Annual report

FOR THE YEAR ENDED 31 DECEMBER 2009

exxaro

POWERING POSSIBILITY

THE EXXARO GROUP

With assets of R23 billion, Exxaro is among the top 40 companies on the JSE Limited (JSE) by market capitalisation, and one of the 30 best-performing constituents of the JSE's Socially Responsible Investment index.

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

The group's reviewed strategic focus, record of innovation and focus on sustainable development underpin its promise to contribute to the economic growth of South Africa.

ABOUT THIS REPORT

Guided by global best-practice standards and ongoing consultation with stakeholders, Exxaro publishes an integrated annual report detailing the group's economic, social and environmental performance. The full report is also available on www.exxaro.com and on CD, where pertinent case studies are included. Copies of this information are available on request (contact details are on the inside back cover).

www.exxaro.com

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STRATEGIC FOCUS AREAS

Exxaro has five strategic focus areas:

Exxaro's business strategy is guided by five areas where the group believes it must perform well to claim competitive advantage and provide an attractive investment case. We explain these focus areas below, together with our understanding of each and the relevant performance examples. The CEO's review (page 14) provides more detail in relevant areas and our business objectives set out targeted financial and non-financial indicators.

What this means to Exxaro	Focus area	Examples of performance
› Low-cost producer › Achieve performance targets › Continuous review of performance › Skilled, competent and value-driven workforce › Well-established safety and sustainable development principles	**1** **Achieve operational excellence**	› R750 million cost savings › 45Mtpa total coal production › 50% increase in steam coal exports › Stable zinc performance despite challenges › KZN Sands furnaces exceed 200kt › Integrated and transparent reporting
› Diversified by commodity, products and geography › Annual real growth in net operating profit › Capacity to increase and expand growth aspirations › Robust growth pipeline	**2** **Improve Exxaro's portfolio**	› Expansion through focused growth in mega carbon projects › Divest from the zinc commodity › Stop development of Fairbreeze mineral sands mine › Investigate ways to increase iron ore footprint and renewable energy projects
› Healthy financial status › Responsible, safe operations › Regulatory compliance › Access to good-quality resources › Protect intellectual property	**3** **Ensure Exxaro's sustainability**	› Debt/equity ratio of 29% › R1 billion capex savings › R31,4 million contributed to socio-economic development, corporate and other initiatives › Good corporate governance
› Positive stakeholder relations › Representative and fair workplace › Say what we do and do what we say › Develop, empower and retain skilled people › Be a preferred supplier to local and overseas customers	**4** **Protect and build Exxaro's reputation**	› 90% compliance on eight of nine mining charter transformation requirements › Reliable supplier to Eskom › Constituent of the JSE Socially Responsible Investment index › Total dividend to Mpower employee beneficiaries - R39 million
› Employees live the vision and values › Employee involvement › Provide opportunities for development › Continuous improvement with related recognition and reward › Focus on the development of Exxaro's high performance culture	**5** **Develop Exxaro's leadership and people**	› Best Company To Work For survey by Deloitte - Exxaro among top 10 in large-company category › Corporate Research Foundation - Exxaro in 6th place in survey of our human resource processes › Corporate Research Foundation - 7th in SA's Leading Managers initiative

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 Resources
	Target 2010	**Target 2009**	**Actual 2009**	Actual 2008	Actual 2007	Actual 2006[1]
FINANCIAL TARGETS[1]						
› Return on equity (ROE) (%)		**25**	**8**	30	15	
› Return on capital employed (ROCE) (%)		**28**	**15**	36	23	
› EBITDA interest cover (times)		**>4**	**7**	14	10	
NON-FINANCIAL TARGETS						
› **Safety**						
– fatalities	0	**0**	**3**	5	5	6
– lost-time injury frequency rate (per 200 000 hours)	0,17	**0,21**	**0,33**	0,39	0,36	0,42
› **Safety, health and environmental certification (number) 2010**	17	**17**	**13**	9	9	10
› **Employment equity**						
– management (%)	40	**40**	**48**	42	36	35
– women (%)	12	**12**	**13,8**	13	12	11
› **HIV/Aids voluntary testing and counselling (%)** (long-term target 95%)		**50**	**58**	64	30	41
› **Human resources development** (% spend of payroll)		**6,0**	**5,0**	5,2	6,5	5,1
› **Mining learnerships**		**700**	**691**	678	408	341
› **Procurement from HDSA companies (%)**	47	**45**	**45**	39	35	37
› **Community development (% of NPAT[2])**	1	**1**	**1,8**			
› **Energy efficiency and carbon emissions reduction** – 2012 (%)	(10)	**(10)**				
› **HDSA ownership (%)** 2014	26	**26**	**52**	56	56	

