is in place for each level completed to encourage more employees to become functionally literate and numerate. More than 1 000 employees have passed one or more ABET level since inception of this programme.

Good progress was made in 2008 towards our target of offering everybody the opportunity to become functionally literate and to participate in ABET classes. Almost double the number of employees completed various ABET levels compared to the previous year. In 2008, 236 employees completed various ABET levels successfully – of these, 14 passed ABET level 4, 29 passed level 3, 45 level 2, 98 level 1 and 50 pre-ABET. Equally, the number of non-employees completing different ABET levels more than doubled in the review period. Across the group, 68% of employees had an NQF level 1 and above qualification in September 2008 (66% in September 2006).

ABET levels completed



There are now accredited ABET training centres at Grootegeluk, Tshikondeni, Matla and Arnot mines. The group's annual training reports and workplace skills plans, submitted to and approved by Mining Qualifications Authority (MQA), contain sections on the number of ABET candidates completing various levels and planned for the years ahead.

In compliance with the national skills strategy, KZN Sands, Namakwa Sands, Grootegeluk and the corporate centre already have more than 70% of their employees on NQF level 1 and higher.

Specific ABET successes in 2008 include:

- KZN Sands' Hillendale Mine had 32 ABET graduates during the year, all of whom have gone to the next step in their literacy training. Fifteen contractor employees were enrolled in the level 1 programme later in the year.
- At Matla, two full-time educators run the ABET programmes and at least 90 employees each year attend 13-week full-time courses. The success of this approach is reflected in Matla's 100% ABET pass rate in 2008.

Training and education

Understanding that a chain is only as strong as its weakest link, Exxaro is determined not to have any weak links in its skills development process. We believe in empowering all staff with the knowledge and skills they need to help us grow the company, but also to develop personally. Since the group's formation in 2006, Exxaro employees have successfully completed almost 25 000 different training courses, specialist and development programmes. Exxaro's policy is to invest an appropriate amount of total payroll each year on human resource development. In 2008, this was 5,2% (excluding the 1% skills levy) or an investment of over R100 million.

Through our human resource development policy, Exxaro aims to:

- Develop and sustain core competencies and maximise human resources to meet its strategic objectives and improve its operational performance
- Create a learning culture by assisting and facilitating the process by which employees and their dependants take responsibility for improving their own educational and competency levels, to the mutual benefit of the individual and the organisation

- Ensure integration and uniformity in all learning and development processes through leveraging technologies
- Support and reinforce the values of the company, through various learning and development initiatives
- Ensure learning and development initiatives are career-focused and aligned with business objectives
- Establish life-long learning as the major thrust of learning and development.

In 2008, Exxaro refined the focus on skills development. Where our primary focus was previously on engineering learnerships, the skills development objective in Exxaro has broadened to include other learnerships and especially skills programmes, while steadily increasing the number of engineering learnerships.

Although the numbers vary as learners qualify and new recruits enter the system, on average Exxaro currently has over 600 learners registered in engineering and other learnerships/skills programmes. This is a meaningful improvement on the prior year's levels of 400.

In 2008, on average, 170 engineering learners were registered and trained at the Colliery Training Centre in Witbank, while 245 engineering learners were registered at Grootegeluk's Grovos Engineering Training Centre. More than 100 artisans qualified at the Grovos training centre alone.

To put this contribution into perspective, Exxaro alone constitutes more than 20% of all engineering learnerships registered with the MQA. Exxaro's training in engineering learnerships will lead to full artisan status in trades such as electrician, fitter, plater, diesel mechanic and millwright. Artisans are considered scarce and critical skills in South Africa and all these trades appear on the country's scarce skills list.

The number of other learnerships and skills programmes has also increased significantly, reaching the highest levels towards the end of 2008. By then, there were 40 people registered in mining learnerships, 230 in plant learnerships/bursars and 16 in administrative/services learnerships, which, when combined with engineering learnerships, brought the total number of people in learnerships/skills programmes to 678.

Exxaro's human resources development professionals are contributing significantly to the national and sectoral transformation process through membership and participation in bodies such as Business Unity South Africa, Chamber of Mines' education advisory committee, the MQA sector skills planning committee and standards-generating bodies of the MQA.

Training to assist employees in managing career endings is included in the social and labour plan for each mine, submitted to and monitored by the Department of Minerals and Energy as part of the process of renewing mining licences for each mine. Exxaro also included a five-year engineering learnership plan for 2007 to 2011.

In monitoring our artisan retention strategy, the ratio of learnerships in the pipeline to the number of artisans employed in various trades is reported to Exxaro's executive committee each month.

Exxaro keenly understands the impact on current production and future growth of skills retention and availability. To retain technical and engineering competence in the group, a retention strategy has been introduced for technical categories, among others, together with an aggressive succession-planning strategy. Exxaro regularly benchmarks remuneration, provides comprehensive training and identifies growth opportunities at every level. This includes continual rotation and exposure of our own talent in multidisciplinary project teams.

All non-bargaining unit employees receive formal performance and career development reviews bi-annually. All management members are assessed throughout the year and this becomes the basis for individual succession programmes and talent management. These assessments are also linked to reward and remuneration.

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

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

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

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

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

- Fast-tracking employees with leadership and management potential
- Accelerated development for occupationally based skills
- Adult basic education
- Life skills programmes
- Learnerships.

Career development

In line with Exxaro's strategy to ensure that 80% of all new appointments are made internally, we have a well-integrated process that is carefully aligned with our strategy and industry needs to provide a steady flow of qualified talent to tackle our growth and expansion projects. In 2008, there were some 233 trainees involved in programmes supporting internal advancement. The overarching objective is to ensure that trainees entering the company are empowered, challenged and appropriately rewarded:

- **Exxaro People Development Initiative:** the Exxaro Foundation sponsors 30 previously disadvantaged students each year for a 12-month bridging course at the University of Pretoria. Candidates must be grade 12 students from Exxaro mining communities who want to study for a mining-related degree or diploma. On completing their studies, candidates may be considered for an Exxaro bursary.
- **Bursary programme:** Exxaro grants around 35 bursaries each year to school leavers interested in mining-related disciplines such as engineering, geology and mine surveying. Graduates are generally offered employment at Exxaro, depending on the current need in that field, mostly through the group's formal three-year professionals-in-training programme. There are currently 142 bursars studying at South African institutions at a cost of R9,7 million: more than two-thirds are historically disadvantaged South Africans and 30% are women.
- **Professionals-in-training programme:** the three-year programme bridges the gap between academic theory and the work environment. Each professional-in-training has a mentor who supervises exposure to the various commodities, leadership and management training, and formal training from professional bodies. In 2008, there were 91 professionals-in-training throughout Exxaro in a R32-million programme: 77% are from designated groups and 26% of those are women.

Communities of practice: Exxaro has communities of practice for effective development and sharing of knowledge, best practices and lessons across the group. The focus is primarily on core competencies required for Exxaro's sustainability. In practice, these communities have lowered the risk of losing key knowledge workers, and brought new people up to speed more rapidly.

Leadership development: Formal leadership development initiatives, mentorship programmes and succession-planning workshops involving senior management and employees are conducted throughout the year. Building and retaining a pool of current and future leaders is a priority for Exxaro and appropriate initiatives include a comprehensive succession-planning process and enhancing strategic leadership competencies.

Employee turnover

Between 1 January and 31 December 2008, Exxaro recorded an average employee turnover rate of 7%. The primary reasons for terminations were death, resignations, dismissals and disabilities. The turnover rate by employee group is shown below:

Turnover rate by employee group

	Terminations Jan – Dec 2008	
Employment equity – occupational categories	% of total workforce	Number
Senior officials, managers, legislators	0,49	50
Professionals	0,61	62
Technicians/associated professionals	0,51	52
Clerks and administrative workers	0,73	74
Service and sales workers	0,03	3
Craft and related trades	2,24	227
Plant and machine operators	1,60	162
Labourers and elementary occupations	0,78	79

Labour relations

Almost 80% of Exxaro's employees are represented by affiliated unions, predominantly National Union of Mineworkers (NUM 69,8%), and Solidarity (7,0%). Other recognised unions are Mineworkers Union of Namibia (MUN), National Union of Metalworkers in South Africa (NUMSA), and United Association of South Africa (UASA).

Negotiations for improvement of wages and conditions of employment are done in-house and through the Chamber of Mines.

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

Through collective bargaining, employees receive several benefits beyond minimum legislative requirements below. Conditions of employment for employees in bargaining units are centrally negotiated each year.

Employee benefits

Full-time employees receive a range of benefits – many exceeding minimum stipulations – including:

- Retirement fund membership subsidised by the employer
- Medical aid membership subsidised by the employer
- Housing allowance/company accommodation
- Guaranteed annual bonuses/13th cheque for bargaining unit employees
- Travel allowances
- Annual leave, sick leave, maternity leave, family responsibility leave
- Incentive schemes, share appreciation rights schemes, standby and call-out allowances, etc as well as payment for overtime worked.

Retirement and other benefits for all permanent employees are provided by independent defined contribution funds. The employer contribution to retirement funds in the group ranges from 10% to 18% of employee pensionable earnings, and is expensed as it is occurred. All retirement funds are governed by the South African Pension Funds Act (1956), with no members on defined-benefit plans.

The group continues to focus on home ownership. To comply with the mining charter and our own business needs, a new long-term housing strategy has been developed. While Exxaro's housing policy focuses on home ownership, employees receive a housing or living-out allowance to assist them in obtaining accommodation. Land has been made available for housing at Grootegeluk where some 800 units will be built over the next four years.

Housing categories

	2008 number of employees
Home owners (bought company property)	822
Hostels	389
Single quarters	1 336
Rental and other	7 588
Total	10 135

Where meals are provided, the quality and nutritional value of these meals are determined by a dietician. Qualified staff continually monitor the fulfilment of contractual obligations. Employees have accessible mechanisms to engage both management and suppliers on food issues.

Employee wellness

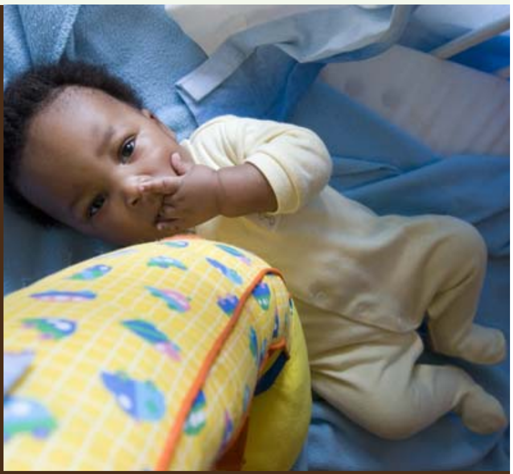
External service providers manage employee assistance programmes for our people and their dependants at all business units. These have been particularly successful in ensuring a fast and efficient response to employees suffering trauma because of work-related and community-based events.

see www.exxaro.com/case_studies
PUTTING ROOFS OVER HEADS AND FOOD ON TABLES

Building tiny skills

The KZN Sands sustainable development team has come up with an innovative way to ensure people in their rural communities are given a fair start.

As part of its sustainable development strategy, KZN Sands has built a crèche in the Somopho area, outside eMpangeni. The crèche is manned by qualified educators who use a variety of games and building exercises to teach their young pupils essential coordination skills. Interestingly, coordination has proven to be the main reason why many applicants from rural communities fail to qualify for learnerships at KZN Sands: they fail the basic hand/eye coordination test. Through the new crèche, KZN Sands aims to build a solid educational foundation so that future generations don't have to suffer the same fate. Later in the year, and as part of Arbor Week, trees were planted in the crèche grounds.



The 40 registered learners at the crèche range from a few months to four years. Older groups are taught the official grade R syllabus. Currently registered as a non-profit organisation, the crèche will become a formal pre-school by 2010.

Case study – Equity in action

Empowering women to play a more active role in Exxaro, the mining industry and the country is a strategic priority. But, for Exxaro, it is about far more than just making our workforce more representative. It is also a way in which we can combat the current skills shortage.

More than half of South Africa's population are women and, therefore, so is half the country's talent. Yet, in the mining industry, companies are struggling to increase the percentage of women in core mining skills to just one-tenth of their workforces. We need to develop and channel this talent into areas where it is needed most, with technical skills as our priority.

Exxaro is investigating a number of ways to boost the role of women in the group, with good results:
- 19% of Exxaro's senior to middle management level is made up of women
- Almost 13% of the group's permanent workforce are women.

Diversity and equal opportunity

When we created Exxaro – the largest black-owned mining company in the country – we stated our intention of being the best example of how South African companies can and should be run. We made a commitment to our people to ensure their progress and to build up the skills base we need to fulfil our vision. Employment equity is just one of the ways in which we are doing this.

While employment equity is certainly a legal issue, with strict targets imposed by both the mining charter and the government's black economic empowerment codes, for Exxaro it is also a moral imperative.

At the heart of our employment equity strategy are detailed plans developed by each business unit in consultation with employees and unions. These are updated and progress reported quarterly to the board and annually to government.

By following these plans, each unit ensures that recruitment and skills development are conducted responsibly, promoting transformation without affecting existing positions in the company. Each business unit has a formally assigned senior manager for employment equity, and an employment equity forum that is responsible for ensuring appropriate plans are developed, executed, monitored and communicated to employees.

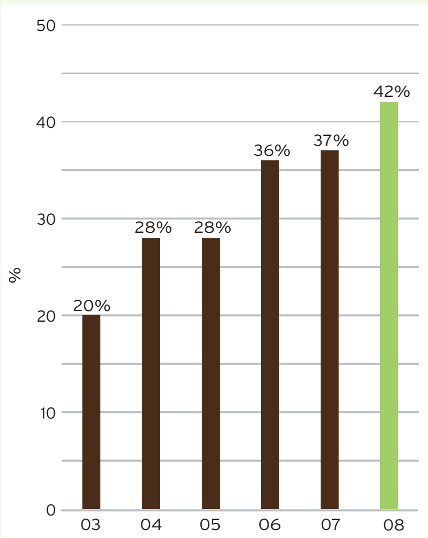
Pleasingly, and despite the shortage of skills, Exxaro has exceeded 2009 mining charter targets ahead of time in both the management and women in core mining categories. This reflects the constant focus on internal promotion, individual development and skills retention in our aim to be a preferred employer. The group's performance against the mining charter's complete set of targets appears on page 107.

Women in mining initiatives

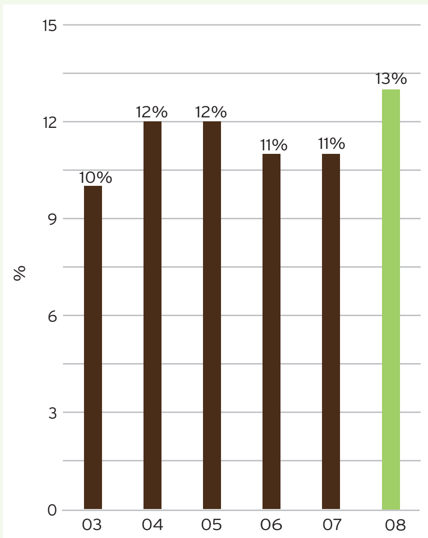
Women in mining initiatives were established and implemented to attract women to work in the core business of the company. A committee representing all the business units of Exxaro has been established to implement and to execute these initiatives.

Employment equity progress

HDSA representation in all management categories



Women (all levels)



Human rights

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

see www.exxaro.com/case_studies
DEVELOPING BUSINESS AND PERSONAL POTENTIAL

Induction programmes ensure employees are educated about human rights. Policies on discrimination, harassment and racism are in place, as are structures to protect employees' human rights in the workplace. All security personnel are fully trained after appointment on human rights aspects relevant to each operation. Refresher courses also cover human rights issues.

Case study – Preserving west coast vegetation

The newly acquired Namakwa Sands is a mineral sands mining operation at Brand se Baai, approximately 385km north of Cape Town along the west coast of South Africa. The area falls within the semi-arid portion of the Cape Floristic Region (CFR) and is acknowledged as the most biologically rich semi-arid region in the world, known for its unique habitats and diversity of species.

Due to mining activities, the land is left totally bare and exposed to extreme conditions:

- High wind speeds (up to 6m/sec)
- Increased soil temperature
- Reduced moisture content of the soil
- Increased salinity in the growth medium (tailings from processing plants used as backfill material).

The re-establishment of the same species under new exposed conditions is therefore extremely challenging. The process is divided into separate actions to develop and maintain a sustainable rehabilitation programme to ensure that the area's biodiversity is restored to its fullest potential after mining:

- Data capturing: Namakwa Sands adopted a GIS database in which all historical and current rehabilitation practices are captured for future reference. This data, together with monitoring results, can be used to identify best rehabilitation practices and opportunities for continual improvement
- Monitoring: An external botanical specialist annually surveys controlled and rehabilitated areas. Monitoring results is a way of determining the success of specific rehabilitation efforts against current closure objectives
- Topsoil recovery: The removal and final placement of topsoil is closely monitored and surveyed monthly
- Wind erosion protection: Shade nets are used as windbreaks to minimise the movement of sand and protect newly established vegetation. Windbreaks are maintained for five to six years until the established vegetation can replace their function. Almost 3 000km of windbreaks have been erected to cover 2 100ha
- Harvesting: Indigenous seeds are harvested per specie from approved areas during the summer months
- Sowing: Indigenous seeds are sowed in areas where rehabilitation earthworks have been completed and stabilised with windbreaks. A total of 862kg of indigenous seeds were sowed over 500ha in 2008
- Transplantation: Young indigenous plant species are transplanted from areas to be mined to the area where rehabilitation earthworks have been completed and the areas stabilised with windbreaks
- Propagation: A nursery was established at the beginning of 2007 to propagate indigenous plant species from seeds and cuttings in a protected environment to improve the individual species survival rate. The nursery also provides the opportunity to propagate indigenous plants that cannot be transplanted.

SOCIETY

Improving quality of life is fundamental to the **projects we support and the partnerships we initiate**

Social development

From 2008, Exxaro's socio-economic development strategy and policy will incrementally move away from *ad hoc* philanthropic donations to funding or implementing longer-term, strategic programmes for measurable and lasting change within disadvantaged communities close to our operations. In each of the following focus areas, the objective is job creation and improving the quality of life within communities near our operations:

- Skills development and capacity building
- Formal education
- Enterprise development
- Health and welfare
- Environmental stewardship.

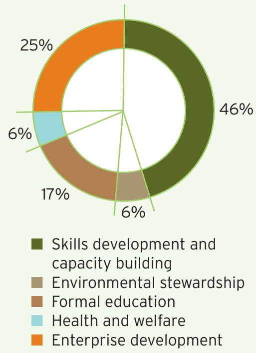
To ensure we achieve our strategy, we believe it is important to create public-private partnerships on all our projects. These partnerships are mainly informal although, during the year, Exxaro has had discussions with government on integrating formal public-private partnerships from 2009.

At each of our operations, social and labour plans were developed by engaging and consulting with relevant authorities and communities. These plans focus on communities close to our operations, the source of 70% of our workforce on average, to ensure they benefit from the mine's presence in multiple ways.

It is group policy to actively recruit labour from local communities wherever possible. Training initiatives concentrate on developing the skills of community members to fulfil the group's requirements.

In 2008, no significant fines or sanctions for non-compliance with labour laws or regulations were imposed.

% spend on socio-economic focus areas by Exxaro Chairman's Fund and Exxaro Foundation 2008



In 2008, Exxaro spent R19,8 million on socio-economic development projects, which includes over R5 million in donations.

Case study – Contributing to an industry challenge

Exxaro convened a skills debate in March 2008, with panellists from Business Unity South Africa, the Chamber of Mines and its own business units. Key points from the debate included:

- Companies must focus on employment branding as opposed to company branding
- Businesses must look internally – skills theft is a reality and companies that don't invest in skills, will steal them
- Companies can achieve much through short-term measures, such as adopting a school, while macro issues are being addressed at government level
- Mining companies must identify and promote role models who can raise the industry's profile at schools, and promote it as an exciting career opportunity
- Public-private partnerships are essential. The only way to change the current landscape is for schools, academia, business and government to join forces
- Businesses should second their experts to academic institutions to meet the need for top-quality training, rather than luring academics through lucrative positions
- Mining companies must attract more women to the industry
- Industry needs a better database of available skills, wasting undue time looking for talent in the wrong places
- National bodies, SETAs and industry must co-ordinate their efforts to avoid the mismatch between what these bodies do and what industry actually needs.

We must adopt a country, not company, approach. The war will not be won by companies working individually, especially when they are all fighting for the same skills.

The planned number of jobs to be created over a five-year period in social and labour plan projects that started in 2008 will exceed 660. In addition to job creation, the projects will benefit over 4 200 people indirectly.

Selection of projects and donations: 2008 – 2012

Mine	Project/donation	Beneficiaries
Tshikondeni	Alternative energy project in Guyuni (see page 88)	3 direct jobs, 990 indirect project beneficiaries
Tshikondeni	The Sanari Entrepreneurial Centre was established in Sanari, near Tshikondeni Mine. Exxaro partnered with the National Development Agency and Department of Labour to develop a business and training centre for Sanari community (Sanari).	20 direct jobs, 200 indirect project beneficiaries
Tshikondeni	Masunda Citrus Farm (Masunda).	12 direct jobs, 120 indirect project beneficiaries
Tshikondeni	Exxaro partnered with the Department of Agriculture in the Makuya farmers' co-operative (Makuya).	40 direct jobs, 400 indirect project beneficiaries
Corporate commitment	Exxaro established the chair in Business and Climate Change at Unisa to focus on carbon footprinting and climate change issues that companies should consider (Unisa).	n/a
Corporate commitment	Exxaro assists the University of Pretoria's community project for the maintenance engineering department.	n/a
Grootegeluk	Donation to Abbotspoort drop-in-centre near Grootegeluk Mine to care for the growing number of orphans in the area.	18 direct jobs, 65 orphans
Grootegeluk	Each year, a sizeable investment is made in technical and civil skills development in the Lephalale area with the help of several local training institutions. Offered skills include welder/planter, ABET, maintenance operator and building.	1 710 learners over a five-year period
KZN Sands	SME development and support centre was constructed last year and is now fully operational. Exxaro partnered with the European Union, Absa and uThungulu District Municipality to offer community members a centre where they can learn skills like art and decoration, furniture-making, pottery and jewellery production.	350 direct jobs, 1 750 indirect project beneficiaries
KZN Sands	In Ezingeni, a hydroponics garden was started which produces tomatoes for local retailers. The garden was recently expanded in partnership with BHP Billiton.	15 direct jobs, 75 indirect project beneficiaries
Grootegeluk	Eco-friendly housing, roadbuilding and enterprise development project.	24 direct jobs, five home owners, 101 indirect project beneficiaries

see www.exxaro.com/case_studies
CHANGING THE FACE OF A TOWN

see www.exxaro.com/case_studies
THEIR FUTURE IS A CLICK AWAY

Mine	Project/donation	Beneficiaries
Rosh Pinah	Due to the large influx of people to the area, the need was identified to expand the existing primary school which already accommodates 600 learners. New teachers were employed and a campaign to provide a better education standard started. The improved school will make Rosh Pinah town a better place to raise children and Rosh Pinah Zinc Corporation an ideal employer.	15 teachers, 600 learners
Zincor	In Vukuzenzele, an informal settlement near the Zincor plant in Springs, a refuse project educates residents about a healthy environment, hygiene and welfare. Refuse is collected monthly. Given its success to date, Ekhurhuleni Metropolitan Municipality will take over the project from mid-2009.	all inhabitants of Vukuzenzele settlement
Arnot	A hydroponics garden was started near Arnot mine which will expand into a commercial farm over five years.	95 direct jobs, 332 indirect project beneficiaries
New Clydesdale	A hydroponics garden was started where local community members and mine employees can receive training in agricultural skills.	65 direct jobs, 227 indirect project beneficiaries
Leeuwpan	A laundry and dry-cleaning enterprise was started to meet demand from mine workers and Delmas residents. A pick-up and delivery service is included for servicing clients further away.	7 direct jobs, 25 indirect project beneficiaries

Monitoring and evaluation

We are currently implementing monitoring and evaluation software to measure progress and identify challenges. This system will be aligned with Exxaro's internal socio-economic development technology platform which will be fully operative by June 2009.

LEGISLATIVE COMPLIANCE/MINING CHARTER SCORECARD

Mining charter scorecard

In 2009, industry progress against the mining charter will be reviewed, and the accompanying scorecard refined where necessary. In the past five years, Exxaro has made steady progress and exceeds many of the charter's targets, most notably those for transformation at management level, women in mining and building the pool of industry skills.

Requirements	Progress
Human resources development	• Pay skills development levy • Submit workplace skills plans and annual training reports • Provide and encourage employees to become functionally literate
Interface with MQA?	Yes, through submitting statutory reports and serving on sector skills planning committee and technical reference groups
Formulated a comprehensive skills audit?	MQA is researching the required format of a skills audit acceptable to all stakeholders. Exxaro will implement this format once available
Interface with education authorities, scholarships to promote mining-related educational advancement?	• Bridging school, bursary and professionals-in-training programmes in place • Contributing to fund to enhance faculty remuneration at two universities offering higher education in the mining field • Through participation in educational structures of Business Unity SA and Chamber of Mines, Exxaro contributes to transforming broader education in the country
Increasing number of learnerships in the mining industry? If so by how much?	Exxaro has increased its learnerships and skills programmes significantly – to 678: 392 in engineering learnerships, 230 in plant learnerships, 40 in mining learnerships and 16 in administration/services learnerships.
Skills training opportunities to prepare for mine closure?	No mine closures. All mines have sections on post-mining training processes and plans in their social and labour plans, submitted to the Department of Minerals and Energy
Functional literacy and numeracy in consultation with labour?	• Fully company-sponsored, voluntary ABET programmes running at all mines (some since 1992) • Currently, 2 920 employees have qualification <NQF 1 (30,7% of workforce). • In 2008, 236 completed some level of ABET and 465 are enrolled for further ABET levels • Financial incentive schemes for identified ABET learners implemented
Career paths and opportunities for HDSA? Systems for mentoring empowerment groups as a means of capacity building?	• Human resources development (HRD) policy in place dealing with accelerated development • Formal succession planning and individual development plans used for all management and professional categories • HDSA employees receive special career planning consideration and mentor support
Employment equity Published employment equity plan and achievements?	Employees were consulted about plans and progress is communicated accordingly at each business unit.
Targets in junior and senior management categories?	No specific targets for different management categories have been identified. Progress monitored against overall target of 40% HDSA in management as per mining charter.
Plans at management level?	Yes
Achieved baseline of 40% by 2009?	At 42%, Exxaro has exceeded the baseline
Focus overseas placement and/or training programmes on HDSAs?	Exxaro currently has limited international operations
Identified talent pool?	Yes
Fast tracking that includes high-quality operational exposure?	Yes
Focus on advancement of women? Progress to baseline of 10%?	Succession plan system in place to fast-track women. Exxaro Women in Mining committee established to help attract and retain women. Women comprise 13% of workforce in core operations, excluding support positions.
Set and publish targets?	Targets set on a five-year cycle. Information published in annual report, intranet and other suitable media targeted at specific business units (eg bulletin boards, line manager communication, newsletters, e-mails, etc)

LEGISLATIVE COMPLIANCE/MINING CHARTER SCORECARD
continued

Requirements	Progress
Migrant labour Ensured non-discrimination against foreign labour?	Exxaro does not discriminate against any employees, regardless of their country of birth.
How was this achieved?	A policy on non-discrimination is in place.
Mine community and rural development	
Co-operated in formulation of integrated development plans for communities where mining takes place and major labour-sending areas?	All interventions being implemented are aligned with the integrated development plans of involved authorities and indicated community needs. In some of our operations, social impact assessments were undertaken to identify real needs of involved communities.
In partnership with all governmental spheres, undertaken to develop infrastructure for these areas?	As part of our social and labour plan commitment, we actively assist the authorities in infrastructure development and service delivery
Housing and living conditions	
Consulted with Mine Health and Safety Council, Dept of Housing and organised labour on improving standard of housing?	Yes • Company housing policy in place, focused on home ownership. Employees receive housing or living-out allowance to assist them in obtaining accommodation. • 389 employees live in hostels • 1 336 live in single quarters • 822 employees live in company houses
Upgraded hostels, converted hostels to family units, and promoted home ownership option for mine employees?	Land has been made available for housing at Grootegeluk where some 800 units will be built over the next four years.
Established measures to improve nutrition of employees?	• Food services mostly outsourced to BEE suppliers • Quality of food contractually regulated – human resources policy also stipulates quality requirements
Procurement	
Classified procurement into capital goods, services and consumables?	Policy, guidelines and systems in place to promote procurement from HDSA companies in stipulated categories of capital goods, consumables and services.
Given HDSAs preferred supplier status, where possible, in all three levels?	Exxaro continues to give preference to companies that demonstrate HDSA involvement, development and support in ownership, management and skills development.
Identified current levels of procurement from HDSA companies?	Exxaro has over the years tracked its performance on procurement from HDSA companies. This indicates progression from 2004 – 16%, 2005 – 24%, 2006 – 37%, 2007 – 35% (a level set to provide for the introduction of codes of good practice). Performance for 2008 was 39% against a target of 40%, influenced largely by transition to the codes of good practice.
Committed to a progression of procurement from HDSA companies over a 3- to 5-year timeframe, reflecting genuine value-added HDSA providers?	• Kumba has had policies in place since 2002. The group is committed to both progression over time and to tracking its preferential procurement performance against targets • Close monitoring, tracking and stakeholder engagement continues to ensure strong partnerships with suppliers. Major suppliers are encouraged to transform, secure company accreditation in line with the codes of good practice, but indicating their narrow based status • Target for 2009 is set at 45%
Encouraged existing suppliers to transform, eg forming partnerships with HDSA companies, where no HDSAs tender for goods and services?	In line with Exxaro's future spend, companies likely to have increased and long-term business relationships are regarded as strategic partners for transformation. These suppliers are encouraged to form partnerships with local HDSAs in areas of Exxaro operations. Transformation is also encouraged in areas of employment equity, skills development, enterprise development and employee share ownership plans
Undertaken to develop HDSA procurement capacity and access to DTI assistance programmes to achieve this?	Exxaro continues to conduct needs assessments on potential suppliers and assists in areas that require development. Continual contact with SEDA on available development programmes to assist HDSAs is seen as a vital relationship for supplier development. Exxaro continues to advise emerging HDSA companies where financing is required. Referrals include National Empowerment Fund, Umsobomvu Youth Fund, Industrial Development Corporation and other institutions that offer capital financing.

Requirements	Progress
Ownership and joint venture Ownership by HDSAs Active HDSA control? HDSA ownership and control percentage? Collective investments through ESOPS and mining dedicated unit trusts? Passive involvement by HDSA? Percentage of passive HDSAs involved in the company ownership structure?	After the Kumba empowerment transaction, a new company was formed and listed on the JSE, Exxaro Resources Limited. In terms of the empowerment transaction, Exxaro's only major shareholder is Main Street 333 (Pty) Ltd, commonly referred to as BEE Holdco. This BEE entity holds 52,54% of the shares in Exxaro. The entities that hold shares in BEE Holdco are: • Eyesizwe SPV (55%) • Eyabantu SPV (9,5%) • Tiso SPV (9,5%) • BEE Women's SPV (11%) In terms of the BEE Holdco relationship agreement, the BEE partners, BEE Holdco and the designated parties have agreed principles to ensure that each of BEE Holdco, Eyesizwe SPV, Eyabantu SPV, Tiso SPV and BEE Women's SPV and their respective shareholders are and remain HDSAs until the final date of the agreement and therefore Exxaro remains a black-owned company.
Beneficiation Involved in production of final consumer product emanating from a mining process? Identified current level of beneficiation? Indicated to what extent baseline level of beneficiation can grow?	Base metals: Given South Africa's dominant role in the world's ferrochrome market (accounting for 70% of resources and 50% of demand), Exxaro has launched a business unit – Exxaro Reductants – producing reductants for this industry. In the first of the group's base metal beneficiation initiatives, the char plant next to Grootegeluk mine is being commissioned with char production from the first quarter 2009. In addition to char, the plant will also produce and sell a tar product, and there is potential to use waste gas to generate electricity in future through co-generation initiatives. Staffed by highly qualified and experienced people, Exxaro Reductants has created 70 job opportunities already, which could quadruple. Growth opportunities include expansion of the char plant to supply the ferromanganese, titanium slag and platinum industries, as well as the production of market coke and hybrid reductants through briquetting and feedstock carbonisation.
Exploration and prospecting As an HDSA company, have you used support by government in exploration and prospecting endeavours? Institutional support.	No, all exploration and prospecting was self-funded using in-house technical skills
Financing mechanism As an HDSA company, have you secured finance to fund participation (R100 billion assistance by the industry)	Yes, facilitation was given to HDSA groups by Exxaro shareholders. (Exxaro contributes approximately R20 million)

INDEPENDENT ASSURANCE STATEMENT TO THE DIRECTORS AND MANAGEMENT OF EXXARO RESOURCES LIMITED

Scope of our engagement

Exxaro Resources Limited's (Exxaro's) Sustainability section (pages 74 to 109), (the report), of the 2008 Annual Report, has been prepared by the directors and management of Exxaro (management). Management is responsible for the collection and presentation of information within the report, and for maintaining adequate records and internal controls that are designed to support the sustainability reporting process. There are currently no prescribed requirements relating to the preparation, publication and verification of sustainability reports.

Our responsibility, in accordance with Exxaro's instructions, was to carry out our reasonable assurance engagement on the fatalities key performance indicator set out on page 82 and our limited assurance engagement over certain key performance indicators; the self declared GRI G3 application level; the compliance to the reporting requirements of the Mining Charter; and the report's adherence to the AA1000 Principle Standards 2008 principles of materiality, responsiveness and inclusivity.

Our responsibility in performing our assurance activities is to the management of Exxaro only and in accordance with the terms of reference for this engagement as agreed with them. We do not, therefore, accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the report is entirely at its own risk.

Our assurance engagement was planned and performed in accordance with the International Federation of Accountants' (IFAC) International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. The report has been evaluated against the following criteria: the principles of Materiality, Responsiveness and Inclusivity as set out in AccountAbility's AA1000 Principle Standard (AA1000PS) as well as against the application of the Global Reporting Initiative G3 Sustainability Reporting Guidelines (the guidelines).

We have designed our procedures in order for us to evaluate the report against the principles of materiality, responsiveness and inclusivity as set out in AA1000PS specifically as follows:

Materiality:

- Has Exxaro provided a balanced representation of material issues concerning its sustainability performance?
- Has Exxaro included sustainability performance information from all material entities in its defined boundary for its reporting of identified material issues?
- Are there any material aspects that are not addressed in the report?

Responsiveness:

- Has Exxaro responded to material issues in a balanced and comprehensive manner in the report?

Inclusivity:

- How has Exxaro identified and engaged with stakeholders?
- How has Exxaro managed its stakeholder participation process?
- How has Exxaro responded to stakeholder concerns?

Work performed

In order to form our conclusions we undertook the steps outlined below:

- Interviewed a selection of Exxaro's management responsible for Health, Safety, Environment and Socio-economic Development (SED), and Mining Charter commitments to understand the current status of sustainable development activities and progress made during the reporting period.
- Conducted a high-level benchmarking exercise of the material issues and areas of performance covered in the sustainable development reports of Exxaro's peers.
- Reviewed a selection of external media reports to determine the level of inclusion and discussion of material topics in the report.
- Reviewed selected group level documents relating to sustainable development aspects of Exxaro's performance and tested the coverage of topics within the report.

- Reviewed the report to check whether material topics and performance issues, identified during the performance of our engagement, had been adequately disclosed.
- Reviewed selected underlying documentation relating to the Mining Charter disclosures in the report to determine whether the compliance to the reporting requirements were adequate.
- Reviewed the 11 key performance indicators, listed below, by testing the processes used to record, collect, consolidate and report the indicators at the group level and at selected operational sites, as well as random samples of data related to these key performance indicators.
  - Fatalities
  - LTIs
  - LTIFR
  - Occupational diseases (limited to NIHL cases)
  - Electricity
  - Diesel
  - Gas
  - Indirect CO_2 emissions (limited to electricity use)
  - Level 2 and 3 environmental incidents
  - Water use
  - Stakeholder engagement – SED projects as per the social and labour plan
- Reviewed whether Exxaro's reporting has applied to the GRI G3 Guidelines to a level described on page 113.

Level of assurance

Our evidence gathering procedures have been designed to obtain limited assurance (as set out in ISAE 3000) on which to base our conclusions for certain key performance indicators; the self declared GRI G3 application level; the compliance to the reporting requirements of the Mining Charter and the Report's adherence to the AA1000 PS. The procedures conducted do not provide all the evidence that would be required in a reasonable assurance engagement and, accordingly, we do not express a reasonable assurance opinion. Our procedures relating to the fatalities key performance indicator have, however, provided sufficient evidence for us to provide a 'reasonable level' of assurance. While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Limitations of our scope

We only selected three operational sites to visit and another three sites to conduct a desktop review. The sites reviewed represented significant contributors to the key performance indicators being assured. The sites selected were:

- Site Visit
  - Grootegeluk, coal, Limpopo
  - Zincor, base metals, Gauteng
  - KZN Sands, sands, KwaZulu-Natal
- Desktop Review
  - Rosh Pinah, base metals, Namibia
  - North Block Complex, coal, Mpumalanga
  - Matla, coal, Mpumalanga
- We have not reviewed and consequently do not provide any assurance on historical data.
- When considering responsiveness under AA1000PS, we did not attend any stakeholder engagement activities.
- We provide no assurance over the web content relating to sustainability information.

Our conclusions

Subject to our limitations of scope noted above and on the basis of our procedures for this assurance engagement, we provide the following conclusions:

Materiality

Based on our work performed, nothing has come to our attention that causes us to believe that:

- Any material aspects concerning Exxaro's sustainability performance have been excluded from the report.
- Any material issues have been excluded from, or misstatements made in relation to information on which Exxaro has made judgements in respect to the content of the report.
- The information or explanations on statements or assertions on Exxaro's sustainability activities presented in the report that we have reviewed, has been misstated.

INDEPENDENT ASSURANCE STATEMENT TO THE DIRECTORS AND MANAGEMENT OF EXXARO RESOURCES LIMITED continued

Indicators: Based on our work performed:

- The fatalities key performance indicator reported by Exxaro management is fairly stated in all material aspects, based on the collation of information reported at the various locations and on internal reporting mechanisms; and
- Nothing has come to our attention that causes us to believe that there are any errors that would materially affect the other 10 key performance indicators reported by Exxaro management. Nothing has come to our attention that causes us to believe that data pertaining to these key indicators has not been properly collated from information reported at the various locations and in line with internal reporting mechanisms.

Responsiveness

Based on our work performed, nothing has come to our attention that causes us to believe that any issues of stakeholder interest were not included in the report's scope and content.

Inclusivity

Based on our work performed, nothing has come to our attention that causes us to believe that any material issues were excluded or misstated in relation to the content of the report.

Additional Mining Charter disclosures

Based on our work performed, nothing has come to our attention that causes us to believe that the statements in relation to the Mining Charter disclosures presented in the report have been misstated.

GRI G3

Based on our work performed, including consideration of the report, and elements of the annual report, nothing has come to our attention that causes us to believe that Exxaro management's assertion that their sustainability reporting meets the requirements of the B+ application level of the guidelines is not fairly stated.

Selected observations

We note that:

- The commitment to group goals and objectives is consistently demonstrated throughout the organisation.
- Controls to prevent or detect recording and reporting errors need to be implemented at the business units and at group. It is noted that various procedures and controls are being implemented across the group in 2009 which should reduce the likelihood of such errors occurring or enable their detection. It should be noted this observation does not affect our conclusions.

Our independence and assurance team

The firm and all professional personnel involved in this engagement are independent of Exxaro and our team have not performed any work for Exxaro that may conflict with our ability to express independent assurance over this report. Our team is drawn from our Climate Change and Sustainability Services Department and has the required competencies and experience for this engagement.

Ernst & Young Inc

Ernst & Young

18 March 2009

GRI INDICATOR INDEX

Index to Global Reporting Initiative indicators

This summarised index covers major GRI indicators. The full index includes the 2007 GRI guidelines (G3) and 2005 supplement for mining and minerals sector and is available on www.exxaro.com/GRIindex

	Strategy and analysis	Page
1.1	Statement from CEO	12, 74
1.2	Key impacts, risks and opportunities	10 – 11, 72 – 74, 77, 81
	Organisational profile	
2.1 – 2.9	General details	Cover, flaps, 1, 4,15
2.10	Awards	79
	Report parameters	
3.1 – 3.4	Report profile	79 – 80
3.5 – 3.11	Scope and boundary	22, 78
3.12	GRI index	113
3.13	Policy and practice on external assurance	80, 110
	Governance, commitments and engagement	
4.1 – 4.10	Structure and processes	62 – 68, 79
4.11 – 4.13	External initiatives	62, 74, 84
4.14 – 4.17	Stakeholders	10, 11, 78, 79
	Management approach and performance indicators	
	Economic	
EC1 – 7	Economic value generated and distributed, implications of climate change	92 – 93, 95, 100 – 101
EC8 – 9	Indirect economic impacts	n/a
	Environmental	
EN1 – 2	Material use	91
EN3 – 7	Energy use	10 – 11, 14, 86 – 87, 91
EN8 – 10	Total water use	84 – 86, 91
EN11 – 15	Biodiversity	89
EN16 – 25	Emissions, effluents and waste	84 – 87, 91
EN26 – 27	Environmental impacts of products, extent of mitigation	84
EN28	Non-compliance with environmental laws and regulations: zero	81
EN29	Transport-related impacts	Not reported
EN30	Total environmental protection expenditures and investments by type	89

GRI INDICATOR INDEX continued

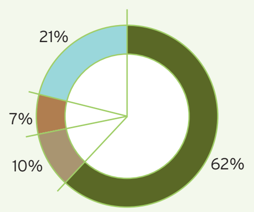
	Strategy and analysis	Page
	Social	
LA1 – 3	Workforce profile and benefits	93 – 100, 104
LA4 – 5	Labour relations	95, 100
LA6 – 9	Health and safety	81 – 83, 100
LA10 – 12	Training and education	97 – 99
LA13 – 14	Diversity and equal opportunity	95 – 96
	Human rights	
HR1 – 9	Procurement, non-discrimination, freedom of association, forced labour, indigenous rights	95, 103
	Society	
SO1 – 4	Impacts on communities, artisanal mining, resettlement, closure policies, land rights, corruption	62, 77 – 78, 82, 104, 107,
SO5 – 6	Political contributions	76
SO7 – 8	Anti-competitive behaviour: No fines or sanctions were imposed	
	Product responsibility	
PR1 – 9	Customer health and safety, labelling, marketing, compliance • No fines or penalties for non-compliance	Product stewardship policy being developed 68, 81

GROUP CASH VALUE ADDED STATEMENTS
for the period ended 31 December 2008 (unaudited)

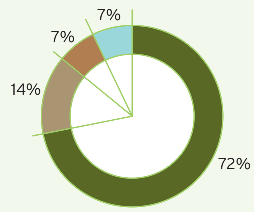
The value added statement shows the wealth the group has created through mining, beneficiation, trading and investing operations. The statement below summarises the total cash wealth created and how it was disbursed among the group's stakeholders, leaving a retained amount which was re-invested in the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

	31 Dec 2008 Rm	Wealth created %	31 Dec 2007 Rm	Wealth created %
Cash generated				
Cash derived from sales and services	12 789		9 889	
Income from investments and interest received	1 044		379	
Paid to suppliers for materials and services	(7 235)		(5 563)	
Cash value added	6 598	100	4 705	100
Cash utilised to:				
Remunerate employees for services	2 871	44	2 301	49
Pay direct taxes to the state	487	7	462	10
Provide lenders with a return on borrowings	346	5	212	4
Provide shareholders with cash dividends	984	15	223	5
Cash disbursed among stakeholders	4 688	71	3 198	68
Cash retained in the group to maintain and develop operations	1 910	29	1 507	32
NOTES TO THE GROUP VALUE ADDED STATEMENT				
1. Tax contribution				
Direct taxes (as above)	487		462	
Value added taxes levied on purchases of goods and services	1 541		1 227	
Gross contributions	2 028		1 689	
2. Additional amounts collected by the group on behalf of government				
Value added tax and other duties charged on turnover	1 861		1 363	
Employees' tax deducted from remuneration paid	613		431	
Unemployment Insurance Fund	21		18	
Withholding tax	16		11	
	2 511		1 823	
3. Levies paid to government				
Regional service council levies			10	
Rates and taxes paid to local authorities	22		21	
Royalties paid to government	71		76	
Workers' Compensation Fund	4		3	
Unemployment Insurance Fund	21		18	
Skills Development Levy	19		15	
	137		143	

Cash disbursed among stakeholders 2008



Cash disbursed among stakeholders 2007



- Remunerate employees for services
- Pay direct taxes to the state
- Provide lenders with a return on borrowings
- Provide shareholders with cash dividends

SUPPLEMENTARY FINANCIAL INFORMATION

Supplementary information is compiled using the following assumptions:
– the investment in Black Mountain is equity accounted from 1 January 2007
– Namakwa Sands is consolidated from 1 January 2007

	31 December	
INCOME STATEMENTS for the year ended	**2008 Unaudited Rm**	2007 Unaudited Rm
Revenue	**15 209**	11 449
Operating expenses	**(12 398)**	(9 809)
NET OPERATING PROFIT	**2 811**	1 640
Net financing costs	**(457)**	(453)
Income from investments	**2**	2
Income from equity-accounted investments	**1 601**	683
PROFIT BEFORE TAX	**3 957**	1 872
Income tax expense	**(546)**	(500)
PROFIT FOR THE YEAR	**3 411**	1 372
Profit attributable to:		
Owners of the parent	**3 435**	1 352
Minority interest	**(24)**	20
	3 411	1 372
Ordinary shares (million)		
– in issue	**355**	353
– weighted average number of shares	**343**	341
– diluted weighted average number of shares	**361**	355
ATTRIBUTABLE EARNINGS PER SHARE (CENTS)		
– basic	**1 002**	396
– diluted	**952**	381
RECONCILIATION OF HEADLINE EARNINGS		
Net profit attributable to owners of the parent	**3 435**	1 352
Adjusted for:		
– IAS 16 Impairment of property, plant and equipment	**21**	23
– IAS 16 Gains or losses on disposal of property, plant and equipment	**68**	18
– IAS 16 Reversal of impairment of property, plant and equipment	**(1)**	
– IAS 27 Gains on the disposal of a subsidiary	**(7)**	
– IAS 28 Gains or losses on the disposal of associates or joint ventures		
– IAS 28 Share of associates' IAS 16 – Gains or losses on disposal of property, plant and equipment	**2**	(3)
– IAS 28 Share of associates' 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	**4**	(7)
– IAS 28 Share of associates' IAS 16 – Impairment of property, plant and equipment	**161**	
– IAS 36 Impairment reversal of investment		(6)
Tax on adjustments	**(20)**	(3)
HEADLINE EARNINGS	**3 663**	1 374
HEADLINE EARNINGS PER SHARE (CENTS)		
– basic	**1 068**	403
– diluted	**1 015**	387

STATEMENTS OF FINANCIAL POSITION at 31 December	At 31 December 2008 Unaudited Rm	2007 Unaudited Rm
ASSETS		
Non-current assets		
Property, plant and equipment	11 309	10 343
Biological assets	34	30
Intangible assets	79	76
Investments in associates and joint ventures	1 849	712
Deferred tax	1 083	732
Financial assets	1 577	1 046
Total non-current assets	15 931	12 939
Current assets		
Inventories	2 481	1 812
Trade and other receivables	2 924	2 289
Current tax receivable	2	
Cash and cash equivalents	1 769	850
Total current assets	7 176	4 951
Non-current assets classified as held for sale	78	2
TOTAL ASSETS	23 185	17 892
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	2 098	2 067
Other components of equity	2 190	1 502
Retained income	8 708	6 159
Equity attributable to owners of the parent	12 996	9 728
Minority interest	128	19
Total equity	13 124	9 747
Non-current liabilities		
Interest-bearing borrowings	3 650	3 798
Non-current provisions	1 746	1 414
Financial liabilities	31	
Deferred tax	1 257	1 065
Total non-current liabilities	6 684	6 277
Current liabilities		
Trade and other payables	2 366	1 630
Interest-bearing borrowings	500	74
Current tax payable	440	137
Current provisions	21	
Shareholders for dividend		27
Total current liabilities	3 327	1 868
Non-current liabilities classified as held for sale	50	
TOTAL EQUITY AND LIABILITIES	23 185	17 892
NET DEBT	2 381	3 022
STATEMENTS OF CASH FLOWS for the year ended 31 December		
Cash flows from operating activities	2 131	1 507
Cash flows from investing activities	(973)	(4 123)
Cash flows from financing activities	2 765	(453)
Net increase/(decrease) in cash and cash equivalents	3 923	(3 069)

SELECTED GROUP FINANCIAL DATA TRANSLATED INTO US DOLLARS for the year ended 31 December 2008 (unaudited)

The group statutory 2008 financial statements have been expressed in US$ for information purposes. For comparability the 2007 supplementary information, as presented on pages 116 and 117, have been translated. The average US$/ZAR of US$1: R8,25 (2007: US$1: R7,03) has been used to translate the income statements and statements of cash flows, while the statements of financial position has been translated at the closing rate on the last day of the reporting period US$1: R9,3560 (2007: US$1: R6,7964).