[1] *Financial targets set against a peer group of companies while actual ratios are based on statutory financial results that have not been restated for comparative purposes. Key ratios are shown on page 2. No financial ratios are reported for 2006 as Exxaro was only created in November 2006. Financial targets for 2010 being finalised*

[2] *NPAT = Net profit after tax*

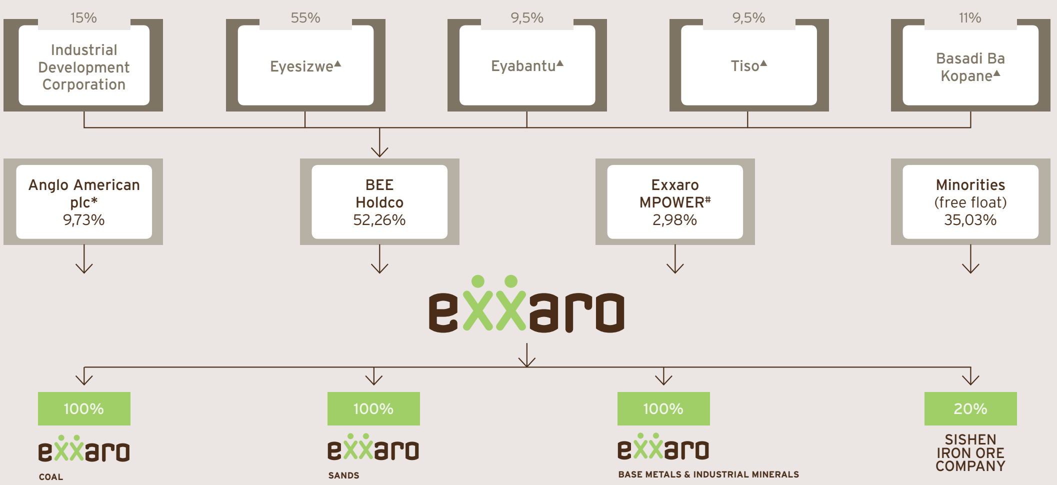
HIGHLIGHTS

- **Financial and operational resilience in a global recession that has affected demand and prices for commodities**
- **Revenue of R15 billion**
- **Coal production and sales exceed 45Mt – a target set in November 2006**
- **Achieved targeted savings of R750 million and reduced capital expenditure by over R1 billion**
- **200 cents per share dividend declared**

LOWLIGHTS

- **Three fatalities recorded in single incident**
- **Net operating profit affected by R1,4 billion impairment at KZN Sands**
- **Currency strength impacted on earnings**

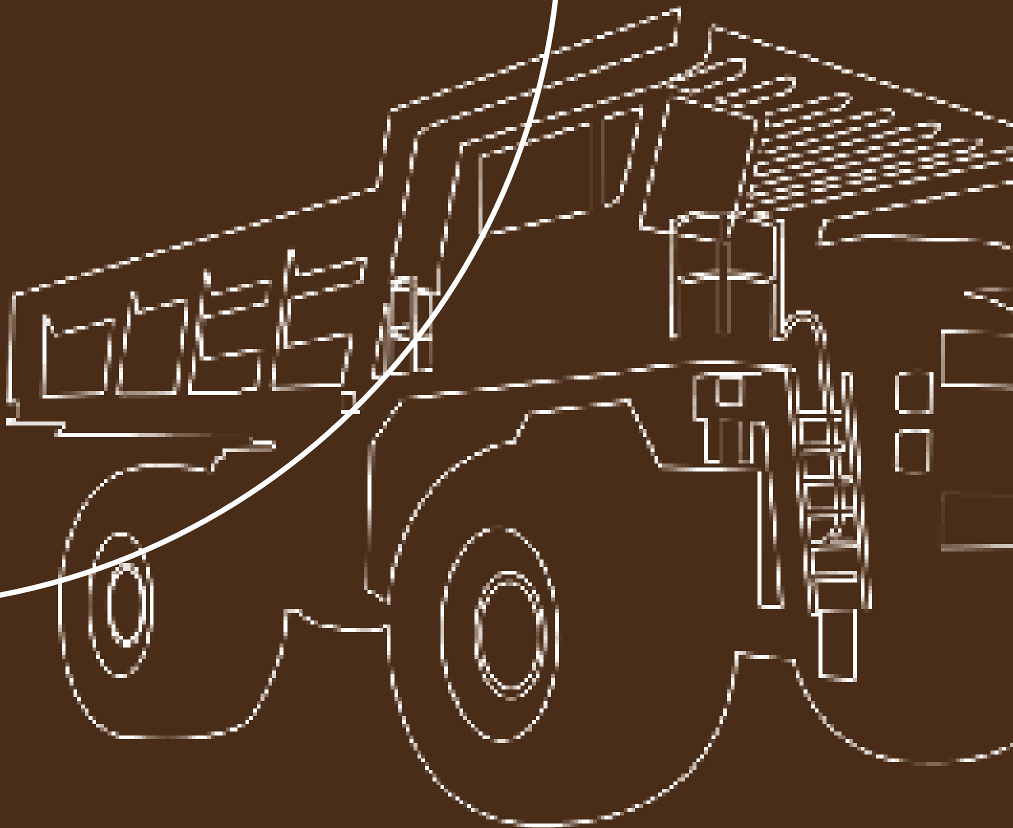
OUR GROUP STRUCTURE (as at 31 December 2009)



As at 31 December 2009

- * *Held through Anglo South Africa Capital (Pty) Ltd.*
- ▲ *These are special purpose vehicles for shareholders in our black-owned holding company.*
- # *Employee share ownership programme.*

Group in brief



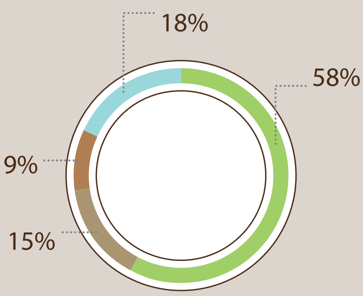
KEY RATIOS

	At 31 December	
	2009 Unaudited Rm	2008 Unaudited Rm
RATIOS		
Profitability and asset management[1]		
Return on net assets (%)	**17**	36
Return on ordinary shareholders' equity		
– Attributable earnings (%)	**8**	30
– Headline earnings (%)	**19**	32
Return on invested capital (%)	**12**	28
Return on capital employed (%)	**15**	36
Operating margin (%)[2]	**2**	18
Solvency and liquidity		
Net financing cost cover (times) – EBIT[3]	**1**	10
Net financing cost cover (times) – EBITDA	**7**	14
Current ratio (times)	**2**	2
Net debt to equity (%)	**29**	18
Net debt to earnings before interest, tax, depreciation and amortisation (times)	**1,3**	0,7
Number of years to repay interest-bearing debt	**6**	1

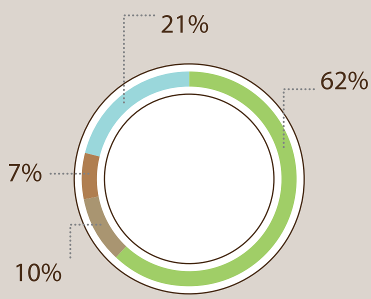
[1] *A number of key ratios in 2009 have been adversely affected by the R1 435 million impairment at the KZN Sands operation.*
[2] *Margin is 12% if the KZN Sands impairment is excluded.*
[3] *Ratio is four times if the KZN Sands impairment is excluded.*