INCOME STATEMENTS for the year ended 31 December 2008	2008 US$ million	2007 US$ million
Revenue	1 844	1 629
Operating expenses	(1 503)	(1 395)
NET OPERATING PROFIT	341	234
Net financing costs	(55)	(64)
Income from equity-accounted investments	194	97
PROFIT BEFORE TAX	480	267
Income tax expense	(66)	(71)
PROFIT FOR THE YEAR	414	196
Profit attributable to:		
Owners of the parent	417	193
Minority interest	(3)	3
	414	196
ATTRIBUTABLE EARNINGS PER SHARE (CENTS)	121	56
HEADLINE EARNINGS	444	195
HEADLINE EARNINGS PER SHARE (CENTS)	129	57

STATEMENTS OF FINANCIAL POSITION at 31 December 2008	**2008 US$ million**	2007 US$ million
ASSETS		
Non-current assets		
Property, plant and equipment	**1 209**	1 522
Biological assets	**4**	4
Intangible assets	**8**	11
Investments in associates and joint ventures	**198**	105
Deferred tax	**116**	108
Financial assets	**169**	154
Current assets		
Cash and cash equivalents	**189**	125
Other	**579**	604
TOTAL ASSETS	**2 472**	2 633
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent	**1 389**	1 431
Minority interest	**14**	3
Non-current liabilities		
Interest-bearing borrowings	**390**	559
Deferred tax provisions and financial liabilities	**324**	365
Current liabilities		
Interest-bearing borrowings	**53**	11
Other	**302**	264
TOTAL EQUITY AND LIABILITIES	**2 472**	2 633
NET DEBT (refer definitions on page 120)	**254**	445
STATEMENTS OF CASH FLOWS for the year ended 31 December 2008		
Cash flows from operating activities	**258**	214
Cash flows from investing activities	**(118)**	(586)
Cash flows from financing activities	**335**	(64)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**475**	(436)

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 equity plus net debt minus non-current financial asset.

CASH AND CASH EQUIVALENTS
Comprises 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
Attributable earnings per ordinary share divided by dividends per ordinary share.

DIVIDEND YIELD
Dividends per ordinary share divided by the closing share price on the JSE Limited.

EARNINGS PER ORDINARY SHARE
– ATTRIBUTABLE EARNINGS BASIS

Earnings attributable to owners of the parent divided by the weighted average number of ordinary shares in issue during the year.

– HEADLINE EARNINGS BASIS

Earnings attributable to owners of the parent adjusted for profits and losses on items of a capital nature recognising the tax 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 on the JSE Limited.

INVESTED CAPITAL
Total equity, interest-bearing debt, non-current provisions and net deferred tax less cash and cash equivalents.

NET ASSETS
Total assets less current and non-current liabilities less minority interest which equates to equity attributable to owners of the parent.

NET DEBT TO EQUITY RATIO
Interest-bearing debt less cash and cash equivalents as percentage of total equity.

NET EQUITY PER ORDINARY SHARE
Equity attributable to owners of the parent 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 attributable to owners of the parent as a percentage of average equity attributable to owners of the parent.

– HEADLINE EARNINGS

Headline earnings attributable to owners of the parent as a percentage of average equity attributable to owners of the parent.

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.

Operational excellence: Herman Pelser, process controller, and Patrick Moyo, plant operator, at Inyanda mine, which performed well in 2008 to increase production and supply higher demand from Eskom. The mine also contributed to Exxaro's increased export tonnages which grew by 80% from 1,8Mt to 3,3Mt in 2008.

GROUP ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2008

Contents

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 only 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 their underlying business plans for the period to 31 December 2009. 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 20 February 2009 and are signed on its behalf by:

SA Nkosi
Chief Executive Officer

DJ van Staden
Financial Director

The external auditors have audited the annual financial statements of the company and group and their unmodified report appears on page 122.

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 2008, 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

23 February 2009

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EXXARO RESOURCES LIMITED

We have audited the annual financial statements and group annual financial statements of Exxaro Resources Limited, which comprise the statement of financial position and the consolidated statement of financial position as at 31 December 2008, the directors' report, the income statement and the consolidated income statement, the statement of comprehensive income and the consolidated statement of comprehensive income, the statement of changes in equity and the consolidated statement of changes in equity and the statement of cash flows and the consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 147 to 229.

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.

Auditors' responsibility

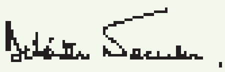
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 2008, 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
23 February 2009

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)

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 2008.

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, mineral sands, 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 62.

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 financial review and business operations reviews on pages 22 to 31 and 32 to 42 respectively.

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 to monitor 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:

	2008	2007
Net debt/equity ratio (%)	18	5
Net financing cost cover – EBITDA (times)	14	10
Return on capital employed (%) (refer definitions on page 120)	36	24

The capital base consists of total shareholders' equity as disclosed, as well as interest-bearing borrowings. As a new generation empowerment company with a 56% 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.

During the year under review the group complied with all its contractually agreed loan covenants with the exception of the stand-alone funding package that was put in place for Rosh Pinah Zinc Corporation (Pty) Limited (RPZC) to facilitate the disposal of a 43% interest to Namibian shareholders. Loan covenants were breached mainly as a result of the collapse in zinc prices which occurred during the second half of 2008. The funding banks have, however, agreed to waive breaches on the basis that Exxaro Resources Limited continues to support RPZC to ensure that it can meet its commitments and conditional upon RPZC settling the funding obtained by no later than 31 March 2009.

As a result of the global economic downturn Exxaro is reviewing its capital expenditure programmes, including sustaining capital to ensure that the group's capital structure remains robust.

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 617 million (2007: R1 296 million).

Shareholders' resolutions

At the seventh annual general meeting of shareholders, held on 25 April 2008, 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 355 036 600. The increase can be summarised as follows:

	Date of issue	Number of shares
Opening balance		352 907 400
Issued in terms of the Kumba Management Share Option Scheme due to options exercised at prices ranging from R7,32 to R47,73	7 January 2008 to 29 December 2008	2 129 200
Closing balance		355 036 600

Shareholders

An analysis of shareholders and shareholdings appears on page 70 of the annual report.

Dividend payments

Dividend number 11

Interim dividend number 11 of 175 cents per share was declared in South African currency in respect of the period ended 30 June 2008. The dividend was paid on Monday, 22 September 2008 to shareholders recorded in the books of the company at the close of business on Friday, 19 September 2008. To comply with the requirements of STRATE the last day to trade cum dividend was Friday, 12 September 2008. The shares commenced trading ex dividend on Monday, 15 September 2008 and the record date was Friday, 19 September 2008.

Dividend number 12

Final dividend number 12 of 200 cents per share was declared in South African currency in respect of the period ended 31 December 2008. The dividend payment date is Monday, 30 March 2009 to shareholders recorded in the books of the company at the close of business on Friday, 27 March 2009. To comply with the requirements of STRATE the last day to trade cum dividend is Friday, 20 March 2009. The shares will commence trading ex dividend on Monday, 23 March 2009 and the record date is Friday, 27 March 2009.

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.

During June 2008 the group announced an empowerment transaction involving Rosh Pinah Zinc Corporation (Pty) Limited. The effective date of the divestment was 1 July 2008 and the group's effective interest in the company reduced from 93,9% to 50,04%. Exxaro manages the mine in terms of a management agreement.

Namakwa Sands and Black Mountain Mining (Pty) Limited (Black Mountain) acquisition

Subsequent to the conversion, cession to Exxaro, and registration of the converted mining rights, Exxaro acquired Namakwa Sands on 1 October 2008 for R2 783 million consisting of a cash consideration of R2 015 million, a working capital adjustment of R199 million, capital expenditure on the mineral separation plant of R448 million, and R121 million to compensate Anglo Operations Limited for its taxation recoupment.

On 1 November 2008 the group acquired 26% of the Black Mountain lead-zinc mine for R221 million. The investment is classified as an associate and is equity accounted.

The group is currently evaluating the proposed divestment of its interests in Glen Douglas Dolomite (Pty) Limited and has decided not to participate in the planned expansion of Chifeng Kumba Hongye Zinc Corporation Limited.

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.

Directorate and shareholdings

The names of the directors in office at the date of this report are set out on page 58.

The following non-executive directors resigned during 2008:

- 30 April 2008 – Ms PKV Ncetezo
- 29 February 2008 – Ms N Nyembezi-Heita

On 13 August 2008, Ms SEA Mngomezulu and Mr J van Rooyen were appointed as non-executive directors on the board.

On 31 August 2008, Mr MJ Kilbride retired as executive director and on 28 February 2009, Mr DJ van Staden will retire as financial director. Mr WA de Klerk will assume the duties of financial director on 1 March 2009.

In terms of article 15.2 of the articles of association, the following directors appointed to the board with effect from 13 August 2008 will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting:

- SEA Mngomezulu
- J van Rooyen

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:

- VZ Mntambo
- NL Sowazi
- D Zihlangu

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	0111
South Africa	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 2007, except for the early adoption of IFRS 8 *Operating Segments* and the amendments to IAS 1 *Presentation of Financial Statements,* issued in September 2007, during the year. The implementation of IFRS 8 has led to differences in the basis of segmentation compared to previous periods. As a result, new operating segments have been identified.

IAS 1 and IFRS 8 are disclosure standards which have no other impact on the measurement or recognition of items included in the financial statements and accordingly the adoption thereof has had no effect on the profit or equity for this year or previously reported years.

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 Mr MJ Kilbride terminated on 31 August 2008 and the service contract of Mr DJ van Staden will terminate on 28 February 2009.

DIRECTORS' REMUNERATION continued

for the year ended 31 December 2008

Summary of remuneration for the year ended 31 December 2008

	Basic salary R	Fees for services R	Performance bonuses[1] R	Benefits and allowances[2] R	Retirement fund contributions R
Executive directors					
SA Nkosi	3 940 689		1 868 425	141 925	324 773
MJ Kilbride[4]	1 921 492		3 556 731	359 779	199 583
DJ van Staden	2 986 122		5 772 393	284 288	301 816
	8 848 303		11 197 549	785 992	826 172
Less gains on share scheme					
Add share-based payment expense					
Total remuneration paid by Exxaro					
Non-executive directors					
PM Baum[5]		181 570			
JJ Geldenhuys		267 083		23 427	
U Khumalo		146 427			
Dr D Konar (chairman)		540 686			
VZ Mntambo		206 990			
RP Mohring		307 146		21 357	
PKV Ncetezo[6]		68 997		7 314	
NMC Nyembezi-Heita[7]		38 125			
NL Sowazi		193 284			
D Zihlangu		206 990		8 735	
J van Rooyen[8]		64 545			
SEA Mngomezulu[8]		55 642			
		2 277 485		60 833	

[1] *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.*
[2] *Includes travel allowances.*
[3] *Includes interest accrued on gains held in trust until vested.*
[4] *Retired on 31 August 2008.*
[5] *Fees paid to the respective employer and not the individual.*
[6] *Retired on 30 April 2008.*
[7] *Retired on 29 February 2008.*
[8] *Appointed on 13 August 2008.*

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[3] R	Compensation on retirement from executive office R	Other R	Total R
13 248			4 375	6 293 435
11 776	263 715	5 414 223	2 138	11 729 437
13 248	2 229 942	3 128 218	3 263	14 719 290
38 272	2 493 657	8 542 441	9 776	32 742 162
				(2 493 657)
				1 856 744
				32 105 249
				181 570
				290 510
				146 427
				540 686
				206 990
				328 503
				76 311
				38 125
				193 284
				215 725
				64 545
				55 642
				2 338 318

DIRECTORS' REMUNERATION continued
for the year ended 31 December 2008

Summary of remuneration for the year ended 31 December 2007

	Basic salary R	Fees for services R	Performance bonuses[1] R	Benefits and allowances[2] R	Retirement fund contributions R
Executive directors					
Dr CJ Fauconnier[4]	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					
Non-executive directors					
PM Baum[5]		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[6,7]		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.

[1] *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.*
[2] *Includes travel allowances.*
[3] *Includes interest accrued on gains held in trust until vested.*
[4] *Retired on 31 August 2007.*
[5] *Fees paid to the respective employer and not the individual.*
[6] *Appointed as non-executive director on 28 February 2007.*
[7] *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[3] 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 2008

Directors' beneficial interest in Exxaro shares at 31 December 2008

	Direct	Indirect
SA Nkosi		8 016 068
DJ van Staden	565	
PM Baum		
JJ Geldenhuys		
U Khumalo		
Dr D Konar	168	
SEA Mngomezulu		
VZ Mntambo		5 529 881
RP Mohring		
NL Sowazi		2 181 590
J van Rooyen		
D Zihlangu		2 818 552

Directors' beneficial interest in Exxaro shares at 31 December 2007

	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		
AJ Morgan		
PKV Ncetezo		724 564
NMC Nyembezi-Heita	1 000	
NL Sowazi		2 181 590
D Zihlangu		2 818 552

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

On 31 December 2008 Mr SA Nkosi held 2,3% (2007: 2,2%) and Mr MZ Mntambo held 1,6% (2007: 1,5%) directly or indirectly in the share capital of the company.

No director held any non-beneficial interest in Exxaro shares at either 31 December 2008 or 2007.

DIRECTORS' REMUNERATION continued
for the year ended 31 December 2008

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 2008

	Options held at 31 December 2008	Exercise price[2] R	Exercisable period	Proceeds if exercisable at 31 December 2008 R	Pre-tax gain if exercisable at 31 December 2008[1] R
Executive director					
DJ van Staden	12 440	12,90	16/03/2011	894 436	733 960
Total	12 440			894 436	733 960

[1] *Based on a share price of R71,90 which prevailed on 31 December 2008.*

Management share option scheme for the year ended December 2007

	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[1] R
Executive director					
DJ van Staden	12 440	12,90	16/03/2011	1 286 918	1 126 442
Total	12 440			1 286 918	1 126 442

[1] *Based on a share price of R103,45 which prevailed on 31 December 2007.*

Management cash-settled options for the year ended December 2008

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 issue when exercised.

	Options held at 31 December 2008	Exercise price[2] R	Exercisable period	Proceeds if exercisable at 31 December 2008 R	Pre-tax gain if exercisable at 31 December 2008[1] R
Executive director					
DJ van Staden					

[1] *Based on a share price of R71,90 which prevailed on 31 December 2008.*

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
17 550	19,62	136,00	2 042 469	13/06/2008

DIRECTORS' REMUNERATION continued

for the year ended 31 December 2008

Management cash-settled options for the year ended December 2007

	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[1] R
Executive director					
DJ van Staden	17 550	19,62	22/04/2012	1 815 548	1 471 217

[1] *Based on a share price of R103,45 which prevailed on 31 December 2007.*

Management share appreciation right scheme for the year ended December 2008

	Options held at 31 December 2008	Exercise price[2] R	Exercisable period	Proceeds if exercisable at 31 December 2008 R	Pre-tax gain if exercisable at 31 December 2008[1] R
Executive director					
SA Nkosi	38 680	60,60	01/03/2014	2 781 092	437 084
	41 780	112,35	01/04/2015		
	80 460			2 781 092	437 084

[1] *Based on a share price of R71,90 which prevailed on 31 December 2008.*
[2] *It is assumed that directors will not exercise rights which are out of the money.*

Management share appreciation right scheme for the year ended December 2007

	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[1] R
Executive director					
SA Nkosi	38 680	60,60	01/03/2014	4 001 446	1 657 438

[1] *Based on a share price of R103,45 which prevailed on 31 December 2007.*

Management share scheme – long-term incentive plan for the year ended December 2008

	Options held at 31 December 2008	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2008 R	Pre-tax gain if exercisable at 31 December 2008[1] R
Executive director					
SA Nkosi	38 682		01/03/2010	2 781 236	2 781 236
	41 782		01/04/2011	3 004 126	3 004 126
	80 464			5 785 362	5 785 362

[1] *Based on a share price of R71,90 which prevailed on 31 December 2008.*

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

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

DIRECTORS' REMUNERATION continued

for the year ended 31 December 2008

Management share scheme – long-term incentive plan for the year ended December 2007

	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[1] R
Executive director					
SA Nkosi	38 682		01/03/2010	4 001 653	4 001 653

[1] *Based on a share price of R103,45 which prevailed on 31 December 2007.*

Management share scheme – deferred bonus plan for the year ended December 2008

	Options held at 31 December 2008	Exercise price[2] R	Exercisable period	Proceeds if exercisable at 31 December 2008 R	Pre-tax gain if exercisable at 31 December 2008[1] R
Executive director					
SA Nkosi	361	86,45	01/10/2010		
	718	111,88	01/04/2011		
	2 573	111,88	01/04/2011		
	213	89,61	01/10/2011		
	3 865				

[1] *Based on a share price of R71,90 which prevailed on 31 December 2008.*
[2] *It is assumed that directors will not exercise rights which are out of the money.*

Management share scheme – deferred bonus plan for the year ended December 2007

	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[1] R
Executive director					
SA Nkosi	361	86,45	01/10/2010	37 345	6 137

[1] *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

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

INCOME STATEMENTS AND STATEMENTS OF COMPREHENSIVE INCOME for the year ended 31 December 2008

		GROUP		COMPANY	
	Notes	2008 Rm	2007 Rm	2008 Rm	2007 Rm
INCOME STATEMENTS					
Revenue	2	13 843	10 157	915	636
Operating (expenses)/income	3	(11 376)	(8 713)	758	(697)
NET OPERATING PROFIT/(LOSS)		2 467	1 444	1 673	(61)
Interest income	5	153	96	50	10
Interest expense	5	(394)	(311)	(169)	(94)
Income from investments	6	2	2	1 319	610
Income from equity accounted investments	14	1 663	728		
PROFIT BEFORE TAX		3 891	1 959	2 873	465
Income tax expense	7	(510)	(512)	7	(42)
PROFIT FOR THE YEAR		3 381	1 447	2 880	423
Profit attributable to:					
Owners of the parent		3 405	1 427	2 880	423
Minority interest		(24)	20		
		3 381	1 447	2 880	423
STATEMENTS OF COMPREHENSIVE INCOME					
PROFIT FOR THE YEAR		3 381	1 447	2 880	423
OTHER COMPREHENSIVE INCOME:					
Exchange differences on translating foreign operations		193	176	(3)	
Cash flow hedges		520	(39)		
Share of comprehensive income of associates		187	46		
Share-based payment movement		92	133	66	100
Income tax relating to components of other comprehensive income		(115)	2		
Other comprehensive income for the year, net of tax	28	877	318	63	100
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4 258	1 765	2 943	523
Total comprehensive income attributable to:					
Owners of the parent		4 117	1 749	2 943	523
Minority interest		141	16		
		4 258	1 765	2 943	523
ATTRIBUTABLE EARNINGS PER SHARE (CENTS)	8				
– basic		993	418		
– diluted		943	402		

STATEMENTS OF FINANCIAL POSITION
at 31 December 2008

		GROUP		COMPANY	
	Notes	2008 Rm	2007 Rm	2008 Rm	2007 Rm
ASSETS					
Non-current assets					
Property, plant and equipment	11	11 309	8 235	176	133
Biological assets	12	34	30		
Intangible assets	13	79	76		
Investments in associates and joint ventures	14	1 849	757		
Investments in subsidiaries	15			6 157	1 964
Deferred tax	23	1 083	732	104	97
Financial assets	16	1 577	1 031	41	10
Total non-current assets		15 931	10 861	6 478	2 204
Current assets					
Inventories	17	2 481	1 531		
Trade and other receivables	18	2 924	1 931	5 073	4 583
Current tax receivable		2			8
Cash and cash equivalents		1 769	850	478	306
Total current assets		7 176	4 312	5 551	4 897
Non-current assets classified as held for sale	19	78	2	13	
TOTAL ASSETS		23 185	15 175	12 042	7 101
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	20	2 098	2 067	2 276	2 244
Other components of equity		2 190	1 502	946	883
Retained earnings		8 708	6 235	5 025	3 118
Equity attributable to owners of the parent		12 996	9 804	8 247	6 245
Minority interest		128	19		
Total equity		13 124	9 823	8 247	6 245
Non-current liabilities					
Interest-bearing borrowings	21	3 650	1 259	2 708	450
Non-current provisions	22	1 746	1 329	24	24
Financial liabilities		31		31	
Deferred tax	23	1 257	1 077		
Total non-current liabilities		6 684	3 665	2 763	474
Current liabilities					
Trade and other payables	24	2 366	1 449	817	327
Interest-bearing borrowings	21	500	74	205	55
Current tax payable		440	137	10	
Current provisions	22	21	27		
Total current liabilities		3 327	1 687	1 032	382
Non-current liabilities classified as held for sale	19	50			
TOTAL EQUITY AND LIABILITIES		23 185	15 175	12 042	7 101
NET DEBT		2 381	483	2 435	199

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2008

		GROUP		COMPANY	
	Notes	2008 Rm	2007 Rm	2008 Rm	2007 Rm
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated by/(utilised in) operations	25.1	3 574	2 308	(140)	164
Net financing costs	25.2	(193)	(116)	(117)	(83)
Tax (paid)/received	25.3	(487)	(462)	18	(55)
Dividends paid	25.4	(984)	(223)	(973)	(211)
		1 910	1 507	(1 212)	(185)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investments to maintain operations	25.5	(1 147)	(569)	(61)	(34)
Investments to expand operations	25.6	(470)	(727)	(2)	
Investment in intangible assets			(1)		
Proceeds from disposal of property, plant and equipment		29	50		
Investment in other non-current assets	25.7	(179)	(249)	(50)	33
Acquisition of joint ventures and associates	26	(221)			
Acquisition of subsidiaries and other business operations	27	(2 757)	(8)		
Income from equity-accounted investments	25.8	1 042	377		
Income from investments	6	2	2	1 319	610
Foreign currency translations	25.9	(55)	6	1	5
		(3 756)	(1 119)	1 207	614
NET CASH (OUTFLOW)/ INFLOW		(1 846)	388	(5)	429
CASH FLOWS FROM FINANCING ACTIVITIES					
Non-current interest-bearing borrowings raised		2 725	437	2 463	300
Net movement of other non-current interest-bearing borrowings				(2 113)	(69)
Non-current interest-bearing borrowings repaid		(418)	(465)	(355)	(195)
Current interest-bearing borrowings raised/(repaid)		426	(539)	150	(563)
Proceeds from issuance of share capital		31	114	32	114
Increase in loans from minority shareholders		1			
		2 765	(453)	177	(413)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		919	(65)	172	16
Cash and cash equivalents at beginning of year		850	906	306	290
Special purpose entities consolidated			9		
CASH AND CASH EQUIVALENTS AT END OF YEAR		1 769	850	478	306

	Notes	GROUP 2008 Rm	GROUP 2007 Rm	COMPANY 2008 Rm	COMPANY 2007 Rm
CALCULATION OF MOVEMENT IN NET DEBT					
Net cash (outflow)/inflow as above		**(1 846)**	388		
Add:					
– shares issued		**31**	114		
– loans from minority shareholders		**1**			
– increase in net debt on acquisition of subsidiary			(25)		
– special purpose entities consolidated			9		
– non-cash flow movements in net debt applicable to currency translation differences of transactions denominated in foreign currency		**(352)**	59		
– non-cash flow movements in net debt applicable to currency translation differences of net debt items of foreign entities	25.9	**282**	(107)		
– hedging of share-based payment exposure		**(14)**			
(INCREASE)/DECREASE IN NET DEBT		**(1 898)**	438		

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2008

	Share capital Rm	Share premium Rm
OPENING BALANCE AT 1 JANUARY 2007	4	5 135
Total comprehensive income		
Issue of share capital[1]		23
Share placement[2]		91
– issue		640
– repurchase		(460)
– expenses		(89)
Transfer to retained income		
Minority share buy-out		
Special purpose entities now consolidated		
Dividends paid[3]		
Prior year dividend in specie reclassification		(3 186)
BALANCE AT 31 DECEMBER 2007	4	2 063
Total comprehensive income		
Issue of share capital[1]		31
Minority share additional contributions		
Liquidation dividend from subsidiary		
Net profit on dilution of interest in a subsidiary		
Dividends paid[3]		
BALANCE AT 31 DECEMBER 2008	**4**	**2 094**
Dividend paid per share (cents) in respect of the 2007 financial year	**160**	
Dividend paid per share (cents) in respect of the 2008 interim period	**175**	
Final dividend paid per share (cents) in respect of 2008 financial year	**200**	

[1] *Issued to the Kumba Resources Management Share Trust due to options exercised.*

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

[3] *The STC on these dividends amount to Rnil million after taking into account STC credits (2007: Rnil).*

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.

Other components of equity						
Foreign currency translations Rm	Financial instruments revaluation Rm	Equity-settled reserve Rm	Retained income Rm	Attributable to owners of the parent Rm	Minority interest Rm	Total equity Rm
379	24	802	1 798	8 142	27	8 169
148	(17)	182	1 436	1 749	16	1 765
				23		23
				91		91
				640		640
				(460)		(460)
				(89)		(89)
		(16)	16			
					(13)	(13)
			7	7		7
			(208)	(208)	(11)	(219)
			3 186			
527	7	968	6 235	9 804	19	9 823
437	138	113	3 429	4 117	141	4 258
				31		31
					2	2
			1	1		1
					(7)	(7)
			(957)	(957)	(27)	(984)
964	**145**	**1 081**	**8 708**	**12 996**	**128**	**13 124**

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2008

			Other components of equity				
	Share capital Rm	Share premium Rm	Foreign currency translations Rm	Financial instruments revaluation Rm	Equity-settled reserve Rm	Retained income Rm	Total equity Rm
OPENING BALANCE AT 1 JANUARY 2007	4	5 312			783	(280)	5 819
Total comprehensive income					100	423	523
Cash dividends paid[1]						(211)	(211)
Issue of share capital[2]		23					23
Share placement[3]		91					91
– issue		640					640
– repurchase		(460)					(460)
– expenses		(89)					(89)
Prior year dividend in specie reclassification		(3 186)				3 186	
BALANCE AT 31 DECEMBER 2007	4	2 240			883	3 118	6 245
Total comprehensive income			(3)		66	2 880	2 943
Cash dividends paid[1]						(973)	(973)
Issue of share capital[2]		32					32
BALANCE AT 31 DECEMBER 2008	4	2 272	(3)		949	5 025	8 247
Dividend paid per share (cents) in respect of the 2007 financial year				160			
Dividend paid per share (cents) in respect of the 2008 interim period				175			
Final dividend paid per share (cents) in respect of 2008 financial year				200			

[1] *The STC on these dividends amount to Rnil million after taking into account STC credits (2007: Rnil).*

[2] *Issued to the Kumba Resources Management Share Trust due to options exercised.*

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

NOTES TO ANNUAL FINANCIAL STATEMENTS
for the year ended 31 December 2008

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, except for the revaluation to fair value of financial instruments and biological assets. 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 2008:

- 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 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.

The implementation of IFRIC 11 has no impact on the measurement or recognition of the group and treasury share transactions as the group has already accounted for the transaction as required by IFRIC 11. The adoption of IFRIC 12 will lead to certain assets being classified as financial assets or intangible assets, rather than property, plant and equipment. The group has no defined benefit funds therefore IFRIC 14 is not applicable.

The following standards have been early adopted and have been applied, where relevant, to the financial statements for the period ended 31 December 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, revision requiring a statement of comprehensive income.

The implementation of IFRS 8 has led to differences in the basis of segmentation compared to previous periods. As a result, new operating segments have been identified. IAS 1 and IFRS 8 are disclosure standards and have no other impact on the measurement or recognition of items included in the financial statements and accordingly the adoption thereof has had no effect on the profit or equity for the year.

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

- Amended IFRS 2 *Share-based Payments*, effective for annual periods beginning on or after 1 January 2009.
- Revised IFRS 3 *Business Combinations*, effective for annual periods beginning on or after 1 July 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 IAS 28 *Investments in Associates*, effective for annual periods beginning on or after 1 July 2009.
- Revised IAS 31 *Interests in Joint Ventures*, effective for annual periods beginning on or after 1 July 2009.
- Revised IAS 39 *Financial Instruments: Recognition and measurement,* effective for annual periods beginning on or after 1 July 2009.
- IFRIC 13 *Customer Loyalty Programmes*, effective for annual period beginning on or after 1 July 2008.
- IFRIC 15 *Agreements for the Construction of Real Estate*, effective for annual period beginning on or after 1 January 2009.
- IFRIC 16 *Hedges of Net Investment in a Foreign Operation*, effective for annual period beginning on or after 1 October 2008.
- IFRIC 17 *Distributions of Non-cash Assets to Owners*, effective for annual periods beginning on or after 1 July 2009.
- IFRIC 18 *Transfers of Assets from Customers*, effective from 1 July 2009.

On 22 May 2008, the International Accounting Standards Board issued its latest standard, titled *Improvements to Financial Reporting Standards 2008*. The standard included 35 amendments to various standards.

- Amended IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, effective for annual periods beginning on or after 1 July 2009.
- Amended IAS 16 *Property, Plant and Equipment*, effective for annual periods beginning on or after 1 January 2009.
- Amended IAS 19 *Employee Benefits*, effective for annual periods beginning on or after 1 January 2009.
- Amended IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, effective for annual periods beginning on or after 1 January 2009.
- Amended IAS 27 *Consolidated and Separate Financial Statements,* effective for annual periods beginning on or after 1 January 2009.
- Amended IAS 28 *Investments in Associates,* effective for annual periods beginning on or after 1 January 2009.
- Amended IAS 29 *Financial Reporting in Hyper-inflationary Economies,* effective for annual periods beginning on or after 1 January 2009.
- Amended IAS 31 *Interests in Joint Ventures,* effective for annual periods beginning on or after 1 January 2009.
- Amended IAS 32 *Financial Instruments: Presentation,* effective for annual periods beginning on or after 1 January 2009.

1. **ACCOUNTING POLICIES** (continued)

Adoption of new and revised standards (continued)

- Amended IAS 36 *Impairment of Assets,* effective for annual periods beginning on or after 1 January 2009.
- Amended IAS 38 *Intangible Assets,* effective for annual periods beginning on or after 1 January 2009.
- Amended IAS 39 *Financial Instruments: Recognition and measurement,* effective from 1 January 2009.
- Amended IAS 40 *Investment Property,* effective for annual periods beginning on or after 1 January 2009.
- Amended IAS 41 *Agriculture,* effective for annual periods beginning on or after 1 January 2009.

) Adoption of IFRS 3, together with IAS 27, IAS 28 and IAS 31 will have a significant impact on the accounting and disclosure of business combinations and the accounting of the carrying value of investments on partial disposals of investments for transactions effected on or after the effective date.

The directors believe that none of the other 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.

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 surities 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 and joint ventures is carried in the statement of financial position 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 lives 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.

1. ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

2008	Coal	Mineral sands
Buildings and infrastructure (including residential buildings)	2 – 25 years	3 – 40 years
Mineral properties	2 – 25 years	3 – 29 years
Fixed plant and equipment	2 – 25 years	2,5 – 29 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
Loose tools and computer equipment	2 – 10 years	2,5 – 10 years
Development costs	8 – 20 years	4 – 10 years
Refractory relines	n/a	4 – 6 years
Site preparation, mining development and exploration	2 – 25 years	3 – 29 years

	Base metals	Industrial minerals	Other
Buildings and infrastructure (including residential buildings)	2 years – indefinite	10 – 25 years	20 – 25 years
Mineral properties	n/a	n/a	n/a
Fixed plant and equipment	2 – 50 years	5 – 25 years	5 – 10 years
Mobile equipment, built-in process computers, underground mining equipment and reconditionable spares	2 – 15 years	5 – 15 years	5 years
Loose tools and computer equipment	2 – 8 years	5 years	3 – 5 years
Development costs	n/a	n/a	n/a
Refractory relines	n/a	n/a	n/a
Site preparation, mining development and exploration	7 – 25 years	20 years	6 years

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	n/a
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	n/a
Refractory relines	n/a	4 – 6 years	n/a
Site preparation, mining development and exploration	2 – 25 years	3 – 25 years	n/a

	Industrial minerals	Other
Buildings and infrastructure (including residential buildings)	10 – 25 years	20 – 25 years
Mineral properties	n/a	n/a
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

1. **ACCOUNTING POLICIES** (continued)

Property, plant and equipment (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 statement of financial position. 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 financial year-end 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 financial year-end 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 financial year-end to determine whether there is any indication of impairment.

1. **ACCOUNTING POLICIES** (continued)

Impairment of assets

The carrying amounts of assets are reviewed at each financial year-end 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 timeframe 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.

The group may enter into transactions whereby it transfers assets recognised on its statement of financial position, 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 statement of financial position.

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 statement of cash flows. 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.

1. **ACCOUNTING POLICIES** (continued)

Financial instruments (continued)

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 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 statement of financial position 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 recalculated 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.

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

1. **ACCOUNTING POLICIES** (continued)

Financial instruments (continued)

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 statement of financial position 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 analysis 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 analysis 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 analyses 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.

1. ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

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 expenses 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.

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 reporting 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 the reporting 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 the reporting 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 USD1: R8,25 (2007: USD1: R7,03) has been used to translate the income statements and statements of cash flows while the statements of financial position have been translated at the closing rate at the last day of the reporting period USD1: R9,356 (2007: USD1: R6,7964).

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.

Income tax expense

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 financial year-end 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.

1. **ACCOUNTING POLICIES** (continued)

Provisions (continued)

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 tax

Deferred tax 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 tax 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 financial year-end 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 tax is calculated using taxation rates that have been enacted at the financial year-end. The effect on deferred tax of any changes in tax 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 tax 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.

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 the reporting period, 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 reporting date.

1. ACCOUNTING POLICIES (continued)

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 reporting date, but are disclosed in the statements of changes in equity and 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.

Discounted 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 a non-current asset 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

Exxaro is a mining group of companies focusing on extracting and processing a range of minerals and metals including coal, mineral sands, 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.

The group has adopted the new IFRS 8 *Operating Segments* in advance of its effective date, with effect 1 January 2008. The implementation of the new IFRS 8 *Operating Segments* has led to differences in the basis of segmentation compared to previous periods. As a result, new operating segments have been identified as reportable segments that were previously not reported as such.

Segments are based on the group's different products and operations as well as the physical location of these operations and associated products. The group's reportable segments are tied coal operations, commercial coal operations, KZN Sands, Namakwa Sands, Australia Sands, Rosh Pinah, Zincor, other base metals and other. The basis of segment reporting is representative of the internal structure used for management reporting.

Cash and cash equivalents

For the purpose of the statements of cash flows, 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 approximates 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 30);
- 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 Payments,* 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 32);
- 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;
- in applying IFRS 8 *Operating Segments*, the identification of reportable operating segments of the group.

1. ACCOUNTING POLICIES (continued)

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 reporting 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 appropriate.

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 22.

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 22.

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 includes 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.

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 33.

Deferred tax assets

Deferred tax 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 tax asset to be raised. Refer note 23.

Useful life and residual values

The depreciable amount of assets is allocated on a systematic basis over its useful life. In determining the depreciable amount management makes certain assumptions with regard 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 is expensed through the income statement.

		Notes	GROUP 2008 Rm	GROUP 2007 Rm	COMPANY 2008 Rm	COMPANY 2007 Rm
2.	**REVENUE**					
	Sale of goods		13 843	10 157		
	Services				915	636
			13 843	10 157	915	636
3.	**OPERATING EXPENSES**					
	Cost by type					
	– Raw materials and consumables		3 497	3 089	52	28
	– Staff costs					
	– salaries and wages		2 644	2 112	427	318
	– share-based payments		84	105	42	37
	– termination benefits		12	4	11	4
	– pension and medical costs		215	185	35	27
	– Income from sale of investment		(7)		(1 726)	
	– General charges		2 139	1 447	374	283
	– Share-based payment: BEE credential expense		2			
	– Railage and transport		677	446	1	1
	– Repairs and maintenance		1 434	1 068	8	4
	– Impairment charges and reversals	4	20	17	(1)	
	– Energy		481	382	4	5
	– Depreciation of property, plant and equipment	11	894	760	15	10
	– Amortisation of intangible assets	13	4	3		
	– Movement in inventories		(612)	(840)		
	– Own work capitalised		(100)	(40)		
	– Sublease rentals received		(8)	(25)		(20)
			11 376	8 713	(758)	697
	Cost by function					
	– Costs of goods sold/services rendered		10 746	8 287	969	717
	– Selling and distribution costs		625	434		
	– Sublease rentals received		(8)	(25)		(20)
	– Impairment charges and reversals	4	20	17	(1)	
	– Income from sale of investment		(7)		(1 726)	
			11 376	8 713	(758)	697

	Notes	GROUP 2008 Rm	GROUP 2007 Rm	COMPANY 2008 Rm	COMPANY 2007 Rm
3. OPERATING EXPENSES (continued)					
Cost by function (continued)					
The above costs are stated after including:					
Auditors' remuneration					
– audit fees		**15**	12	**5**	4
– other services		**3**	1	**1**	1
Consultancy fees		**149**	75	**74**	22
Contingent rentals paid		**10**	9		
Contingent rentals received		**(27)**	(22)		
Currency exchange differences					
– net realised (profits)/losses on currency exchange differences		**(476)**	42	**1**	12
– net unrealised losses on currency exchange differences		**(39)**	32	**(6)**	2
Depreciation and amortisation					
– buildings	11	**3**	2		
– mineral properties	11	**165**	164		
– residential buildings	11	**5**	3		
– buildings and infrastructure	11	**99**	74		
– machinery, plant and equipment	11	**584**	486	**15**	10
– leased assets under finance lease	11	**10**	10		
– site preparation, mining development, exploration and rehabilitation	11	**28**	21		
– amortisation of intangible assets	13	**4**	3		
Directors' emoluments (refer to the report of the directors, page 123)					
– executive directors					
– remuneration received as directors of the company				**12**	13
– bonuses and cash incentives				**11**	11
– compensation on retirement from executive office				**9**	4
– non-executive directors					
– remuneration received as directors of the company				**2**	2
Exploration expenditure (of which R10 million equates to exploration cash flow for the year)		**50**	54		
Fair value losses/(gains) on financial assets at fair value through profit or loss:					
– designated upon initial recognition		**11**	(51)		(2)
– held for trading		**130**	(54)	**(8)**	(1)
– ineffectiveness arising from cash flow hedges (gains)/losses		**(54)**			
Fair value losses/(gains) on financial liabilities at fair value through profit or loss:					
– designated upon initial recognition		**55**		**3**	
– held for trading		**(7)**	(7)	**(3)**	

	Notes	GROUP 2008 Rm	GROUP 2007 Rm	COMPANY 2008 Rm	COMPANY 2007 Rm
3. OPERATING EXPENSES (continued)					
(Gain)/loss on held to maturity investments disclosed at amortised cost		(40)		(40)	
Impairment charges and reversals	4	20	17	(1)	
Inventories write down to net realisable value		128	155		
Inventories previously written down reversed		(136)			
Movement in provisions	22	236	241	4	2
Net losses on disposal or scrapping of property, plant and equipment		65	13	5	
Net profit on disposal of investment		(7)		(1 726)	
Operating lease rentals expenses					
– property		46	30	41	32
– equipment		61	51	14	15
Operating sublease rentals received					
– property		(8)	(25)		(20)
Reconditionable spares usage		1	4		
Research and development costs		5	6	2	4
Share-based payment: BEE credentials		2			
Impairment charges, reversals and write-offs of trade and other receivables		2	1	(2)	3

Note:

Pensions

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

Operating lease arrangements – contingent rent received

The group has entered into various operating 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.

Operating lease arrangements – contingent rent paid

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

	GROUP		COMPANY	
	2008 Rm	2007 Rm	**2008 Rm**	2007 Rm
4. IMPAIRMENT CHARGES				
Included in operating expenses are the following impairment losses:				
Impairment on property, plant and equipment[1]	**21**	23		
Total impairment charges	**21**	23		
Reversal of impairment of property, plant and equipment	**(1)**		**(1)**	
Reversal of impairment of investments[2]		(6)		
Total impairment reversals	**(1)**	(6)	**(1)**	
Total impairments and reversals before and after tax	**20**	17	**(1)**	

[1] *The carrying value of expenditure capitalised during the development phase on the Market Coke and Belfast projects were impaired based on the uncertainty on the recoverable amount.*

[2] *The impairment reversal in 2007 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.*

	GROUP		COMPANY	
	2008 Rm	2007 Rm	**2008 Rm**	2007 Rm
5. NET FINANCING COSTS				
Interest expense and loan costs	**283**	153	**167**	93
Finance leases – interest	**63**	59		
Interest income	**(153)**	(96)	**(50)**	(10)
Net interest expense	**193**	116	**117**	83
Interest adjustment on non-current provisions (refer note 22)	**48**	99	**2**	1
	241	215	**119**	84
No financing costs were capitalised during the year (2007: Rnil)				
Included in net interest expense is the following:				
Interest expense on financial liabilities measured at amortised cost	**250**	128	**163**	50
Interest expense on bank overdrafts	**4**	3	**4**	3
Included in interest income is the following:				
Interest income on unimpaired held to maturity investments		(2)		
Interest income on unimpaired loans and receivables	**(37)**	(11)		(1)
Interest income on cash and cash equivalents	**(69)**	(83)	**(49)**	(7)
Net fee costs on financial liabilities not at fair value through profit or loss	**11**	5	**8**	5

	GROUP 2008 Rm	GROUP 2007 Rm	COMPANY 2008 Rm	COMPANY 2007 Rm
6. INCOME FROM INVESTMENTS				
Subsidiaries				
Unlisted shares				
– dividends			142	193
– net interest received			138	42
			280	235
Associates				
– dividends			1 037	373
Other				
Listed shares				
– dividends	2	2	2	2
Total	2	2	1 319	610
7. INCOME TAX EXPENSE				
Charge to income				
South African normal tax				
– Current – current year	757	298		
– prior year		2		5
	757	300		5
– Deferred – current year	(95)	(40)	(9)	(21)
– prior year		(8)	(1)	
– rate adjustment	(12)		3	
	(107)	(48)	(7)	(21)
Foreign normal tax				
– Current – current year	8	168		
– prior year		(4)		
	8	164		
– Deferred – current year	(97)	5		
– prior year	(68)	22		
	(165)	27		
Secondary Tax on Companies	1	58		58
Non-residents withholding tax	16	11		
Total	510	512	(7)	42

	GROUP		COMPANY	
	2008 %	2007 %	2008 %	2007 %
7. INCOME TAX EXPENSE (continued)				
Reconciliation of tax rates				
Tax as a percentage of profit before tax	13,1	26,1	(0,2)	9,0
Tax effect of				
– assessed losses (not provided for)	(0,3)	(0,2)		
– capital profits	0,2	0,5	17,2	
– disallowable expenditure	(0,7)	(2,1)	(0,4)	(2,0)
– reclassification of previously disallowable expenditure	1,1			
– exempt income	1,0	0,3	11,4	35,5
– special tax allowances		0,2		
– share of associates' and joint ventures'	11,9	10,8		
– tax rate differences	0,4	(2,1)		
– rate change on deferred tax balance	0,3			
– Secondary Tax on Companies (STC)	(0,1)	(2,9)		(12,4)
– withholding tax	(0,4)	(0,5)		
– Controlled Foreign Company profits (CFC)	(0,1)	(0,3)		
– foreign exchange differences	(0,1)	(0,1)		
– prior year adjustment	1,7	(0,7)		(1,1)
Standard tax rate	28,0	29,0	28,0	29,0
Effective tax rate for operations, excluding income from equity accounted investments, impairment charge and share of tax thereon	22,7	41,0		

	GROUP	
	2008 Rm	2007 Rm
8. EARNINGS PER SHARE		
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 10)	**3 630**	1 448
Weighted average number of ordinary shares in issue (million)	**343**	341
Headline earnings per share (cents)	**1 058**	425
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	**343**	341
Adjusted for options and net purchased shares in terms of the Management Share Scheme (million)	**18**	14
Weighted average number for diluted headline earnings per share (million)	**361**	355
Diluted headline earnings per share (cents)	**1 006**	408
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)	**3 405**	1 427
Weighted average number of ordinary shares in issue (million)	**343**	341
Basic earnings per share (cents)	**993**	418
For the diluted attributable earnings per share the weighted average number of ordinary shares is adjusted as above.		
Diluted earnings per share (cents)	**943**	402

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	
	2008 Rm	2007 Rm	**2008 Rm**	2007 Rm
9. DIVIDEND				
Dividends paid during the year:				
Cash dividends	**957**	208	**(973)**	(211)
Paid to minorities	**27**	11		
	984	219	**(973)**	(211)

STC on these dividends amounts to nil (2007: nil) after taking into account STC credits.

	For the year ended 31 December 2008		
	Gross Rm	**Tax Rm**	**Net Rm**
10. RECONCILIATION OF GROUP HEADLINE EARNINGS			
Profit for the year attributable to owners of the parent			**3 405**
Adjusted for:			
– IAS 16 Impairment of property, plant and equipment	**21**		**21**
– IAS 16 Gains or losses on disposal of property, plant and equipment	**66**	**(20)**	**46**
– IAS 16 Reversal of impairment of property, plant and equipment	**(1)**		**(1)**
– IAS 27 Gains on disposal of subsidiary	**(7)**		**(7)**
– IAS 28 Share of associates' IAS 16 – Gains or losses on disposal of property, plant and equipment	**2**	**(1)**	**1**
– IAS 28 Share of associates' 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	**4**		**4**
– IAS 28 Share of associates' IAS 16 – Impairment of property, plant and equipment	**161**		**161**
HEADLINE EARNINGS	**246**	**(21)**	**3 630**

	For the year ended 31 December 2007		
	Gross Rm	Tax Rm	Net Rm
Profit for the year attributable to owners of the parent			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 associates' IAS 16 – Gains or losses on disposal of property, plant and equipment	(3)	1	(2)
– IAS 28 Share of associates' 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)
HEADLINE EARNINGS	24	(3)	1 448

GROUP HEADLINE EARNINGS PER SHARE FOR THE YEAR ENDED 31 DECEMBER

	2008	2007
HEADLINE EARNINGS PER SHARE (CENTS) (Refer note 8)		
– basic	**1 058**	425
– diluted	**1 006**	408

11. 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
GROUP								
2008								
Gross carrying amount								
At beginning of year	169	2 200	101	1 746	7 886	665	1 131	13 898
Additions	12		19	152	543	39	852	1 617
Changes in decommissioning assets				8	60		36	104
Acquisition of subsidiary and other business operations	19	1	28	280	1 703		241	2 272
Disposals of items of property, plant and equipment			(1)	(7)	(383)	(2)	(4)	(397)
Net reclassification to non-current assets classified as held for sale	(1)		(1)	(18)	(78)	(1)	(2)	(101)
Exchange differences on translation	2	30		21	154	31	2	240
Other movements	(17)	31	1	127	175	44	(369)	(8)
At end of year	184	2 262	147	2 309	10 060	776	1 887	17 625
Accumulated depreciation								
At beginning of year	12	381	37	644	3 464	316		4 854
Depreciation charges	3	165	5	99	594	28		894
Accumulated depreciation on disposals of items of property, plant and equipment			(1)	(9)	(291)	(2)		(303)
Net reclassification to non-current assets classified as held for sale			(1)	(9)	(55)	(1)		(66)
Exchange differences on translation		10		12	79	13		114
Other movements	(14)	19	2	(10)	(4)	1		(6)
At end of year	1	575	42	727	3 787	355		5 487
Impairment of assets								
At beginning of year		6		227	496	63	17	809
Impairment reversals					(1)			(1)
Impairment charges							21	21
At end of year		6		227	495	63	38	829
Net carrying amount at end of year	183	1 681	105	1 355	5 778	358	1 849	11 309

11. 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
GROUP								
2007								
Gross carrying amount								
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
Accumulated depreciation								
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
Impairment of assets								
At beginning of year				227	496	63		786
Impairment charges		6					17	23
At end of year		6		227	496	63	17	809
Net carrying amount at end of year	157	1 813	64	875	3 926	286	1 114	8 235

	2008 Rm	2007 Rm
The net carrying amount of machinery, plant and equipment includes:		
Assets held under finance leases (refer note 21)		
– cost	196	200
– accumulated depreciation	60	53
	136	147

For detail 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.