WE CREATE VALUE FOR ALL STAKEHOLDERS

Cash disbursed among stakeholders 2009

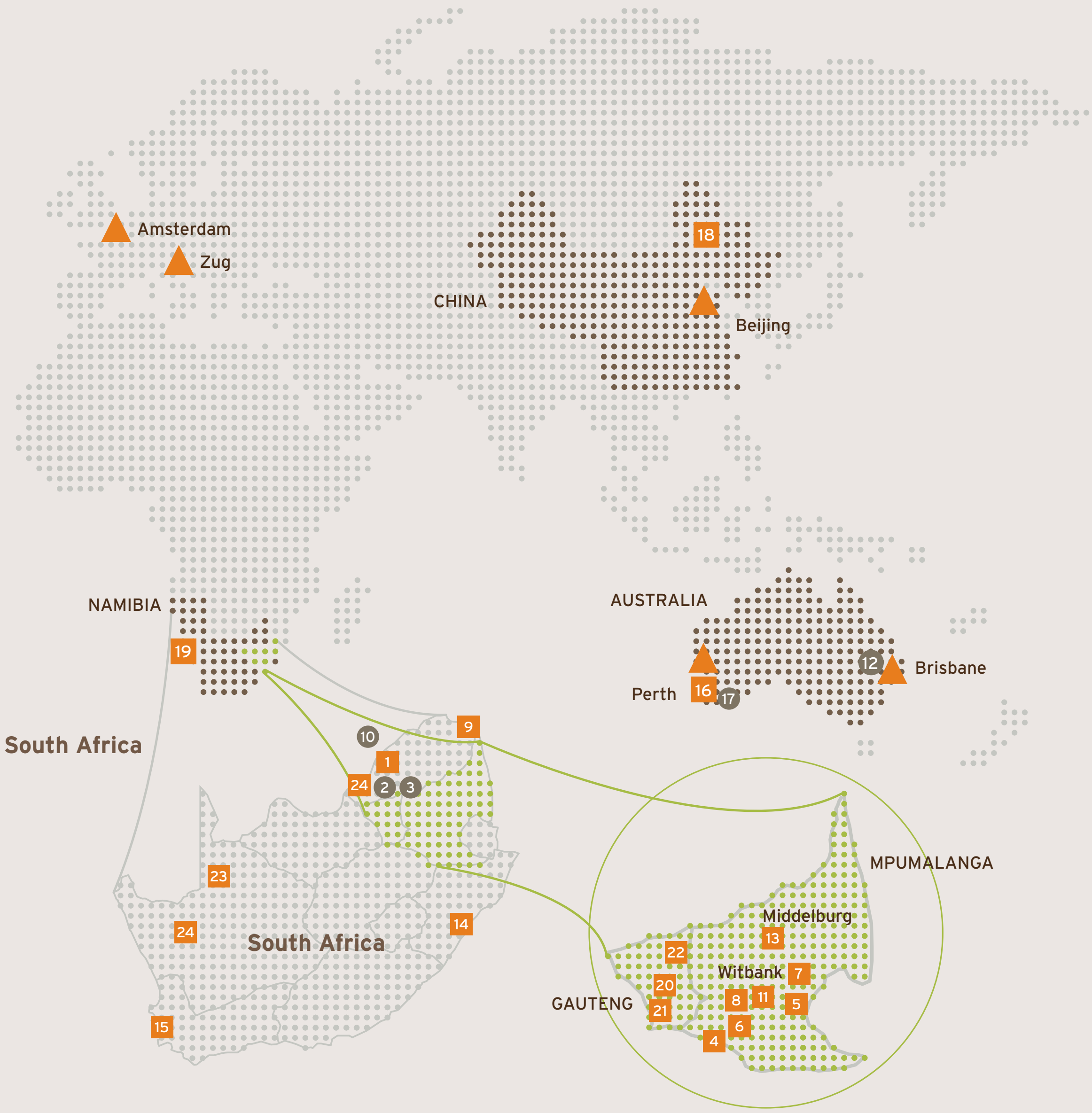


Cash disbursed among stakeholders 2008



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

GEOGRAPHICAL LOCATIONS



Detailed maps on page 52, 64 and 65

Coal
1 Grootegeluk (GG)
2 GG expansion for Medupi power station
3 Char Plant phase 2
4 Leeuwpan
5 Arnot
6 Matla
7 North Block Complex
8 New Clydesdale
9 Tshikondeni
10 Mmamabula Central (Botswana gas project)
11 Inyanda
12 Moranbah South
13 Mafube*

Mineral sands
14 KZN Sands
15 Namakwa Sands
16 Australia Sands
17 Kwinana expansion

Base metals and industrial minerals
18 Chifeng Zinc Refinery*
19 Rosh Pinah
20 Zincor
21 Glen Douglas
22 FerroAlloys
23 Black Mountain*
24 Sishen Iron Ore Company*
(Sishen and Thabazimbi mines)

■ Operations
● Growth projects
▲ Representative offices

** Joint ventures and investments not operationally controlled.*

GROUP AT A GLANCE

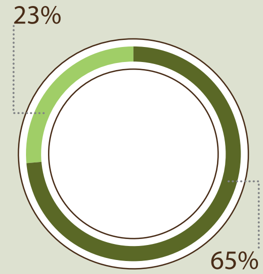
BUSINESSES

2009 CONTRIBUTION TO GROUP REVENUE

Coal

Eight managed coal mines produced 45,2Mtpa of power station, steam and coking coal. All power station coal produced was supplied to the national power utility, Eskom, and municipal power stations. Grootegeluk is one of the most efficient mining operations in the world, and operates the world's largest coal beneficiation complex. There is a robust pipeline of greenfield and other expansion projects under way that will culminate in Exxaro becoming one of the largest coal producers in South Africa. Exxaro also produces char and related products for the rapidly growing ferroalloys industry.