11. 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
COMPANY								
2008								
Gross carrying amount								
At beginning of year				11	82		80	173
Additions					2		61	63
Disposals of items of property, plant and equipment					(7)			(7)
Other movements					37		(37)	
At end of year				11	114		104	229
Accumulated depreciation								
At beginning of year				5	34			39
Depreciation charges					15			15
Accumulated depreciation on disposals of items of property, plant and equipment					(1)			(1)
At end of year				5	48			53
Impairment of assets								
At beginning of year					1			1
Impairment reversals					(1)			(1)
At end of year								
Net carrying amount at end of year				6	66		104	176

11. 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
COMPANY								
2007								
Gross carrying amount								
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
Accumulated depreciation								
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
Impairment of assets								
At beginning of year					1			1
At end of year					1			1
Net carrying amount at end of year				6	47		80	133

	Plantation Rm	Livestock Rm	Game Rm	Total Rm
12. BIOLOGICAL ASSETS				
GROUP				
2008				
Carrying amount				
At beginning of year	**6**	**6**	**18**	**30**
Gains attributable to physical and price changes	**3**		**3**	**6**
Disposals	**(1)**	**(1)**	**(2)**	**(4)**
Net reclassification from inventory		**1**	**1**	**2**
At end of year	**8**	**6**	**20**	**34**
Fair value of biological assets can be split as follows:				
– mature	**6**	**6**	**20**	**32**
– immature	**2**			**2**
	8	**6**	**20**	**34**
The plantation was valued by Mr JM Potgieter, an independent appraiser, on 20 November 2008.				
2007				
Carrying amount				
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)
Net 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

Plantations consist of wattle and blue gum trees.

Livestock consists of cattle and horses.

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

	GROUP		COMPANY	
	2008 Rm	2007 Rm	**2008 Rm**	2007 Rm
13. INTANGIBLE ASSETS				
Patents, licences and franchises				
Gross carrying amount				
At beginning of year	**108**	96		
Additions		1		
Transfers from other assets	**4**	2		
Exchange differences	**9**	9		
At end of year	**121**	108		
Accumulated amortisation				
At beginning of year	**32**	27		
Amortisation charge	**4**	3		
Transfers from other assets	**4**			
Exchange differences	**2**	2		
At end of year	**42**	32		
Net carrying amount at end of year	**79**	76		
14. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES				
ASSOCIATED COMPANIES				
– unlisted	**1 848**	757		
	1 848	757		
JOINT VENTURES (unlisted)				
– incorporated	**1**			
	1			
Total	**1 849**	757		

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

	ASSOCIATE COMPANIES			JOINT VENTURES		
	Invest-ments Rm	**Loans Rm**	**Total Rm**	**Invest-ments Rm**	**Loans Rm**	**Total Rm**
2008						
GROUP						
At beginning of year	**757**		**757**			
Additional interests acquired	**2**	**219**	**221**			
Transfer (to)/from other assets					**1**	**1**
Net share of results	**1 850**	**(187)**	**1 663**			
Dividends paid	**(1 042)**		**(1 042)**			
Exchange difference adjustments	**62**		**62**			
Share of reserve movements	**187**		**187**			
At end of year (refer annexure 2)	**1 816**	**32**	**1 848**		**1**	**1**

14. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

	ASSOCIATE COMPANIES		
	Investments Rm	Loans Rm	Total Rm
2007			
GROUP			
At beginning of period as previously disclosed	384		384
Net share of results	728		728
Dividends paid	(377)		(377)
Exchange difference adjustments	(23)		(23)
Share of reserve movements	45		45
At end of year (refer annexure 2)	757		757

	2008 Rm	2007 Rm
Aggregate post-acquisition reserves:		
– associate companies	1 515	470
– joint ventures	2 525	2 396
Total	4 040	2 866

	GROUP 2008 Rm	GROUP 2007 Rm	COMPANY 2008 Rm	COMPANY 2007 Rm
15. INVESTMENTS IN SUBSIDIARIES				
Shares at cost less impairment losses			3 290	1 514
Indebtedness				
– by subsidiaries			7 895	4 966
– to subsidiaries			(626)	(178)
Total (refer annexure 3)			7 269	4 788
Less current portion included in trade and other receivables			(5 028)	(4 516)
Less current portion included in trade and other payables			626	178
Non-current portion			2 867	450
			6 157	1 964
Aggregate attributable after tax profits and losses of subsidiaries:				
– profits	13 469	10 262		
– losses	(10 897)	(7 390)		
16. FINANCIAL ASSETS				
Environmental Rehabilitation Trust asset	342	274	10	8
Long-term receivables	488	429		
Derivatives	360		31	
Investments (refer annexure 2)	387	328		2
	1 577	1 031	41	10
For detail refer to note 29 on financial instruments.				
17. INVENTORIES				
Finished products	1 022	650		
Work-in-progress	467	292		
Raw materials	465	334		
Plant spares and stores	522	249		
Merchandise	5	6		
	2 481	1 531		

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. Included in inventories are R86 million (2007: Rnil) pledged as security for liabilities.

	GROUP		COMPANY	
	2008 Rm	2007 Rm	**2008 Rm**	2007 Rm
18. TRADE AND OTHER RECEIVABLES				
Trade receivables	**2 183**	1 585		
Other receivables	**496**	306	**33**	70
Indebtedness by subsidiaries (refer note 15)			**5 028**	4 516
Derivative instruments (refer note 29.1)	**256**	47	**13**	
Specific allowances for impairment	**(9)**	(4)	**(1)**	(3)
Collective allowances for impairment	**(2)**	(3)		
	2 924	1 931	**5 073**	4 583
Trade receivables are stated after the following allowances for impairment:				
Specific allowances for impairment				
At beginning of year	**(4)**	(5)	**(3)**	
Impairment loss recognised	**(5)**	(3)		(3)
Impairment loss reversals	**4**	3	**2**	
Other reconciling items	**(4)**	1		
At end of year	**(9)**	(4)	**(1)**	(3)
Of which relates to:				
Trade receivables	**(8)**	(3)		
Other receivables	**(1)**	(1)	**(1)**	(3)
	(9)	(4)	**(1)**	(3)
Collective allowances for impairment				
At beginning of year	**(3)**	(2)		
Impairment loss recognised	**(1)**	(1)		
Other reconciling items	**2**			
At end of year	**(2)**	(3)		
Of which relates to:				
Trade receivables	**(2)**	(3)		
19. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE				
Assets				
Property, plant and equipment	**36**	2		
Financial assets	**15**			
Inventories	**8**			
Trade and other receivables	**14**		**13**	
Tax receivable	**5**			
	78	2	**13**	
Liabilities				
Other long-term payables				
Non-current provisions	**(27)**			
Deferred tax liabilities	**(7)**			
Trade and other payables	**(16)**			
	(50)			
Total at end of year	**28**	2	**13**	

Included above are the assets and liabilities of a subsidiary, Glen Douglas Dolomite (Pty) Limited, classified as held for sale (disposal group) and other assets and liabilities classified as held for sale.

Management is committed to the sale of the disposal group and the assets and liabilities which will be disposed of within the next 12 months.

The disposal group is included in the other segment results and the other assets and liabilities are included in the commercial coal operations segment.

		GROUP		COMPANY	
		2008 Rm	2007 Rm	**2008 Rm**	2007 Rm
20.	**SHARE CAPITAL**				
	Share capital at par value				
	Authorised				
	500 000 000 ordinary shares of R0,01 each	**5**	5	**5**	5
	Issued				
	355 036 600 (2007: 352 907 400) ordinary shares of R0,01 each	**4**	4	**4**	4
	Share premium	**2 272**	2 240	**2 272**	2 240
	Shares held by Kumba Resources Management Share Trust and the Exxaro Employee Empowerment Participation Scheme Trust (MPower)	**(178)**	(177)		
	Total	**2 098**	2 067	**2 276**	2 244
	The Kumba Resources Management Share Trust and the MPower have been consolidated.				
	Refer to statement of changes in equity (pages 144 to 146) for details of movements.				
	Reconciliation of authorised shares not issued (million)				
	Number of authorised unissued ordinary shares at beginning of year	**147**	149	**147**	149
	Number of shares repurchased during the year		10		10
	Number of shares issued during the year	**(2)**	(12)	**(2)**	(12)
	Number of unissued authorised shares at end of year	**145**	147	**145**	147

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 30 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 30 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, exceeds 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.

	GROUP 2008 Rm	GROUP 2007 Rm	COMPANY 2008 Rm	COMPANY 2007 Rm
21. INTEREST-BEARING BORROWINGS				
NON-CURRENT BORROWINGS				
Summary of loans by financial year of redemption				
2008		74		
2009	500	100	205	
2010	328	44	278	
2011	419	43	369	
2012	794	452	669	369
2013	1 611	220	1 392	81
2014 onwards	498	400		
Total non-current borrowings (refer annexure 1)	4 150	1 333	2 913	450
Current portion included in current liabilities	(500)	(74)	(205)	
Total	3 650	1 259	2 708	450
Details of interest rates payable on borrowings are shown in annexure 1.				
INTEREST-BEARING BORROWINGS				
Non-current borrowings	3 650	1 259	2 708	450
Short-term borrowings				55
Current portion of non-current borrowings	500	74	205	
Total short-term borrowings	500	74	205	55
Total	4 150	1 333	2 913	505
Included in the above interest-bearing borrowings are obligations relating to finance leases (refer note 11). Details are:				
Minimum lease payments:				
– less than one year	59	54		
– more than one year and less than five years	255	254		
– more than five years	3 367	3 427		
Total	3 681	3 735		
Less: Future finance charges	3 428	3 491		
Present value of lease liabilities	253	244		
Representing lease liabilities:				
– current	5	4		
– non-current (more than one year and less than five years)	17	18		
– non-current (more than five years)	231	222		
Total	253	244		

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.

Rosh Pinah Corporation (Pty) Limited (Rosh Pinah), a subsidiary in which Exxaro holds 50,0264%, is, however, in breach of certain provisions of a facilities agreement entered into with a number of financial institutions. The breach has been waived by the financial institutions conditional upon Rosh Pinah settling the funding obtained by no later than 31 March 2009. The liability is included in the current portion of non-current borrowings.

22. PROVISIONS

	Environmental rehabilitation Rm	Decommissioning Rm	Restructuring Rm	Post-retirement medical obligation Rm	Cash-settled share-based payment Rm	Total Rm
GROUP						
2008						
At beginning of year	1 020	263	31	36	6	1 356
Charge to operating expenses	222	2		9	3	236
Additional provision	222	2		10	6	240
Unused amounts reversed				(1)	(3)	(4)
Interest adjustment (refer note 5)	35	8	4	1		48
Provisions capitalised to property, plant and equipment		104				104
Acquisition of subsidiary and other business operations	27	13		22		62
Utilised during year	(10)		(8)		(6)	(24)
Exchange differences	5	7				12
Reclassification to non-current assets held for sale	(25)	(2)				(27)
At end of year	1 274	395	27	68	3	1 767
Current portion included in current liabilities	(15)		(6)			(21)
Total non-current provisions	1 259	395	21	68	3	1 746
2007						
At beginning of year	770	156	32		3	961
Charge to operating expenses	175	25		36	5	241
Additional provision	183	25		36	5	249
Unused amounts reversed	(8)					(8)
Interest adjustment (refer note 5)	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

22. PROVISIONS (continued)

	Environmental rehabilitation Rm	Decommissioning Rm	Restructuring Rm	Post-retirement medical obligation Rm	Cash-settled share-based payment Rm	Total Rm
COMPANY						
2008						
At beginning of year	19				5	24
Charge to operating expenses					4	4
Additional provision					7	7
Unused amounts reversed					(3)	(3)
Interest adjustment (refer note 5)	2					2
Utilised during year					(6)	(6)
Total non-current provisions	21				3	24
2007						
At beginning of year	18				3	21
Charge to operating expenses – additional provision					2	2
Additional provisions – charge to subsidiaries					2	2
Interest adjustment (refer note 5)	1					1
Utilised during year					(2)	(2)
Total non-current provisions	19				5	24

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
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 R349 million (2007: R284 million) at year end.

Of this amount R342 million (2007: R274 million) is included in financial assets and R7 million (2007: R10 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 Hlobane and Durnacol mines.

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 emerged 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. An actuarial valuation of the employer liability at 31 December 2008 is R42 million (2007: R36,3 million) of which the entire liability is raised as a receivable being recoverable from Eskom as part of the coal supply agreements.

As part of the business combination with Namakwa Sands on 1 October 2008 a post-retirement medical obligation was acquired. The post-retirement liability is of a defined benefit nature, and consists of an implicit promise to pay a portion of members' post-retirement medical aid contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical aid upon the death of the primary member, either pre- or post-retirement. This benefit, which is no longer offered, applied to employees employed prior to 2001 by Namakwa Sands and was actuarially valued at R25 million at 31 December 2008.

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 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.

	GROUP		COMPANY	
	2008 Rm	2007 Rm	**2008 Rm**	2007 Rm
23. DEFERRED TAX				
The movement on the deferred tax account is as follows:				
At beginning of year	**345**	368	**(97)**	(76)
Revaluation of opening balance	**(7)**			
Items charged directly to other components of equity				
– current	**115**	(2)		
Transferred to non-current assets held for sale	**(7)**			
Income statement charge – current (refer note 7)	**(192)**	(35)	**(9)**	(21)
– prior	**(68)**	14	**(1)**	
– rate change	**(12)**		**3**	
At end of year	**174**	345	**(104)**	(97)
Comprising:				
Deferred tax liabilities				
– property, plant and equipment	**1 154**	1 137		
– bad debt reassessment	**(1)**	(1)		
– foreign tax losses carried forward	**(20)**	(3)		
– inventories	**(2)**	16		
– leave pay accrual	**(30)**	(26)		
– financial instruments	**201**	(20)		
– provisions	**(40)**	(16)		
– Exxaro Environmental Rehabilitation asset	**81**	71		
– lease liability		(1)		
– decommissioning provision	**(5)**	(5)		
– share-based payments	**2**			
– hedge premium	**(1)**			
– restoration provision	**(77)**	(91)		
– prepayments	**5**	3		
– unrealised profits	**(7)**	15		
– assessed losses	**(3)**	(2)		
	1 257	1 077		
Deferred tax assets				
– provisions	**(1)**	(8)	**(1)**	
– property, plant and equipment	**399**	274	**2**	
– Exxaro Environmental Rehabilitation asset	**15**	12	**4**	4
– decommissioning provision	**(10)**	(9)		
– income received in advance	**(3)**			
– financial instruments	**(99)**			
– share-based payments	**4**		**3**	
– hedge premium	**(4)**		**(3)**	
– unrealised foreign exchange loss	**(102)**	(4)		
– restoration provision	**(157)**	(52)	**(6)**	(5)
– inventories		(3)		
– bad debt reassessment	**(1)**	(1)		(1)
– lease liability	**(70)**	(70)		
– leave pay accrual	**(28)**	(23)	**(8)**	(7)
– prepayments	**6**	1		
– tax losses carried forward	**(870)**	(755)	**(95)**	(88)
– foreign tax losses carried forward	**(162)**	(94)		
	(1 083)	(732)	**(104)**	(97)
	174	345	**(104)**	(97)
CALCULATED TAXATION LOSSES				
– Tax losses utilised to reduce deferred tax against South African taxable income included above	**3 118**	2 610	**339**	303
– Tax losses utilised to reduce deferred tax against foreign taxable income included above	**650**	334		

The total deferred tax assets raised with regard to assessed losses amount to R1 055 million (2007: R854 million), and is mainly attributable to the ramp-up phase of the mineral sands project.

The total deferred tax assets not raised amount to R100 million (2007: R54 million).

	GROUP 2008 Rm	GROUP 2007 Rm	COMPANY 2008 Rm	COMPANY 2007 Rm
24. TRADE AND OTHER PAYABLES				
Trade payables	935	644	17	22
Other payables	1 150	536	130	102
Leave pay accrual	218	173	31	25
Indebtedness to subsidiaries (refer note 15)			626	178
Derivative instruments (refer note 29.1)	63	96	13	
	2 366	1 449	817	327
25. NOTES TO THE CASH FLOW STATEMENT				
25.1 CASH GENERATED BY/(UTILISED IN) OPERATIONS				
Net operating income/(loss)	2 467	1 444	1 673	(61)
Adjusted for non-cash movements				
– liquidation dividend	1			
– depreciation and amortisation	898	763	15	10
– impairment charges and reversals	20	17	(1)	
– provisions	236	241	4	2
– exploration cost	40			
– foreign exchange revaluations and fair value adjustments	(10)	(35)	(6)	1
– reconditionable spares usage	1	4		
– net loss/(profit) on disposal or scrapping of property, plant and equipment	65	13	5	
– net profit on disposal of investments	(7)		(1 726)	
– share-based payment expenses	81	102	37	34
	3 792	2 549	1	(14)
Working capital movements				
– increase in inventories	(513)	(107)		
– increase in trade and other receivables	(471)	(69)	(691)	(24)
– increase/(decrease) in trade and other payables	790	(42)	556	204
– utilisation of provisions (refer note 22)	(24)	(23)	(6)	(2)
Cash generated by/(utilised in) operations	3 574	2 308	(140)	164
25.2 NET FINANCING COSTS				
Net financing costs	(241)	(215)	(119)	(84)
Financing costs not involving cash flow (refer note 22)	48	99	2	1
	(193)	(116)	(117)	(83)
25.3 NORMAL TAXATION PAID				
Amounts (unpaid)/receivable at beginning of year	(137)	(67)	8	16
Amounts charged to the income statements	(782)	(532)		(63)
Arising on translation of foreign entities	(1)			
Amounts unpaid/(receivable) at end of year	433	137	10	(8)
	(487)	(462)	18	(55)
25.4 DIVIDENDS PAID				
Amounts unpaid at beginning of year		(4)		
Dividends declared and paid	(957)	(208)	(973)	(211)
Dividends declared and paid by subsidiaries to minorities	(27)	(11)		
	(984)	(223)	(973)	(211)

	GROUP 2008 Rm	GROUP 2007 Rm	COMPANY 2008 Rm	COMPANY 2007 Rm
25. NOTES TO THE CASH FLOW STATEMENT (continued)				
25.5 INVESTMENTS TO MAINTAIN OPERATIONS				
Replacement of property, plant and equipment	**(1 119)**	(534)	**(61)**	(34)
Reconditional spares	**(28)**	(35)		
	(1 147)	(569)	**(61)**	(34)
25.6 INVESTMENTS TO EXPAND OPERATIONS				
Expansion and new technology	**(470)**	(727)	**(2)**	
	(470)	(727)	**(2)**	
25.7 INVESTMENT IN OTHER NON-CURRENT ASSETS				
Increase in associates, joint ventures and other investments		(268)		
Increase in investments in subsidiaries			**(49)**	(1)
(Increase)/decrease in non-current financial assets	**(179)**	19	**(1)**	34
	(179)	(249)	**(50)**	33
25.8 INCOME FROM EQUITY-ACCOUNTED INVESTMENTS				
Income from equity-accounted investments as per income statement	**1 663**	728		
Dividends received from equity-accounted investments	**1 042**	377		
Non-cash flow income from equity-accounted investments	**(1 663)**	(728)		
	1 042	377		
25.9 FOREIGN CURRENCY TRANSLATION RESERVE				
At beginning of year	**527**	379		
Closing balance	**964**	527	**(3)**	
Movement	**437**	148	**(3)**	
Transfers from non-distributable reserves (NDR)		16		
Unrealised profits/(losses) in relation to foreign transactions	**84**	(37)	**1**	2
Revaluation of long-term loans	**(199)**	(169)		3
Less: arising on translation of foreign entities	**377**	(48)	**(3)**	
– inventories	**51**	32		
– trade and other receivables	**71**	33		
– financial assets	**(5)**	15		
– trade and other payables	**(10)**	(15)		
– utilisation of provision	**(12)**	(12)		
– taxation paid	**10**		**1**	
– property, plant and equipment acquired	**124**	123		
– intangible assets	**6**	6		
– investments acquired	**72**	(50)		
– non-current loans	**282**	(107)	**(4)**	
– share capital	**(212)**	(73)		
	(55)	6	**1**	5
25.10 TRANSLATION OF FOREIGN CASH AND CASH EQUIVALENTS				
Translation differences on cash and cash equivalents	**32**	36		

26. ACQUISITION OF ASSOCIATE

On 1 November 2008, the group acquired 26% of the issued share capital of Black Mountain Mining (Pty) Limited, which is included in the other base metals segment results, for R221 million. The acquired business contributed an equity-accounted loss of R189 million to the group for the period from 1 November 2008 to 31 December 2008.

27. BUSINESS COMBINATIONS

On 11 April 2008, the group acquired 76% of the issued share capital of Exxaro Madencilik Sanayi Ve Ticaret A.S., Turkey (Madencilik), which is included in the other segment results. The acquired business contributed nil revenue and R7 million operating loss to the group for the period from 11 April 2008 to 31 December 2008.

On 1 July 2008, the group acquired 100% of the issued share capital of Skyprops 112 (Pty) Limited, which is included in the other segment results. The acquired business contributed neither revenue nor profits to the group for the period from 1 July 2008 to 31 December 2008.

On 1 October 2008, the group acquired the assets and liabilities of Namakwa Sands operations, which is reported as a separate reportable segment, Namakwa mineral sands operating segment. The acquired business contributed R491 million revenue and R155 million operating profits to the group for the period from 1 October 2008 to 31 December 2008.

	Madencilik 2008 Rm	Skyprops 2008 Rm	Namakwa Sands Rm	Total 2008 Rm
Details of assets and liabilities acquired are as follows:				
Purchase consideration:				
– cash paid on acquisition	(30)	(65)	(2 662)	(2 757)
– purchase consideration outstanding			(121)	(121)
– fair value of assets acquired	30	65	2 783	2 878
Goodwill				
The assets and liabilities arising from the acquisition are as follows:				
– property, plant and equipment		65	2 207	2 272
– intangible assets	30			30
– financial assets			16	16
– inventories			399	399
– trade and other receivables			371	371
– trade and other payables			(148)	(148)
– non-current provisions			(62)	(62)
Fair value of net assets	30	65	2 783	2 878
Total purchase consideration	(30)	(65)	(2 783)	(2 878)
Purchase consideration outstanding			121	121
Cash outflow on acquisition of subsidiaries and other business operations	(30)	(65)	(2 662)	(2 757)

28. OTHER COMPREHENSIVE INCOME

	2008			2007		
	Before-tax amount Rm	Tax Rm	Net-of-tax amount Rm	Before-tax amount Rm	Tax Rm	Net-of-tax amount Rm
GROUP						
Exchange differences on translating foreign operations	193	57	250	176	(18)	158
Currency translation differences	215	57	272	176	(18)	158
– *Less:* reclassification adjustments for exchange differences realised on liquidation of subsidiaries	22		22			
Share of other comprehensive income of associates	187		187	46		46
Share-based payments movements	92		92	133		133
Financial instruments fair value movements recognised in equity on cash flow hedges:	520	(172)	348	(39)	20	(19)
Gains/(losses) arising during the year	520	(172)	348	(40)	20	(20)
– *Less:* reclassification adjustments for gains/(losses) included in profit or loss				(1)		(1)
	992	(115)	877	316	2	318
COMPANY						
Currency translation differences	(3)		(3)			
Share-based payments movement	66		66	100		100
	63		63	100		100

NOTES TO ANNUAL FINANCIAL STATEMENTS continued
for the year ended 31 December 2008

29. FINANCIAL INSTRUMENTS
29.1 CARRYING AMOUNTS AND FAIR VALUE 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
GROUP		
2008		
ASSETS		
Non-current assets		
Property, plant and equipment		
Biological assets		
Intangible assets		
Investments in associates and joint ventures		
Deferred tax		
Financial assets, consisting of:	360	348
– Exxaro Environmental Rehabilitation Trust asset		342
– Richards Bay Coal Terminal (RBCT)		
– Igoda		
– Mafube		
– Ndzalama game reserve		6
– Derivatives	360	
– Long-term receivables		
Total non-current assets	360	348
Current assets		
Inventories		
Trade and other receivables		
Current tax receivable		
Derivative financial instruments	256	
Cash and cash equivalents		
Total current assets	256	
Non-current assets classified as held for sale (NCACHFS)		15
Total assets	616	363
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital		
Other components of equity		
Retained earnings		
Equity attributable to owners of the parent		
Minority interest		
Total equity		
Non-current liabilities		
Interest-bearing borrowings		127
Non-current provisions		
Derivative financial instruments	31	
Deferred tax		
Total financial non-current liabilities	31	127
Current liabilities		
Trade and other payables		
Derivative financial instruments	63	
Interest-bearing borrowings		123
Current tax payable		
Current provisions		
Total current liabilities	63	123
Non-current liabilities classified as held for sale		
Total liabilities	94	250

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
				11 309	11 309	
				34	34	
				79	79	
				1 849	1 849	
				1 083	1 083	
	488	381			1 577	1 577
					342	342
		351			351	351
		25			25	25
		5			5	5
					6	6
					360	360
	488				488	488
	488	381		14 354	15 931	
				2 481	2 481	
	2 668				2 668	2 668
	2				2	2
					256	256
	1 769				1 769	1 769
	4 439			2 481	7 176	
	19			44	78	78
	4 946	381		16 879	23 185	
				2 098	2 098	
				2 190	2 190	
				8 708	8 708	
				12 996	12 996	
				128	128	
				13 124	13 124	
			3 274	249	3 650	3 463
				1 746	1 746	
					31	31
				1 257	1 257	
			3 274	3 252	6 684	
			2 303		2 303	2 303
					63	63
			373	4	500	532
			440		440	440
				21	21	
			3 116	26	3 327	
				50	50	
			6 390	16 451	23 185	

29. FINANCIAL INSTRUMENTS (continued)

29.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS (continued)

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

As disclosed in the table above, financial liabilities with a carrying amount and fair value of R251 million (2007: R151 million) have been designated at fair value through profit or loss. The carrying amount of the financial liabilities designated at fair value through profit or loss at 31 December 2008 was the same as the contractual amount at maturity date for the year ended 31 December 2008 (2007: R2 million lower than the contractual amount) for the group.

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
					47	47
	850				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
					96	96
				5	74	74
			137		137	137
				27	27	
			1 490	32	1 687	
			2 428	12 500	15 175	

29. FINANCIAL INSTRUMENTS (continued)

29.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS (continued)

	At fair value through profit or loss	
	Held for trading Rm	Designated Rm
COMPANY		
2008		
ASSETS		
Non-current assets		
Property, plant and equipment		
Investments in subsidiaries		
Deferred tax		
Financial assets, consisting of:	31	10
– Exxaro Environmental Rehabilitation Trust asset		10
– Derivatives	31	
Total non-current assets	31	10
Current assets		
Trade and other receivables		
Derivative financial instruments	13	
Cash and cash equivalents		
Total current assets	13	
Non-current assets classified as held for sale		
Total assets	44	10
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital		
Other components of equity		
Retained earnings		
Equity attributable to owners of the parent		
Total equity		
Non-current liabilities		
Interest-bearing borrowings		
Derivatives	31	
Non-current provisions		
Total financial non-current liabilities	31	
Current liabilities		
Trade and other payables		
Derivative financial instruments	13	
Interest-bearing borrowings		
Current tax payable		
Total current liabilities	13	
Total equity and liabilities	44	

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
				176	176	
	2 867			3 290	6 157	2 867
				104	104	
					41	41
					10	10
					31	31
	2 867			3 570	6 478	41
	5 060				5 060	5 060
					13	13
	478				478	478
	5 538				5 551	
	13				13	13
	8 418			3 570	12 042	
				2 276	2 276	
				946	946	
				5 025	5 025	
				8 247	8 247	
				8 247	8 247	
			2 708		2 708	2 708
					31	31
				24	24	
			2 708	24	2 763	
			804		804	804
					13	13
			205		205	205
			10		10	10
			1 019		1 032	
			3 727	8 271	12 042	

29. FINANCIAL INSTRUMENTS (continued)

29.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS (continued)

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

As disclosed in the table above, there were no financial liabilities designated at fair value through profit or loss as at 31 December 2008 for the company.

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
				133	133	
	450				450	450
				1 514	1 514	
				97	97	
					10	10
					8	8
					2	2
	450			1 744	2 204	
21	4 557				4 583	4 583
	8				8	8
	306				306	306
21	4 871				4 897	4 897
21	5 321			1 744	7 101	
				2 244	2 244	
				883	883	
				3 118	3 118	
				6 245	6 245	
			450		450	405
				24	24	
			450	24	474	
			327		327	327
			55		55	55
			382		382	
			832	6 269	7 101	

29. FINANCIAL INSTRUMENTS (continued)

29.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS (continued)

The Exxaro Environmental Rehabilitation Trust Fund (EERF) was created and complies with the requirements of both the Minerals and Petroleum Resources Development Act.

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. R143 million (2007: R179 million) of the investments designated at fair value through profit or loss and the EERF are equity investments listed on JSE Limited.

Included in the long-term receivables is an amount of R481 million (2007: R388 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 22).

A 2% increase in the JSE industry average at reporting date would have increased equity by R1,1 million (2007: R2,8 million) after tax, an equal change in the opposite direction would have decreased equity by R1,1 million (2007: R0,9 million). The impact on profit or loss would have been an increase or decrease of R1,1 million (2007: R1,9 million) after tax. The analysis has been performed on the same basis for 2007.

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 2008 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 2008 and 2007, 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 2008 or 2007.

For the financial year ended 31 December 2008, 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. Exxaro acquired 8 662 shares (1,20% stake) in RBCT through the merger of the former Eyesizwe (Pty) Limited and Kumba Resources Limited which were valued at R2 million on 1 November 2006. An additional 10 000 shares were acquired in RBCT on 30 June 2007 for R213 million. These shares were purchased at a price of US$30 million. The 10 000 ordinary shares entitle Exxaro to a 1,39% shareholding in RBCT. The 10 000 shares also entitle Exxaro to 1Mt of export allocation. All the shareholders in RBCT acquire equity instruments in order to obtain the right to export coal. The South Dunes Coal Terminal Co. (Pty) Limited (SDCT) also holds an investment in RBCT, of which Exxaro Coal (Pty) Limited (a 100% subsidiary of Exxaro Resources Limited) holds 33% in SDCT, with the effective value of R136 million at 31 December 2008 (2007: R74 million).

29. FINANCIAL INSTRUMENTS (continued)

FAIR VALUES (continued)

All this coupled with minor wharfage expenses, results in the overall investment in RBCT with a carrying value of R351 million (2007: 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 items such as freight rates would cause the valuation to vary significantly.

The fair value of the 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 R351 million (2007: R290 million).

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

29.2 RECLASSIFICATION OF FINANCIAL ASSETS

No reclassification of financial assets occurred during the period.

29.3 DERECOGNITION OF FINANCIAL ASSETS

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, as an investor participant to the fund, has committed to contribute towards the fund. The Fund Manager can draw down this balance or any portion as and when required, by serving a ten-day notice to Exxaro. The commitment period commenced on 1 March 2003 and expires on 28 February 2009. Exxaro has contributed R10 million towards the fund since March 2003 (refer to commitments in note 34). During 2008, New Africa Mining Fund distributed the capital contribution back to Exxaro, which resulted in the derecognition of the investment.

29.4 STATEMENT OF CHANGES IN EQUITY

Included in the statement of "other comprehensive income non-owner related movements" are the following pre-tax adjustments relating to financial instruments:

	GROUP		COMPANY	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Effective portion of change in fair value of cash flow hedge	256	(36)		
Amount removed from equity and included in initial carrying amount or cost of non-financial asset		1		
	256	(35)		

The above amounts are all included in the hedging reserve.

29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT

29.5.1 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 instruments is governed by the group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis and results are reported to the audit, risk and compliance committee of the board.

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 and cash flows 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, risk and compliance committee.

29.5.2 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 29.5.2.1 below), commodity prices (see 29.5.2.2 below) and interest rates (see 29.5.2.3 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 (FECs) and currency options 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; and
- forward exchange contracts to hedge the commodity prices arising on the export of zinc and lead.

29.5.2.1 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 (US$), Euro (€), and Australian Dollars (AU$). Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts (FECs), 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 for its common monetary area operations 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 FECs. Trade-related export exposures are hedged using FECs and options with specific focus on short-term receivables.

Uncovered foreign debtors at 31 December 2008 amount to US$65 million (2007: US$nil), whereas uncovered cash and cash equivalents amount to R53 million (2007: Rnil).

All capital imports were fully hedged. There were no imports (other than capital imports) which were not fully hedged during both 2008 and 2007. Monetary items have been translated at the closing rate at the last day of the reporting period US$1: R9,36 (2007: US$1: R6,80).

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

Pre-tax unrealised exchange losses amounting to R9 million (31 December 2007: R93 million gains) arising from the revaluation of Exxaro Australia Sands Pty Limited foreign currency loans for which an economic hedge exists through specific future export sales revenue, are recognised in equity as hedge accounting has been applied.

29. **FINANCIAL INSTRUMENTS** (continued)

29.5 **RISK MANAGEMENT** (continued)

29.5.2.1 Foreign currency 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
2008			
United States Dollar	**8,25**	**8,10**	**9,36**
Euro	**12,04**	**11,90**	**13,18**
Canadian Dollar	**7,71**	**7,98**	**7,67**
Australian Dollar	**6,93**	**7,07**	**6,48**
2007			
United States Dollar	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

Foreign currency

Material FECs 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 2008 and 31 December 2007, are summarised as follows:

	Market related value Rm	Foreign amount million	Contract value Rm	Recog-nised fair value profits Rm
GROUP				
2008				
Exports				
United States Dollar – FECs	**47**	**5**	**53**	**6**
2007				
Exports				
United States Dollar – FECs	137	20	143	6

29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT (continued)

29.5.2.1 Foreign currency 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 2008 and 31 December 2007 are as follows:

	Market related value Rm	Foreign currency million	Contract value Rm	Recog-nised fair value in equity Rm
GROUP				
2008				
Imports				
United States Dollar – FECs				
Less than 3 months	3		3	
3 months	1		1	
Total	4		4	
Euro – FECs				
Less than 3 months	18	1	19	(1)
Total	18	1	19	(1)
Exports				
United States Dollar – FECs				
Less than 3 months	75	8	57	(18)
3 months	56	6	44	(12)
6 months	37	4	41	4
United States Dollar – Note holders loan				
> 3 year	561	60	552	(9)
Attributable to tax				3
Total	730	78	694	(32)

Note: In respect of a US$60 million (2007: 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 regard to the above-mentioned cash flow hedges, the future expected cash flows are represented below:

	2009 Rm	2010 Rm	>2010 Rm	Total Rm
Expected future cash flows				
– United States Dollar – FECs	141			141
– Euro – FECs	19			19
– United States Dollar – Note holders loan			561	561
Expected gain/(loss) in profit or loss (at maturity)				
– United States Dollar – FECs	(27)			(27)
– Euro – FECs	(1)			(1)
– United States Dollar – Note holders loan			(9)	(9)

29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT (continued)

29.5.2.1 Foreign currency risk management (continued)

	Market related value Rm	Foreign currency million	Contract value Rm	Recog-nised fair value in equity Rm
GROUP				
2007				
Imports				
United States Dollar – FECs				
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 – FECs				
Less than 3 months	1		1	
Total	1		1	
Exports				
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 (2007: 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 regard to the above-mentioned cash flow hedges, the future expected cash flows are represented below:

	2008 Rm	2009 Rm	>2009 Rm	Total Rm
Expected future cash flows				
– United States Dollar – FECs	93			93
– Euro – FECs	1			1
– United States Dollar – Note holders loan			304	304
Expected gain/(loss) in profit or loss (at maturity)				
– United States Dollar – Note holders loan			93	93

	Market related value Rm	Foreign currency million	Contract value Rm	Recog-nised fair value in equity Rm
COMPANY				
2008				
Imports				
United States Dollar – FECs				
3 months	1	0,1	1	
Total	1	0,1	1	

29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT (continued)

29.5.2.1 Foreign currency risk management (continued)

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

	2008 Rm	2009 Rm	>2010 Rm	Total Rm
Expected future cash flows				
– United States Dollar – FECs	1			1

	Market related value Rm	Foreign currency million	Contract value Rm	Recog-nised fair value in equity Rm
COMPANY				
2007				
Imports				
United States Dollar – FECs				
Less than 3 months	1	0,2	1	
Total	1	0,2	1	

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
Expected future cash flows				
– United States Dollar – FECs	1			1

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 thereto. 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$), an increase in the exchange rate of the Rand (ZAR) against the dollar (US$) (eg, 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. The opposite applies for a decrease in the exchange rate.

	PROFIT OR (LOSS)		EQUITY	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
GROUP				
United States dollar	248	68	(4)	(29)
Euro		2		2
COMPANY				
United States dollar	115	21		

For imports (Euro), an increase in the exchange rate of the Rand (ZAR) against the Euro (eg, 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. The opposite applies for a decrease in the exchange rate.

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.

29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT (continued)

29.5.2.2 Commodity risk management

The group entered into commodity derivatives to hedge certain of its export product exposures, in terms of lead and zinc prices. Cash flow price hedges for coal at year-end are insignificant due to limited hedged exports and fixed price agreements.

As of 31 December 2008 the net fair value of commodity derivatives reflected a R583 million loss (2007: R92 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 R21 million (2007: 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 2007. There is no impact on the profit or loss for both 2008 and 2007.

	EQUITY	
	2008 Rm	2007 Rm
Lead	(3)	(2)
Zinc	(18)	

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.

Cash flow hedges – commodity risk
The forward hedged position at balance sheet date is shown below:

	Tons	Market related value Rm	Foreign currency million	Contract value Rm	Recog-nised fair value in equity Rm
2008					
Recognised transactions					
Lead					
Price	18 825	161	30	276	115
Currency		314	30	276	(38)
Zinc					
Price	81 750	939	173	1 356	417
Currency		1 337	130	1 166	(171)
Attributable to:					
– tax					(134)
– minority shareholders					(99)
		2 751	363	3 074	90

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

	2009	2010	2011	2012	Total
Expected future cash outflows					
Lead	138	151	214	49	552
Zinc	736	847	867	71	2 521
Expected gain/(loss) in profit or loss (at maturity)					
Lead	201	190	177	15	583
Zinc					

29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT (continued)

29.5.2.2 Commodity risk management (continued)

	Tons	Market related value Rm	Foreign currency million	Contract value Rm	Recog-nised fair value in equity Rm
2007					
Recognised transactions					
Lead					
Price	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:

	2008	2009	2010	Total
Expected future cash outflows	66	34	21	121
Expected gain/(loss) in profit or loss (at maturity)	(37)	(30)	(25)	(92)

29.5.2.3 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 where borrowings were 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
At 31 December 2008:				
Term borrowings (under the IFRS 7 scope)	**3 336**		**561**	**3 897**
Percentage of total borrowings (%)	***86***		***14***	***100***
At 31 December 2007:				
Term borrowings (under the IFRS 7 scope)	681		408	1 089
Percentage of total borrowings (%)	63		37	100

The group makes use of interest rate derivatives to hedge specific exposures in the interest rate repricing profile of existing borrowings.

The value of borrowings hedged by interest rate derivatives, the instruments used and the respective rates applicable to these contracts are as follows:

	Borrow-ings hedged Amount	Floating interest payable %	Floating interest receivable %	Fixed interest payable %	Fixed interest receivable %	Re-cognised fair value gain/(loss) %
LOCAL						
At 31 December 2008						
Interest rate derivatives beyond 1 year:						
– Interest rate swaps	**675**		**3m Jibar**	**11,1**		**1,5**
At 31 December 2007						

29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT (continued)

29.5.2.3 Interest rate risk management (continued)

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

	INCREASE		DECREASE	
	2008 Rm	2007 Rm	**2008 Rm**	2007 Rm
Profit or (loss)	**(16)**	(3)	**16**	3

The impact on equity is less than a million.

29.5.3 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:

	2008 Rm	2007 Rm
Amount approved	**16 245**	12 254
Total borrowings	**4 150**	1 333
Unutilised borrowing capacity	**12 095**	10 921

The group's capital base, the borrowing powers of the company and the group were set at 125% of shareholders' funds for both the 2008 and 2007 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 ANNUAL FINANCIAL STATEMENTS continued

for the year ended 31 December 2008

29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT (continued)

29.5.3 Liquidity risk management (continued)

Maturity profile of financial instruments

The following table details the group's contractual maturities of financial liabilities:

			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						
2008						
Financial assets						
Exxaro Environmental Rehabilitation Trust asset	342	342	4	4	53	281
Richards Bay Coal Terminal (RBCT)	351	351		25	98	228
Igoda	25	25				25
Mafube	5	5				5
Ndzalama game reserve	6	6				6
Derivatives	616	616	220	363	33	
Long-term receivables	488	488			1	487
Trade and other receivables	2 668	2 668	2 668			
Taxation receivable	2	2	2			
Cash and cash equivalents	1 769	1 769	1 769			
NCACHFS	34	34	34			
	6 306	6 306	4 697	392	185	1 032
Percentage profile (%)	*100*	*100*	*75*	*6*	*3*	*16*
Financial liabilities						
Interest-bearing borrowings	3 897	3 897	495	323	2 812	267
Trade and other payables	2 303	2 303	2 303			
Derivatives	94	94	63	75	(44)	
Current tax payable	440	440	440			
	6 734	6 734	3 301	398	2 768	267
Percentage profile (%)	*100*	*100*	*49*	*6*	*41*	*4*
Derivative financial liabilities (included in the above)						
Foreign exchange forward contracts used for hedging						
– Sell (Rand inflow)	53					
Other forward exchange contracts						
– Buy (Rand outflow)	23					

29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT (continued)

29.5.3 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						
2007						
Financial assets						
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
Percentage profile (%)	*100*	*100*	*73*	*2*	*1*	*24*
Financial liabilities						
Interest-bearing borrowings	1 089	1 089	69	96	525	399
Trade and other payables	1 353	1 353	1 353			
Derivative financial instruments	96	96	96			
Current tax payable	137	137	137			
	2 675	2 675	1 655	96	525	399
Percentage profile (%)	*100*	*100*	*62*	*4*	*19*	*15*
Derivative financial liabilities (Included in the above)						
Foreign exchange forward contracts used for hedging						
– Sell (Rand inflow)	143					
Other forward exchange contracts						
– Buy (Rand outflow)	91					

29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT (continued)

29.5.3 Liquidity risk management (continued)

	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
COMPANY						
2008						
Financial assets						
Exxaro Environmental Rehabilitation Trust asset	10	10			10	
Trade and other receivables	32	32	32			
Derivative financial instruments	44	44	13		31	
Intercompany loan debits	7 895	7 895	5 028	727	2 140	
Cash and cash equivalents	478	478	478			
NCACHFS	13	13	13			
	8 472	8 472	5 564	727	2 181	
Percentage profile (%)	*100*	*100*	*65*	*9*	*26*	
Financial liabilities						
Interest-bearing borrowings	2 913	2 913	205	278	2 430	
Trade and other payables	804	804	804			
Derivatives	44	44	13	31		
Current tax payable	10	10	10			
	3 771	3 771	1 032	309	2 430	
Percentage profile (%)	*100*	*100*	*27*	*8*	*65*	
Derivative financial liabilities (Included in the above)						
Foreign exchange forward contracts used for hedging						
– Buy (Rand outflow)	1					

29. **FINANCIAL INSTRUMENTS** (continued)

29.5 **RISK MANAGEMENT** (continued)

29.5.3 **Liquidity risk management** (continued)

	Carrying amount Rm	Con-tractual cash flows Rm	MATURITY 0 – 12 months Rm	1 – 2 years Rm	2 – 5 years Rm	More than 5 years Rm
COMPANY						
2007						
Financial assets						
Exxaro Environmental Rehabilitation Trust asset	8	8			8	
New Africa Mining fund	2	2			2	
Intercompany loan debits	4 966	4 966	4 516		369	81
Trade and other receivables	67	67	67			
Current tax receivable	8	8	8			
Cash and cash equivalents	306	306	306			
	5 357	5 357	4 897		379	81
Percentage profile (%)	*100*	*100*	*91*		*7*	*2*
Financial liabilities						
Interest-bearing borrowings	505	505	55		369	81
Trade and other payables	327	327	327			
	832	832	382		369	81
Percentage profile (%)	*100*	*100*	*46*		*44*	*10*
Derivative financial liabilities (Included in the above)						
Forecasted transactions						
– Buy	2					

29.5.4 **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 continually 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 creditworthiness 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.

29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT (continued)

29.5.4 Credit risk management (continued)

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 was as follows:

	GROUP 2008 Rm	GROUP 2007 Rm	COMPANY 2008 Rm	COMPANY 2007 Rm
Cumulative	(2)	6		
Current financial year	(8)	6		

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.

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

Details of the trade receivables credit risk exposure

	GROUP 2008 %	GROUP 2007 %	COMPANY 2008 %	COMPANY 2007 %
By industry				
Manufacturing (including structural metal and steel)	53	70		
Public utilities	23	19		
Other	24	11		
	100	100		
By geographical area				
South Africa	48	50		
Asia	15	4		
Europe	22	20		
USA	14	25		
Other	1	1		
	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 2008 Rm	GROUP 2007 Rm	COMPANY 2008 Rm	COMPANY 2007 Rm
The carrying amount of the financial assets at reporting date				
Neither past due nor impaired	6 257	3 560	8 472	5 346
– trade and other receivables	2 619	1 632	32	4 580
– other financial assets	1 217	1 031	10	10
– intercompany loan debits			7 895	450
– derivative financial instruments	616	47	44	
– tax receivable	2			
– NCACHFS	34		13	
– cash and cash equivalents	1 769	850	478	306
Past due or impaired	49	252		3
– trade and other receivables	49	252		3
Total financial assets	6 306	3 812	8 472	5 349

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 norms. There were no financial assets with renegotiated terms during the 2008 or 2007 reporting periods.

29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT (continued)

29.5.4 Credit risk management (continued)

	GROUP		COMPANY	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Age analysis of financial assets				
Past due but not impaired				
1 – 30 days overdue	28	190		
31 – 60 days overdue	15	16		
61 – 90 days overdue	4	18		
>90 days overdue	7	27		
Total carrying amount of financial instruments past due but not impaired	54	251		
Past due and impaired				
>90 days overdue	(5)	1		3
Total carrying amount of financial instruments past due and impaired	(5)	1		3
Total carrying amount of financial instruments past due or impaired	49	252		3

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.

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 regard to the transaction with that third party.

The carrying value of financial assets that may be repledged or resold by counterparties are as follows:

	GROUP		COMPANY	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Non-current other financial assets	360			
Trade and other receivables	272			
Cash and cash equivalents	102	11		
	734	11		

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

No financial assets of the group were repledged during the year under review for collateral purposes.

29. FINANCIAL INSTRUMENTS (continued)

29.5 RISK MANAGEMENT (continued)

29.5.4 Credit risk management (continued)

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 2008 or 2007.

For all other guarantees, refer to note 33 on contingent liabilities.

29.5.5 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.

30. 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 not more or less favourable than those arranged with third parties.

ASSOCIATES AND JOINT VENTURES
Details of investments in associates and joint ventures are disclosed in note 14 and annexure 2 whilst income is disclosed in note 14. 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 2008 or 2007.

	2008		2007	
	Joint ventures Rm	**Associates Rm**	Joint ventures Rm	Associates Rm
Items of income and expense incurred during the year are as follows:				
– group sales of goods	**3**	**65**	1	86
– group purchases of goods and services	**5**	**34**	3	8
The outstanding balances at year-end are as follows:				
– included in trade and other receivables	**1**	**2**		2
– included in trade and other payables	**22**	**9**	16	6
– included in cash and cash equivalents	**217**		337	
– included in financial assets	**135**		74	

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 6 and 15 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:

	2008 Rm	2007 Rm
Exxaro Coal (Pty) Limited	**145**	94
Exxaro Base Metals (Pty) Limited	**46**	52
Exxaro Sands (Pty) Limited	**40**	41
	231	187

30. RELATED PARTY TRANSACTIONS (continued)

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[1]	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[2]
Exxaro Chairman's Fund	Local social economic development[2]
Exxaro People Development Initiative	Local social economic development – bridging classes[2]
Kumba Resources Management Share Trust	Management share incentive trust
Merrill Lynch Insurance PCC Limited[3]	Offshore insurance captive

[1] *Consolidated until September 2008.*
[2] *Non-profit organisations.*
[3] *Consolidated until July 2008.*

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 32.

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 127 for details on directors' remuneration.

For the group, for 2008, the executive committee has been identified as being key management personnel.

For the group, for 2007, the directors of the major subsidiaries have been identified as being key management personnel. The major subsidiaries are considered to be the following:

- Exxaro Coal (Pty) Limited
- Exxaro TSA Sands (Pty) Limited
- Exxaro Sands (Pty) Limited
- Exxaro Australia Sands Pty Limited
- Exxaro Base Metals (Pty) Limited
- Exxaro International BV

	2008 Rm	2007 Rm
Short-term employee benefits	47	59
Termination benefits	9	9
Share-based payments – related expense	7	4
Total compensation paid to key management personnel	63	72

SHAREHOLDERS

The principal shareholders of the company at 31 December 2008 are detailed in the "Analysis of Shareholders" schedule on page 70 of the annual report.