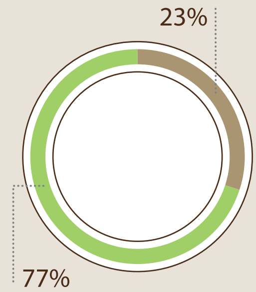
65% R9 731 million



Mineral sands

Exxaro's South African mineral sands operations include 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. Exxaro is one of the world's largest suppliers of titanium dioxide feedstock and zircon. Collectively, the group's mineral sands operations produced 245kt of slag, 185kt of zircon, 109kt of synthetic rutile and 53kt of pigment in 2009.

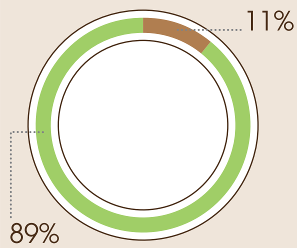
23% R3 508 million



Base metals and industrial minerals

The Rosh Pinah zinc/lead mine in southern Namibia and Zincor electrolytic refinery in Gauteng are one of the few integrated zinc mining and refinery operations worldwide. Exxaro has an effective 22% interest in the Chifeng zinc refinery in China. In 2009, Rosh Pinah and Zincor produced 94kt of zinc concentrate and 87kt of zinc metal respectively. A dedicated plant in Pretoria manufactures high-quality, gas-atomised ferrosilicon while Glen Douglas provides a range of products for the steel, construction and agricultural sectors.

11% R1 582 million*



* *Excludes revenue from industrial minerals and other businesses*

INVESTMENTS

Iron ore

Exxaro holds 20% of Sishen Iron Ore Company (Pty) Limited. The company operates the Sishen and Thabazimbi mines, producing some 41,9Mtpa of lumpy and fine iron ore in 2009. A total of 38,2Mtpa ore was sold of which 90% was exported. Sishen is one of the largest single open-pit mines in the world, known for its high grade and consistent product quality.

OPERATIONS	REGIONAL LOCATION	OWNERSHIP [1]	PRODUCTS	SALES FOR 12 MONTHS TO 31 DECEMBER 2009[1] 000 TONNES	% EXPORT
Grootegeluk mine	Limpopo	Division of Exxaro Coal (Pty) Limited	Power station coal (Eskom)	15 275	
			Semi-soft coking coal	1 241	44
			Steam coal	1 842	7
Leeuwpan mine	Mpumalanga	Division of Exxaro Coal (Pty) Limited	Power station coal (Eskom)	1 306	
			Steam coal	1 291	19
Tshikondeni mine	Limpopo	Division of Exxaro Coal (Pty) Limited	Coking coal (ArcelorMittal)	259	
Mafube coal [2]	Mpumalanga	Division of Exxaro Coal (Pty) Limited	Steam coal	1 140	100
Mafube JV[3]	Mpumalanga	Joint venture of Exxaro Coal Mpumalanga (Pty) Limited (50%)	Power station coal (Eskom)	700	
			Steam coal	375	
Inyanda mine	Mpumalanga	Division of Exxaro Coal (Pty) Limited	Steam coal	1 776	93
Exxaro reductants	Limpopo	Division of Exxaro Coal (Pty) Limited	Steam coal	11	
			Char	31	
Arnot mine	Mpumalanga	Division of Exxaro Coal Mpumalanga (Pty) Limited	Power station coal (Eskom)	5 213	
Matla mine	Mpumalanga	Division of Exxaro Coal Mpumalanga (Pty) Limited	Power station coal (Eskom)	11 260	
New Clydesdale mine	Mpumalanga	Division of Exxaro Coal Mpumalanga (Pty) Limited	Steam coal	795	96
North Block Complex	Mpumalanga	Division of Exxaro Coal Mpumalanga (Pty) Limited	Power station coal (Eskom)	2 545	
			Steam coal	572	
KZN Sands	KwaZulu-Natal	Subsidiaries of Exxaro Resources Limited and a division of Exxaro TSA Sands (Pty) Limited and Exxaro Sands (Pty) Limited	Zircon	21	100
			Rutile	14	67
			Pig iron	52	100
			Chloride slag	68	100
			Sulphate slag	25	100
Namakwa Sands	Western Cape	Division of Exxaro TSA Sands (Pty) Limited	Zircon	95	100
			Rutile	23	100
			Pig iron	86	67
			Chloride slag	76	100
			Sulphate slag	19	100
Australia Sands[3]	Australia	Subsidiary of Exxaro Resources Limited which owns 50% in the Tiwest joint venture	Zircon	30	100
			Rutile	14	100
			Synthetic rutile	50	100
			Leucoxene	15	100
			Pigment	54	100
Zincor refinery	Gauteng	Division of Exxaro Base Metals (Pty) Limited	Zinc metal	93	
			Sulphuric acid	122	
Rosh Pinah mine	Namibia	Subsidiary of Exxaro Base Metals (Namibia) (Pty) Limited (50,04%)	Zinc concentrate	96	100
			Lead concentrate	19	100
Chifeng refinery [3]	China	Associate (22,00%)	Zinc metal	29	
			Sulphuric acid	94	
Black Mountain [3] Mining (Pty) Limited	Northern Cape	Associate (26,00%)	Zinc concentrate	14	100
			Lead concentrate	18	
Glen Douglas mine	Gauteng	Subsidiary of Exxaro Resources Limited	Metallurgical dolomite	376	
			Aggregate	767	
			Lime	68	
FerroAlloys	Gauteng	Subsidiary of Exxaro Resources Limited	Atomised ferrosilicon	5	
Sishen mine	Northern Cape	Division of Sishen Iron Ore Company (Pty) Limited	Lump ore	4 885	87
			Fine ore	2 753	84
Thabazimbi mine	Limpopo	Division of Sishen Iron Ore Company (Pty) Limited	Lump ore	85	
			Fine ore	286	