CONTINGENT LIABILITIES

Details are disclosed in note 33.

31. OPERATING SEGMENTS

Information regarding the group's reportable segments is presented below. Amounts reported for the prior year have been restated to conform to the requirements of IFRS 8.

Analysis of the group's profit or losses and assets and liabilities by reportable segment:

	Coal			
	Tied operations		Commercial operations	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
Segment revenue				
Total revenue	2 492	1 768	6 548	3 319
Inter-segmental				
External	2 492	1 768	6 548	3 319
Segment net operating profit/(loss)	83	88	2 571	797
Interest income (external)	1	1	30	15
Interest expense (external)		14	35	6
Interest (income)/expense on non-current provisions	(38)	33	54	29
Depreciation and amortisation of intangible assets	42	45	370	339
Impairment charge and (reversals)			21	18
Income tax expense/(income)	33	25	705	229
Net surplus on disposal of investment				
Other non-cash flow items not disclosed above	111	217	71	47
Cash inflow/(outflow) from operations	237	350	3 033	1 201
Cash generated by/(utilised in) operations	199	394	2 780	1 183
Income/(loss) from equity-accounted investments				
Capital expenditure			740	876
Segment assets and liabilities				
Deferred tax assets			2	2
Assets (external excluding deferred tax)	1 491	1 285	9 790	6 793
Investments in associates (equity accounted)				
Total assets	1 491	1 285	9 792	6 795
Liabilities (external)	795	665	1 486	1 042
Deferred tax liabilities	133	141	763	762
Current tax payable (receivable)	22	11	409	66
Total liabilities	950	817	2 658	1 870
Additions in non-current assets[1]			740	1 144
Number of permanent employees	3 535	3 385	2 746	2 486

[1] *Excluding financial instruments, deferred tax, post-employment benefit assets, intercompany loans, investments in subsidiaries.*

Mineral sands						Base metals						Other		Total	
KZN Sands		Namakwa Sands		Australia Sands		Rosh Pinah		Zincor		Other					
2008 Rm	2007 Rm	2008 Rm	2007 Rm	2008 Rm	2007 Rm	2008 Rm	2007 Rm	2008 Rm	2007 Rm	2008 Rm	2007 Rm	2008 Rm	2007 Rm	2008 Rm	2007 Rm
974	984	491		1 311	1 188	436	941	1 393	1 791			198	166	13 843	10 157
						(340)	(767)	340	767						
974	984	491		1 311	1 188	96	174	1 733	2 558			198	166	13 843	10 157
31	(157)	155		(82)	60	(14)	457	(95)	298	(63)	(67)	(119)	(32)	2 467	1 444
5	11	21		18	37	13	7	2	2	7	11	56	12	153	96
62	62			66	37	16						167	93	346	212
1	2	5		10	9	(2)	3	15	22			3	1	48	99
170	162	32		168	134	42	34	42	30		2	32	17	898	763
											(1)	(1)		20	17
29	(100)	21		(180)	57	(4)	176	(75)	87	5	(6)	(24)	44	510	512
										(7)				(7)	
(113)	52	23		131	(5)	(2)	(2)	94	5	3	2	96	9	414	325
88	57	210		218	189	26	489	41	333	(67)	(64)	6	(6)	3 792	2 549
30	142	121		86	162	85	441	319	153	(84)	(73)	38	(94)	3 574	2 308
										(193)	(18)	1 856	746	1 663	728
259	61	126		187	132	93	84	133	86			79	57	1 617	1 296
502	485	(12)		211	41			63		20	3	297	201	1 083	732
3 252	2 576	3 571		2 924	2 990	1 097	490	1 002	1 126	67	39	(2 941)	(1 613)	20 253	13 686
										202	116	1 647	641	1 849	757
3 754	3 061	3 559		3 135	3 031	1 097	490	1 065	1 126	289	158	(997)	(771)	23 185	15 175
496	432	448		1 025	743	316	187	505	339	1	4	3 292	726	8 364	4 138
				109	134	284	10		12	(44)		12	18	1 257	1 077
						(4)	4		85	(21)	(31)	34	2	440	137
496	432	448		1 134	877	596	201	505	436	(64)	(27)	3 338	746	10 061	5 352
259	62	2 789		187	132	97	84	133	86	252	7	325	61	4 782	1 576
653	642	1 025		333	343	532	571	671	679	15	16	948	909	10 458	9 031

31. OPERATING SEGMENTS (continued)

The group relies on two of its major customers for its revenue from the tied coal operations, commercial coal operations, Zincor and the other reportable segments. These two external customers account for at least 10% or more individually of the group's revenues (20% and 28% (2007: 22% and 27%)). The total amount of revenue from these two customers was R2 626 million and R3 800 million respectively (2007: R2 217 million and R2 760 million, respectively).

	External revenue		Carrying amount of non-current assets[1]	
	2008 Rm	2007 Rm	**2008 Rm**	2007 Rm
Information about geographical areas				
Sourced from country of domicile				
– South Africa	**8 758**	7 156	**12 423**	7 112
Sourced from foreign countries				
– Rest of Africa	**19**	5	**206**	230
– Europe	**2 823**	996	**1**	22
– Asia	**959**	397	**74**	110
– Australia	**33**	9	**645**	1 626
– Other	**1 251**	1 594		
Total segment	**13 843**	10 157	**13 349**	9 100

[1] *Excluding financial instruments, deferred tax, post-employment benefit assets, intercompany loans, investments in subsidiaries.*

No asymetrical (irregular) allocations to reportable segments occurred during the periods under review. There were no material changes in total assets disclosed from the last annual financial statements.

Total segment revenue, which excludes value added tax, represents the gross value of goods invoiced. Export revenue are recorded according to the relevant sales terms, when the risks and rewards of ownership are transferred. The group uses the basis of significant marketing regions to allocate external revenues to the individual countries. 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, -reversals and negative goodwill.

Segment expenses represent direct or reasonably allocable operating expenses on a segment basis.

Segment assets and liabilities include directly and reasonably allocable assets and liabilities. This information is not regularly provided to the chief decision-maker. There are no differences in the way segment assets and liabilities are measured for reportable segments or group purposes.

There are no differences in the way segment profit or loss is measured in comparison to the previous annual period nor between the reportable segments' profits or losses and the group's profit or loss.

32. 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;
- Namakwa Sands Employees Provident Fund;
- Sentinel Mining Industry Retirement Fund.

In compliance with the Pension Funds 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 previous 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).

Defined contribution funds

Membership of each fund at 31 December 2008 and 31 December 2007 and employer contributions to each fund were as follows:

	Working members 2008 Number	Working members 2007 Number	Employer contri-butions 2008 Rm	Employer contri-butions 2007 Rm
GROUP				
Exxaro Selector Funds	2 470	2 323	62	52
Iscor Employees' Provident Fund	3 587	3 402	34	28
Mine Workers Provident Fund	870	1 914	2	14
Namakwa Sands Employees Provident Fund	1 900		15	
Sentinel Mining Industry Retirement Fund	830	754	22	20
Other funds	478	924	31	30
	10 135	9 317	166	144
COMPANY				
Exxaro Selector Funds	668	611	23	18
Iscor Employees' Provident Fund	144	146	1	1
Sentinel Mining Industry Retirement Fund	30	23	2	1
	842	780	26	20

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

32. EMPLOYEE BENEFITS (continued)

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.

The approval by the Registrar for the fund not to submit a surplus apportionment was received in 2007.

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 R70 million (2007: R61 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. The corresponding asset which represents the amount recoverable from Eskom for the captive mines has been recognised and is included in long-term receivables. Exxaro Coal Mpumalanga's (previously known as Eyesizwe Coal) contribution to the post-retirement medical aid obligation for the year ended 31 December 2008 amounted to R1,5 million (2007:R1 million).

As part of the business combination with Namakwa Sands on 1 October 2008 a post-retirement medical obligation was acquired. The post-retirement liability is of a defined benefit nature, and consists of an implicit promise to pay a portion of members' post-retirement medical aid contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical aid on the death of the primary member, either pre- or post-retirement. This benefit, which is no longer offered, applied to employees employed prior to 2001 by Namakwa Sands. Contributions, if any, will be offset against the liability. No contributions were made for the two months ended 31 December 2008.

Equity compensation benefits
The shareholders of Kumba Resources Limited (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) from December 2006. Kumba Resources was renamed Exxaro Resources Limited (Exxaro) 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 Resources.

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 Resources on unbundling of Kumba Resources 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 consists of the granting of options in respect of ordinary Kumba Resources shares, at market value, to eligible participants.

Shares and/or options held in terms of Kumba 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 Kumba 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 4th anniversary of offer date;
- additional 25% after 5th anniversary of offer date.

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

32. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)

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 options 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 Exxaro 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.

According to the rules of the Long-term Incentive Plan (LTIP) executive directors and senior employees of Exxaro 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, human resources, remuneration and nominations 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 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 Resources, 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 Resources, however, elected to collapse the scheme before the implementation of the empowerment transaction, since it would have been impractical 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 Resources shareholders.

According to the Deferred Bonus Plan (DBP) rules, executive directors and senior employees of Kumba Resources 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 Resources 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 Resources 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;

32. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)

- 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 73 690 shares are outstanding at 31 December 2008 (2007: 98 140).

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 Consumer Price Index (CPI) plus 6% in the three years. In 2011 and 2012 the minimum increase in HEPS to achieve is CPI plus 8% 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 entitles 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.

No further awards will be made in terms of the old (Kumba) share incentive plans. The awards already granted and still outstanding are being phased out. Only SARs, LTIPs, DBPs and MPower schemes remain.

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, human resources, remuneration and nomination committee, and as a fallback provision only, pay an 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 1% of the shares then in issue in the share capital of Exxaro.

As at 31 December 2008, the maximum number of shares approved and allocated by shareholders for the purposes of the schemes, 30 million (2007: 30 million) represent 8,5% (2007: 8,5%) of the issued shares. Of the total of 30 million shares, 21,1 million (2007: 21,1 million) shares are available in the share scheme for future offers to participants, while 8,9 million (2007: 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:

	2008 Million	2007 Million
Number of shares approved by shareholders	**30,0**	30,0
Options, LTIP, DBP, deferred purchase instruments and SARS held by Exxaro employees/participants	**(6,6)**	(7,0)
Options and deferred purchase instruments held by Kumba Iron Ore employees/participants	**(1,3)**	(1,9)
	22,1	21,1

At 31 December 2008 the company's loan from the Kumba Resources Management Share Trust amounted to R51 199 278 (2007: R67 142 835).

The loan is interest free and has no fixed repayment terms. This amount is reflected as an intercompany current 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 R1 358 122 343 (2007: R2 188 055 019).

32. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)
Details of the schemes and plans are:

	Options[4]			
	Exxaro employees		Kumba Iron Ore employees	
	Dec 2008 '000	Dec 2007 '000	**Dec 2008 '000**	Dec 2007 '000
Outstanding at beginning of year	**5 070**	6 451	**1 869**	2 258
Issued				
Transferred to Kumba Iron Ore[1]		(333)		333
Transferred from Kumba Iron Ore[2]		102		(102)
Adjustments		10		9
Exercised	**(1 464)**	(1 044)	**(560)**	(569)
Lapsed/cancelled[3]	**(52)**	(116)	**(37)**	(60)
Outstanding at end of year	**3 554**	5 070	**1 272**	1 869

[1] *Exercise price range for transferred to Kumba Iron Ore: nil (2007: R8,48 – R42,32).*
[2] *Exercise price range for transferred from Kumba Iron Ore: nil (2007: R8,48 – R33,47).*
[3] *Exercise price range for lapsed/cancelled options: R7,52 – R40,18 (2007: R8,48 – R60,60).*
[4] *No further grants are made under these schemes and plans that are being phased out have been replaced by the new share incentive plans.*

	Deferred purchase[2]			
	Exxaro employees		Kumba Iron Ore employees	
	Dec 2008 '000	Dec 2007 '000	**Dec 2008 '000**	Dec 2007 '000
Outstanding at beginning of year	**5 200**	6 560	**400**	820
Exercised		(1 360)		(420)
Lapsed/cancelled	**(1 000)**			
Outstanding at end of year	**4 200**	5 200	**400**	400

	Deferred bonus plan		Long-term incentive plan[1]	
	Dec 2008 '000	Dec 2007 '000	**Dec 2008 '000**	Dec 2007 '000
Outstanding at beginning of year	**2**		**481**	
Issued	**16**	2	**462**	491
Exercised			**(3)**	
Lapsed/cancelled			**(34)**	(10)
Outstanding at end of year	**18**	2	**906**	481

[1] *There is no amount payable by participants on vesting. They will be awarded rights to ordinary shares in the company.*
[2] *No further grants are made under these schemes and plans that are being phased out have been replaced by the new share incentive plans.*

32. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)

	Phantom scheme		SARs	
	Dec 2008 '000	Dec 2007 '000	Dec 2008 '000	Dec 2007 '000
Outstanding at beginning of year	98	98		
Issued			1 422	1 453
Conversion to deferred purchase scheme			1 820	
Exercised	(24)		(5)	
Lapsed/cancelled			(140)	(31)
Outstanding at end of year	74	98	3 097	1 422

Details of issues during the period are as follows:

	Long-term incentive plan[1]		Deferred bonus plan	
	Dec 2008	Dec 2007	Dec 2008	Dec 2007
Expiry date	2009	2009	2009	2009
Exercise price (share price range) (R)	102,14 –112,35	60,60 – 72,84	89,61 – 111,88	86,45
Total proceeds if options are exercised at reporting date/deferred purchase shares at reporting date paid (R million)	51,8	29,9	2,0	0,2

	SARs	
	Dec 2008	Dec 2007
Expiry date	2014/2015	2014
Exercise price per share (share price range) (R)	98,38 – 155,69	58,33 – 87,22
Total proceeds if options are exercised at reporting date (R million)	200,0	88,4

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

	Options		Long-term incentive plan	
	Dec 2008	Dec 2007	Dec 2008	Dec 2007
Exercise price per share (share price range) (R)				
– Exxaro employees in Exxaro (post-unbundling)	48,00 – 160,85	51,74 – 110,00	60,6	
– Exxaro employees In Kumba Iron Ore (post-unbundling)	107,00 – 376,00	109,90 – 300,00		
– Kumba Iron Ore employees in Exxaro (post-unbundling)	3,86 – 47,73	53,15 – 108,03		
Total proceeds (R million)	424,8	325,1	0,2	

32. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)

	Deferred bonus plan Dec 2008	Deferred bonus plan Dec 2007	Deferred purchase Dec 2008	Deferred purchase Dec 2007
Exercise price per share (share price range) (R)	86,45		65,00	65,00
Total proceeds (R million)			0,1	

	Phantom scheme[1] Dec 2008	Phantom scheme[1] Dec 2007	SARs Dec 2008	SARs Dec 2007
Exercise price per share (share price range) (R)	136,00 – 136,09		60,60	
Total proceeds (R million)			0,3	

[1] *The phantom option awards are classified as cash-settled since no shares will be issued when exercised.*

Terms of the options and deferred purchase shares outstanding at 31 December 2008 are as follows:

	Options		Long-term incentive plan	
Expiry date	Exercise price R	Out-standing '000	Exercise price R	Out-standing '000
2009	9,60 – 20,34	287	60,60 – 102,14	465
2010	7,52 – 19,62	150	112,35	441
2011	11,09 – 16,62	737		
2012	13,72 – 32,84	1 080		
2013	33,47 – 47,73	1 300		
Total		3 554		906
Total proceeds if options are exercised at reporting date (R million)		89,9		78,2

Equity compensation benefits held by Exxaro employees in Exxaro

	Deferred bonus plan		Deferred purchase	
Expiry date	Exercise price R	Out-standing '000	Exercise price R	Out-standing '000
2010	86,45	2	6,97 – 9,17	4
2011	86,60 – 111,88	16	18,36	
Total		18		4
Total proceeds if options are exercised at reporting date/deferred purchase shares at reporting date paid (R million)		2,0		

	SARs		Phantom scheme	
Expiry date	Exercise price R	Out-standing '000	Exercise price R	Out-standing '000
2012			59,80 – 100,10	74
2014	58,33 – 104,99	1 338		
2015	112,35	1 759		
Total		3 097		74
Total proceeds if options are exercised at reporting date (R million)		276,2		

32. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)

Share options held by Exxaro employees in Kumba Iron Ore:

	Options	
Expiry date	Exercise price R	Outstanding '000
2009	22,04 – 41,66	217
2010	14,98 – 97,74	2 819
Total		3 036
Total proceeds if options are exercised at reporting date (R million)		157,5

Share options held by Kumba Iron Ore employees in Exxaro:

	Options		Deferred purchase	
Expiry date	Exercise price R	Outstanding '000	Exercise price R	Outstanding '000
2009	40,62 – 16,11	148		
2010	6,91 – 47,73	1 118	21,06	400
2011	12,90 – 13,62	4		
2012	19,62	2		
Total		1 272		400
Total proceeds if options are exercised at reporting date/deferred purchase shares at reporting date paid R million)		33,1		

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 volume-weighted average price (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 2007 are as follows:

Share options held by Exxaro employees in Exxaro:

	Options		Long-term incentive plan	
Expiry date	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		
Total		5 070		481
Total proceeds if options are exercised at reporting date (R million)		112,7		29,6

	Deferred bonus plan		Deferred purchase	
Expiry date	Exercise price R	Outstanding '000	Exercise price R	Outstanding '000
2009		2	6,97 – 9,17	4 000
2010			18,36 – 23,26	1 200
Total		2		5 200
Total proceeds if options are exercised at reporting date/deferred purchase shares at reporting date paid (R million)		0,2		0 1

32. **EMPLOYEE BENEFITS** (continued)

Equity compensation benefits (continued)

Expiry date	SARs Exercise price R	SARs Outstanding '000	Phantom scheme Exercise price R	Phantom scheme Outstanding '000
2012			59,80 – 100,10	98
2014	58,33 – 87,22	1 422		
Total		1 422		98
Total proceeds if options are exercised at reporting date (R million)		87,9		

Share options held by Exxaro employees in Kumba Iron Ore:

Expiry date	Options Exercise price R	Options Outstanding '000
2008	17,37 – 41,66	517
2009	19,42 – 41,66	338
2010	11,11 – 97,74	3 877
Total		4 732
Total proceeds if options are exercised at reporting date (R million)		222,4

Share options held by Kumba Iron Ore employees in Exxaro:

Expiry date	Options Exercise price R	Options Outstanding '000	Deferred purchase Exercise price R	Deferred purchase Outstanding '000
2008	8,48 – 19,93	159		
2009	3,84 – 16,11	207		
2010	6,91 – 47,73	1 503	21,06	400
Total		1 869		400
Total proceeds if options are exercised at reporting date/deferred purchase shares at reporting date paid (R million)		42,4		

Details of options vested but not sold during the year are as follows:

	Dec 2008	Dec 2007
Exxaro employees in Exxaro (post-unbundling)		
Number of shares	4 977 311	1 559 130
Exercise price (share price range) (R)	3,84 – 47,43	3,86 – 47,73
Exxaro employees in Kumba Iron Ore (post-unbundling)		
Number of shares	3 036 340	1 221 160
Exercise price (share price range) (R)	7,80 – 97,74	15,38 – 97,74
Kumba Iron Ore employees in Exxaro (post-unbundling)		
Number of shares	1 271 560	570 070
Exercise price (share price range) (R)	6,91 – 47,73	3,84 – 47,73

32. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)

	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	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
Net change during the year	(2 113)	425	16		1 675	3
Number of shares vesting at end of year	4 826	906	18	5	3 097	8 852
– Exxaro employees in Exxaro	3 554	906	18	5	3 097	7 580
– Kumba Iron Ore employees in Exxaro	1 272					1 272

Directors' interests in shares

For details refer to the report of the directors.

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 repriced option amounted to R14,93.

32. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)

	2008		2007	
	Exxaro	Kumba Iron Ore	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)	49,00	110,00	49,00	110,00
Weighted average exercise price range – original strike price (R)	34,76	71,18	34,76	71,18
Weighted average exercise price range – repriced strike price (R)	13,12	26,86	13,00	26,86
Annualised expected volatility (%)	37,90	37,90	37,90	37,90
Option life (years) (weighted average)	3,11	3,08	3,11	3,08
Dividend yield (%)	4	4	4	4
Risk-free interest rate (%) (weighted average)	8,26	8,26	8,26	8,26
Expected employee attrition (%)	9,26	9,26	6,69	6,69

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

The inputs to the model as at 31 December 2008 are as follows:

	SARs vesting in 3 years	SARs vesting in 4 years	SARs vesting in 5 years
Share price (R)	86,25	86,25	86,25
Weighted average exercise price range	18,11	18,11	18,11
Annualised expected volatility (%)	40,40	40,40	40,40
Option life (years) (weighted average)	3	4	5
Dividend yield (%)	9,20	9,59	9,48
Risk-free interest rate (%) (weighted average)	8,89	8,94	8,94
Expected employee attrition (%)	5	5,5	6
The inputs to the model as at 31 December 2007 were as follows:			
Share price (R)	61,24	61,24	61,24
Weighted average exercise price range	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

The Monte Carlo valuation methodology is used to calculate the fair value of long-term incentive plan, deferred bonus plan and MPower grants to employees.

32. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)
The inputs to the LTIP model are as follows:

Date of grant	2008 01/04/2008	2007 28/2/2007
Share price at grant date (R)	110,35	61,24
Risk-free rate (%)	8,88	7,70
Dividend yield (%)	2,81	4,08
Expected volatility (%)	N/A	36,80
Time to vesting	three years from date of grant	three years from date of grant
Expected employee attrition (%)	13,24	5,54

The inputs to the DBP model are as follows:

Date of grant	01/04/2008	28/2/2007
Share price at grant date (R)	111,88	61,24
Risk-free rate (%)	8,88	7,70
Dividend yield (%)	2,77	4,08
Expected volatility (%)	N/A	36,80
Time to vesting	three years from date of grant	three years from date of grant
Expected employee attrition (%)	9,00	4,45

The inputs to the MPower model are as follows:

Date of grant	31/01/2007	31/1/2007
Share price at grant date (R)	71,00	71,00
Risk-free rate (%)	8,20	8,20
Dividend yield (%)	3,00	3,00
Expected volatility (%)	37,00	37,0
Vest date	28/11/2011	28/11/2011
Vesting probability	100	100

The inputs to the Phantom scheme model are as follows:

Date of grant	22/4/2005 – 1/12/2005	22/4/2005 – 1/12/2005
Share price at grant date (R)	71,90	56,00 – 100,10
Risk-free rate (%)	8,47 – 8,58	8,54 – 8,70
Dividend yield (%)	11,32 – 12,96	4,12
Expected volatility (%)	48,50	34,25
Time to vesting	Over three years in tranches	Mainly over five years in tranches
Expected employee attrition (%)	0	0

	GROUP		COMPANY	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
33. CONTINGENT ASSETS AND LIABILITIES				
Contingent asset				
An outstanding insurance claim for the Furnace 2 incident at Exxaro TSA Sands (Pty) Limited for which it is probable that settlement will be received in the second half of 2009.	135			
Surrender fee on prospect rights, exploration rights and mining rights.	57			
Contingent liabilities[1]				
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:	523	165	1	1
– other[2]	64	36	3	

[1] *The increase in 2008 is mainly attributable to guarantees to the Department of Minerals and Energy in respect of environmental liabilities on immediate closure of mining operations.*

[2] *Includes the group's share of contingent liabilities of associates and joint ventures of R57 million (2007: R22 million).*

These contingent liabilities have no tax impact.
The timing and occurrence of any possible outflows are uncertain.

	GROUP		COMPANY	
	2008 Rm	2007 Rm	**2008 Rm**	2007 Rm
34. COMMITMENTS				
Capital commitments at balance sheet date				
Capital expenditure contracted for plant and equipment	**889**	450	**78**	33
Capital expenditure authorised for plant and equipment but not contracted	**2 711**	1 278	**48**	24
The above includes the group's share of capital commitments of associates and joint ventures.	**456**	157		
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.	**70**	72		

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, 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.

On 19 January 2007 Exxaro announced that, pursuant to the empowerment transaction, 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. The transaction was valued at R2 353 million at 31 December 2007. The conversion of mining rights and cession thereof to Exxaro was obtained during 2008 and the transaction was completed (refer note 27).

	GROUP		COMPANY	
	2008 Rm	2007 Rm	**2008 Rm**	2007 Rm
Operating lease commitments				
The future minimum lease payments under non-cancellable operating leases are as follows:				
– less than one year	**34**	70	**9**	46
– more than one year and less than five years	**35**	48	**7**	8
– more than five years	**8**	8		
Total	**77**	126	**16**	54
Operating sublease receivable				
Non-cancellable operating lease rentals are receivable as follows:				
– less than one year		1		
Total		1		

ANNEXURE 1
NON-CURRENT INTEREST-BEARING BORROWINGS

	Final repayment date	Rate of interest per year (payable half-yearly) 2008		Rate of interest per year (payable half-yearly) 2007			GROUP		COMPANY	
		Fixed %	Floating %	Fixed %	Floating %		2008 Rm	2007 Rm	2008 Rm	2007 Rm
LOCAL										
Unsecured loans										
	2009		1,780		6,890	[1]	109	151		
	2009		14,980				167			
	2011		14,140				5			
	2012		12,570		12,360		300	300	300	300
	2013		13,480		12,460		150	150	150	150
	2013		13,480				415		415	
	2013		13,480				675		675	
	2013		13,580				675		675	
	2013		13,480				125		125	
	2013		13,580				125		125	
	2013		13,480				224		224	
	2013		13,580				224		224	
	2016		14,350		12,300		143	80		
							3 337	681	2 913	450
Secured loans										
	2011	12,130		12,130		[2]	2	3		
	2011	17,490		17,490		[3]	2	2		
	2012	11,420		11,420		[4]	1	1		
	2013	13,540		13,540		[5]	10	11		
	2025	8,330		8,330		[6]	24	25		
	2026	10,710		10,710		[7]	13	13		
	2031	22,200		22,200		[8]	84	81		
	2032	32,930		32,930		[9]	115	106		
							251	242		
FOREIGN										
Unsecured loans (US$)	2016	6,640		6,640		[10]	561	408		
							561	408		
FOREIGN										
Secured loan (AU$)	2010	7,850		7,850		[11]	1	2		
							1	2		
Total non-current interest-bearing borrowings (refer note 21)							4 150	1 333	2 913	450

[1] *The interest is based on US PPI and settled in rand based on the USD/ZAR exchange rate. The PPI NACS on 31 December 2008 is 1,78% (31 December 2007 6,89%).*

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

[2] *Finance lease agreement between Exxaro Sands (Pty) Limited and Mhlathuze Water in respect of a plant with a book value of R2 million (2007: R2 million).*

[3] *Finance lease agreement between FerroAlloys (Pty) Limited and African Oxygen Limited (Afrox) in respect of machinery and equipment with a book value of R0 million (2007: R0 million).*

[4] *Finance lease agreement between Exxaro Sands (Pty) Limited and Eskom in respect of buildings with a book value of R1 million (2007: R1 million).*

[5] *Finance lease agreement between Exxaro TSA Sands (Pty) Limited and Air Products in respect of a plant with a book value of R6 million (2006: R8 million).*

[6] *Finance lease agreement between Exxaro TSA Sands (Pty) Limited and Mhlathuze Water in respect of a plant with a book value of R21 million (2007: R23 million).*

[7] *Finance lease agreement between Exxaro TSA Sands (Pty) Limited and Eskom in respect of buildings with a book value of R14 million (2007: R14 million).*

[8] *Finance lease agreement between Exxaro Sands (Pty) Limited and Kusasa Bulk Terminals (Phase 1) in respect of a plant with a book value of R45 million (2007: R47 million).*

[9] *Finance lease agreement between Exxaro Sands (Pty) Limited and Kusasa Bulk Terminals (Phase 2) in respect of a plant with a book value of R49 million (2007: R51 million).*

[10] *US$60 million senior notes issued by Ticor 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$0 million was drawn on 31 December 2008 (US$17 million 31 December 2007).*

[11] *Finance lease agreement in respect of computer equipment with a book value of R1 million (2007: R2 million).*

ANNEXURE 2

INVESTMENT IN ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS

	Nature of business[1]	Country of incorporation[2]	Number of shares held	Percentage holding		Group carrying amount		Company carrying amount	
				2008 %	2007 %	2008 Rm	2007 Rm	2008 Rm	2007 Rm
ASSOCIATED COMPANIES									
Unlisted									
Black Mountain Mining (Pty) Limited	A	RSA	260	26,00		32			
Chifeng Kumba Hongye Zinc Corporation Limited	A & M	CH	58 520 000	38,00	38,00	132	95		
Chifeng NFC Kumba Hongye Zinc Corporation Limited	A & M	CH	42 500 000	25,00	25,00	37	21		
Sishen Iron Ore Company (Pty) Limited	A	RSA	240 000 000	20,00	20,00	1 647	641		
Total associated companies (refer note 14)						1 848	757		
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	1			
Rosh Pinah Health Care (Pty) Limited	C	NAM	31	31,00					
						1			
Unincorporated									
Moranbah Coal Project	A	AUS		50,00	50,00				
Tiwest	A	AUS		50,00	50,00				
INVESTMENT COMPANIES									
Unlisted									
Richards Bay Coal Terminal						351	290		
Other						36	38		2
Total other investments (refer note 16)						387	328		2
TOTAL INVESTMENTS						2 236	1 085		1
The investments are valued at reporting date. Listed shares are valued at market value and unlisted shares at directors' value.									
Unlisted investments in associates									
– directors' valuation						13 162	9 110		
Unlisted other investments									
– directors' valuation						387	328		

[1] *A – Mining, C – Service, E – Exploration, M – Manufacturing.*
[2] *RSA – Republic of South Africa, CH – People's Republic of China, NAM – Namibia, AUS – Australia*

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	
	2008 Rm	2007 Rm	2008 Rm	2007 Rm
INCOME STATEMENTS				
Revenue	4 803	2 935	1 319	1 192
Operating expenses	(2 290)	(1 749)	(1 392)	(1 112)
NET OPERATING PROFIT	2 513	1 186	(73)	80
Net financing (costs)/income	(64)	(68)	(21)	6
PROFIT BEFORE TAX	2 449	1 118	(94)	86
Income tax expense	(806)	(356)		1
PROFIT FOR THE YEAR	1 643	762	(94)	87
Profit for the year attributable to owners of the parent	1 643	762	(94)	87
STATEMENTS OF FINANCIAL POSITION				
Non-current assets	1 967	1 333	1 981	1 643
Current assets	1 847	898	1 156	1 120
TOTAL ASSETS	3 814	2 231	3 137	2 763
Equity and liabilities				
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	1 614	757	2 533	2 324
Non-current liabilities				
Interest-bearing borrowings	555	241	128	81
Non-current provisions	143	63	207	152
Deferred tax and other	412	315	16	16
Current liabilities				
Interest-bearing borrowings	670	537	15	1
Other	420	318	238	189
TOTAL EQUITY AND LIABILITIES	3 814	2 231	3 137	2 763
STATEMENTS OF CASH FLOWS				
Net cash flows from operating activities	836	498	81	258
Net cash flows from investing activities	(359)	(482)	(248)	(204)
Net cash flows from financing activities	96	(44)	7	(89)
Foreign currency translations	4	(15)	38	(31)
Net increase/(decrease) in cash and cash equivalents	577	(43)	(122)	(66)

ANNEXURE 3

INVESTMENTS IN SUBSIDIARIES[1]

	Country of incor-poration[2]	Nature of business[3]	Issued capital-unlisted ordinary shares	Interest of company			
				Investment in shares		Indebtedness	
			R	2008 R	2007 R	2008 Rm	2007 Rm
DIRECT INVESTMENTS							
AlloyStream (Pty) Limited	RSA	M	1	1	1		
AlloyStream Holdings (Pty) Limited	RSA	H	1	746 163	746 163	11	10
Clipeus Investment Holdings (Pty) Limited	RSA	H	1	1	1		
Colonna Properties (Pty) Limited	RSA	B	200	2 518 966	2 518 966	2	
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	413	222
Exxaro Chairman's Fund	RSA	T					
Exxaro Coal (Pty) Limited	RSA	A	1	1 000	1 000	760	1 783
Exxaro Employee Empowerment Participation Scheme Trust	RSA	T					
Exxaro Environmental Rehabilitation Fund	RSA	T					
Exxaro FerroAlloys (Pty) Limited	RSA	M	1	1	1	(10)	(7)
Exxaro Foundation	RSA	T					
Exxaro Holdings (Pty) Limited[4]	BVI & RSA	H	566 827	459 517 297	459 517 297	11	5
Exxaro Holdings Sands (Pty) Limited	RSA	H	40 000	1 869 951 859			
Exxaro Insurance Company Limited	RSA	I	50	5 000 000			
Exxaro People Development Initiative	RSA	E					
Exxaro Properties (Groenkloof) (Pty) Limited	RSA	B	1	1	1		
Exxaro Properties (Kloofzicht) (Pty) Limited[5]	RSA	B	1		1		
Exxaro Properties (Princess Grant) (Pty) Limited[5]	RSA	B	1		1		
Exxaro TSA Sands (Pty) Limited	RSA	M	510	510	510	5 693	2 205
Exxaro Sands (Pty) Limited	RSA	A	200	6 003 355	6 003 355	818	710
Ferroland Grondtrust (Pty) Limited	RSA	D	2	2	2	4	
Ferrosure (South Africa) Insurance Company Limited[6]	RSA	I			10		
Glen Douglas Dolomite (Pty) Limited[7]	RSA	A	10 000		10 000		4
Kumba Base Metals Namibia (Pty) Limited	NAM	C	1	1	1	(2)	
Kumba Resources Management Share Trust	RSA	T				(51)	(67)
Merrill Lynch Insurance PCC Limited	ILE	I			2		
Mineral Exploration Company of Southern Africa (Pty) Limited[5]	RSA	B	200		200		
Rocsi Holdings (Pty) Limited[8]	BVI & RSA	H	647 044 943	653 722 945	653 722 945	90	(40)
Skyprops 112 (Pty) Limited	RSA	H	100	44 389 208		20	
Ticor (Bermuda) Holdings Limited[9]	BER	H	74 836		143 502 000		
Ticor (Bermuda) Minerals Limited[9]	BER	H					
INDIRECT INVESTMENTS							
Coastal Coal (Pty) Limited	RSA	A	5 000			(51)	(63)
Exxaro Australia Pty Limited	AUS	A	11			(1)	(1)
Exxaro Australia Sands Pty Limited	AUS	A	2 038 299 354			3	1
Exxaro Base Metals (Namibia) (Pty) Limited	NAM	H	100			69	
Exxaro Base Metals China Limited	HK	C	1 354				
Exxaro Base Metals International BV	NE	A	119 209				
Exxaro Coal Botswana Holding (Pty) Limited	Bot	P	2				
Exxaro Coke (Pty) Limited	RSA	M	1				
Exxaro Finance Ireland	IRL	C	893 656 391				

	Country of incor-poration[2]	Nature of business[3]	Issued capital-unlisted ordinary shares	Interest of company: Investment in shares		Interest of company: Indebtedness	
			R	2008 R	2007 R	2008 Rm	2007 Rm
Exxaro Maden Arama ve Madencilik Ltd. Sti.	TUR	P	32 512				
Exxaro Madencilik Sanayi Ve Ticaret Anonim Sirketi (76%)	TUR	P	6 436 530				
Exxaro Mineral Sands BV	NE	A	134 973				
Exxaro Holdings (Australia) Pty Limited	AUS	H	5				
Exxaro International BV	NE	H	662 037			1	
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 Sands Holdings BV	NE	H	169 999				
Exxaro Coal Mpumalanga (Pty) Limited[10]	RSA	A	100 000			(490)	21
Ferrowest (Pty) Limited (95%)	RSA	B	136 500 000				
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 (50,04%)	NAM	A	2 280			(21)	5
Senbar Holdings Pty Limited	AUS	C	10				
Synthetic Rutile Holdings Pty Limited	AUS	C	10				
The Vryheid (Natal) Railway Coal and Iron Company Limited	RSA	A	3 675				
Ticor (Overseas) Holdings Pty Limited	AUS	H	10				
Ticor Chemical Company Pty Limited	AUS	M	10				
Ticor Chemicals Ghana Pty Limited[5]	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	A	48 216 010				
TOTAL INVESTMENTS IN SUBSIDIARIES (refer note 15)				3 289 564 811	1 513 735 958	7 269	4 788

[1] At 100% holding except where otherwise indicated
[2] RSA – Republic of South Africa, AUS – Australia, NAM – Namibia, HK – Hong Kong, BVI – British Virgin Islands, ILE – Isle of Man, IRL – Ireland, MAU – Mauritius, NE – Netherlands, BER – Bermuda, Bot – Botswana, TUR – Turkey
[3] A – Mining, B – Property, C – Service, D – Land management, E – Section 21 company, F – Finance, H – Holdings, I – Insurance, M – Manufacturing, P – Exploration, T – Trust
[4] Exxaro Holdings (BVI) SA was converted into a South African company as Exxaro Holdings (Pty) Limited
[5] Deregistered during 2008
[6] Shares sold during 2008
[7] Reclassified during 2008 as non-current asset classified as held-for-sale
[8] Rocsi Holdings (BVI) Limited was converted into a South African company as Rocsi Holdings (Pty) Limited
[9] Liquidated during 2008
[10] Previously Eyesizwe Coal (Pty) Limited

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the eighth annual general meeting of members of Exxaro Resources Limited will be held at the Exxaro Corporate Centre, Roger Dyason Road, Pretoria West, Gauteng, South Africa, at 10:00 on Friday, 8 May 2009.

The following business will be transacted and resolutions proposed, 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 2008, 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 and Mr BW Smith as the designated partner 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 2008.

4. **ORDINARY RESOLUTION NUMBER 4**

   Re-election of directors

   In terms of article 15.2 of the articles of association, the following directors appointed to the board with effect from 13 August 2008 will retire and, being eligible, offer themselves for re-election:

   4.1 SEA Mngomezulu

   4.2 J van Rooyen

   An abbreviated curriculum vitae in respect of each director offering themselves for re-election is set out on page 233 of the annual report.

5. **ORDINARY RESOLUTION NUMBER 5**

   Re-election of directors

   To re-elect the following directors who retire by rotation in terms of clause 16.1 of the articles of association of the company, and who are eligible for re-election:

   5.1 VZ Mntambo

   5.2 NL Sowazi

   5.3 D Zihlangu

   An abbreviated curriculum vitae in respect of each director offering themselves for re-election is set out on page 233 of the annual report.

6. **ORDINARY RESOLUTION NUMBER 6**

   Remuneration of non-executive directors

   To approve the proposed remuneration for the period 1 January 2009 to 31 December 2009:

		Current R	Proposed R
Chairman	:	333 853	399 600
Director	:	166 927	184 440
Audit committee chairman	:	106 833	170 400
Audit committee member	:	53 417	90 000
Board committee chairman	:	80 125	132 000
Board committee member	:	40 063	63 000

7. **ORDINARY RESOLUTION NUMBER 7**

   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)."

8. **ORDINARY RESOLUTION NUMBER 8**

   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 and/or any options/convertible securities that are convertible into 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:

8.1 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;

8.2 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;

8.3 the shares be issued to public shareholders as defined by the JSE and not to related parties;

8.4 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 (including the number to be issued in the future as a result of the exercise of options or conversion of convertible securities issued in the same financial year); and

8.5 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."

In respect of any options and convertible securities granted/issued for cash, if the discount to the market price at the time of exercise of the option or conversion of the convertible security is not known at the time of the grant/issue of the option or convertible security, or if it is known that the discount will exceed 10% of the 30-day weighted average traded price of the security at the date of exercise, then the grant/issue will be subject to the company providing its shareholders with a fairness opinion complying with Schedule 5 of the JSE Listings Requirements from an independent expert acceptable to the JSE, indicating whether or not the issue is fair as far as the company's shareholders are concerned.

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 8 to become effective.

9. SPECIAL RESOLUTION NUMBER 1

Authority to repurchase shares

"Resolved that by way of a general authority, the company or any wholly owned 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:

9.1 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;

9.2 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;

9.3 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;

9.4 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;

9.5 that at any one time, the company may only appoint one agent to effect any repurchase;

9.6 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;

9.7 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;

9.8 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 and after the directors pass the resolution relating to the solvency and liquidity of the company as required in terms of section 85 (4) of the Act."

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 present the directors have no specific intention with regard to the utilisation of this authority, which will only be used if the circumstances are appropriate.

10. To transact such other business as may be transacted at an annual general meeting.

DISCLOSURES REQUIRED IN TERMS OF THE LISTINGS REQUIREMENTS OF THE JSE

In accordance with paragraph 11.26 of the Listings Requirements of the JSE, the following information is provided in terms of special resolution number 1.

Working capital statement

The directors of the company agree that they will not undertake any repurchase of its shares unless:

- the company and the group will be able, in the ordinary course of business, to pay its debts for a period of 12 (twelve) months after the date of the notice of the annual general meeting of the company;
- the assets of the company and the group (which latter have been consolidated, fairly valued in accordance with International Financial Reporting Standards), will be in excess of its liabilities and consolidated liabilities (recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements) for a period of 12 (twelve) months after the date of the notice of the annual general meeting of the company;
- the share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of the notice of the annual general meeting of the company; and
- the working capital resources of the company and the group will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of the notice of the annual general meeting of the company.

Litigation statement

Other than disclosed or accounted for in these annual financial statements, the directors of the company, whose names are given on page 58 and 59 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 58 and 59 of these financial statements, accept responsibility for the accuracy of the information given in this special resolution, 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 56 to 59 of this report;
- Major shareholders of the company – refer to page 71 of this report;
- Directors' interests in the company's shares – refer page 71 of this report;
- Share capital of the company – refer page 70 of this report.

FURTHER DISCLOSURE REQUIRED IN TERMS OF THE COMPANIES ACT

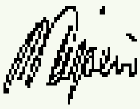
The following information is provided in terms of special resolution number 1:

The company shall not make any payment in whatever form to acquire any share issued by the company if there are reasonable grounds for believing that:

(a) the company is, or would after the payment be, unable to pay its debts as they become due in the ordinary course of business; or

(b) the consolidated assets of the company fairly valued would after the payment be less than the consolidated liabilities of the company.

By order of the board



MS Viljoen
Company secretary
Pretoria

23 February 2009

SHORT BIOGRAPHIES OF EXXARO DIRECTORS SEEKING RE-ELECTION

Name: SEA Mngomezulu – Simangele (54)
Designation: Non-executive director
Academic qualifications: diploma in public relations, diploma in community development, certificate in executive preparation programme
Experience: Simangele Mngomezulu worked at Anglo American Corporation of SA as an assistant information retrieval officer for 15 years. She is the owner of Thandelike Investments & NESA Mining, chairperson of Black Economic Empowerment Cleaning Association (BEECA), CEO of South African Women in Mining Association (SAWIMA), member of the advisory board for the Minister for Minerals and Energy, member of the mining industry tripartite HIV and Aids committee.

Name: J van Rooyen – Jeff (59)
Designation: Non-executive director
Academic qualifications: BCom, BCompt (Hons), CA(SA)
Experience: In February 1984 Jeff van Rooyen started his own auditing practice, J van Rooyen & Co, to address the financial services needs of the black community in general and black business in particular. Due to the rapid growth of the practice, a joint venture was established with Deloitte & Touche in 1988. In April 1995 he was seconded by Deloitte & Touche as special adviser to the Minister of Public Enterprises. In 2000 Jeff was appointed as chief executive officer of the Financial Services Board and to his current position as chief executive and founding member of Uranus Investment Holdings (Pty) Limited.

Name: VZ Mntambo – Zwelibanzi (51)
Designation: Non-executive director
Academic qualifications: BJuris, LLB, LLM
Experience: Zwelibanzi is executive chairman of ASG Business Solutions. He was previously senior lecturer at the University of Natal; executive director of IMSSA; director-general of Gauteng province and non-executive chairman of the Commission for Conciliation, Mediation and Arbitration. He has extensive experience in business strategy, performance management, labour mediation and arbitration.

Name: NL Sowazi – Nkunku (45)
Designation: Non-executive director
Academic qualifications: BA, MA (UCLA)
Experience: Nkululeko is founding executive of the Tiso Group, a BEE investment holding company with interests in natural resources, infrastructure and industrial services. Nkululeko was

previously executive deputy chairman of JSE listed banking group, African Bank Investments Limited (ABIL) and managing director of the Mortgage Indemnity Fund (Pty) Limited. He is chairman of Idwala Industrial Holdings, the Home Loan Guarantee Company, the Financial Markets Trust, and serves on the boards of Aveng Limited, Alstom South Africa, Trident Steel, EMIRA property fund and African Explosives Limited.

Name: D Zihlangu – Rain (42)
Designation: Non-executive director
Academic qualifications: BSc (Min Eng) (Wits); MDP (SBL, Unisa); MBA (WBS, Wits)
Experience: Dalikhaya is the chief executive officer of Eyabantu Capital Consortium. Between 1989 and 1994 he was a stoper/developer and shift boss at Vaal Reefs Gold Mining Company. From 1995 until 2002, he was a shift boss, mine overseer, operations manager and mine manager at Impala Platinum Limited. Dalikhaya was the chief executive officer of Alexkor Limited from 2002 until 2005.

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 2008. 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 and Mr BW Smith as the designated partner. 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 and 5: 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 233.

Resolution 6: 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 7 and 8: Directors' control of unissued ordinary shares

The existing authorities relating to resolutions 7 and 8 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 future business opportunities.

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 by a wholly owned 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

POWERING POSSIBILITY

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, 8 May 2009, 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, 8 May 2009 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
Ordinary business			
1. Resolution to adopt the 2008 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 in terms of article 15.2 of the articles of association			
4.1 SEA Mngomezulu			
4.2 J van Rooyen			
5. Resolution to re-elect directors required to retire by rotation in terms of article 16.1 of the articles of association			
5.1 VZ Mntambo			
5.2 NL Sowazi			
5.3 D Zihlangu			
6. Resolution to approve the non-executive directors' remuneration for the period 1 January 2009 to 31 December 2009			
7. Resolution to authorise directors to allot and issue unissued ordinary shares			
8. Resolution to authorise directors to allot and issue ordinary shares for cash			
Special business			
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 ______________ 2009

Signature ______________________________

Assisted by me, where applicable (name and signature) ______________________________

Please read the notes on the reverse side hereof.

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. 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 (Pty) Limited, to be received not later than 48 hours before the time fixed for the meeting (excluding Saturdays, Sundays and public holidays).

   For shareholders on the South African register:
   Computershare Investor Services (Pty) Ltd
   Ground Floor
   70 Marshall Street
   Johannesburg
   2001
   PO Box 61051
   Marshalltown
   2107
   www.computershare.com
   Tel: +27 11 370 5000

   Over-the-Counter American Depositary Receipt (ADR) holders:
   Exxaro has an ADR facility with The Bank of New York (BoNY) under a deposit agreement. ADR holders may instruct BoNY as to how the shares represented by their ADRs should be voted.

   American Depositary Receipt Facility (ADR)
   Bank of New York
   101 Barclay Street
   New York, NY 10286
   www.adrbny.com
   shareowners@bankofny.com
   Tel: +(00-1) 888 815 5133

7. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity or other legal capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.

9. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.

10. Notwithstanding the aforegoing, 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 meet 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
Deutsche Securities (SA) (Pty) Limited
3 Exchange Square
87 Maude Street
Sandton
2196

Registrars
Computershare Investor Services (Pty) Limited
Ground Floor, 70 Marshall Street
Johannesburg, 2001
PO Box 61051
Marshalltown
2107

SHAREHOLDERS' DIARY

FINANCIAL YEAR-END	31 December
ANNUAL GENERAL MEETING	April/May
REPORTS AND ACCOUNTS	Published
Announcement of annual results	February
Annual Report	March
Interim report for the half-year ending 30 June	August
DISTRIBUTION	
Final dividend declaration	February
Payment	March
Interim dividend declaration	August
Payment	September

The front section of this document is printed on Magno Matt paper. This paper only uses wood from sustainable forests, is manufactured from TCF (totally chlorine free) pulp and is acid free. The back section of this document is printed on Cartridge 120gsm. A minimum of 30% fibre used in making this paper comes from well-managed forests independently certified according to the rules of the Forest Stewardship Council.

Carbon offset
The carbon footprint arising from the paper production, printing and distribution of this annual report will be assessed and offset by installing one solar geyser at a charitable organisation by December 2009. We will disclose this information in our next report.

BASTION GRAPHICS

exxaro

POWERING POSSIBILITY

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