[1] *100% ownership unless otherwise indicated.*
[2] *Exxaro's 50% share of the Mafube expansion project.*
[3] *Sales tonnage reflects the group's interest in the relevant subsidiary, joint venture or associate.*

GROUP REVIEW AT A GLANCE

	12 months ended 31 December	
	2009 Audited Rm	2008 Audited Rm
INCOME STATEMENTS		
Revenue	**15 009**	13 843
Net operating profit[1]	**304**	2 467
Net financing cost	**(415)**	(241)
Investment and post-tax equity income	**1 900**	1 665
Tax	**(766)**	(510)
Non-controlling interest		24
Add back items for headline earnings	**1 491**	225
Headline earnings	**2 514**	3 630
Headline earnings per share (cents)	**729**	1 058
Dividends per share (cents)	**200**	375
Average realised exchange rate (R/US$)	**8,39**	8,10
STATEMENTS OF CASH FLOWS		
Cash flows from operating activities	**(206)**	1 910
Cash flows from investing activities	**(1 414)**	(3 756)
Cash flows from financing activities	**874**	2 765
Net (decrease)/increase in cash and cash equivalents	**(746)**	919

[1] *Includes a R1 435 million impairment of the carrying value of the KZN Sands assets.*

	At 31 December	
	2009 Audited Rm	2008 Audited Rm
STATEMENTS OF FINANCIAL POSITION		
Assets		
Non-current assets		
Property, plant and equipment	**11 869**	11 309
Biological assets	**41**	34
Intangible asset	**87**	79
Investments in associates and joint ventures	**1 966**	1 849
Deferred tax	**629**	1 083
Financial assets	**1 217**	1 577
Current assets		
Cash and cash equivalents	**1 023**	1 769
Inventories, trade and other receivables	**6 311**	5 407
Non-current assets classified as held-for-sale	**86**	78
Total assets	**23 229**	23 185
Equity and liabilities		
Capital and reserves		
Equity attributable to owners of the parent	**12 908**	12 996
Non-controlling interest	**1**	128
Total equity	**12 909**	13 124
Non-current liabilities		
Interest-bearing borrowings	**4 347**	3 650
Non-current provisions	**1 853**	1 746
Financial liabilities	**75**	31
Deferred tax	**995**	1 257
Current liabilities		
Interest-bearing borrowings	**407**	500
Other	**2 594**	2 827
Non-current liabilities classified as held-for-sale	**49**	50
Total equity and liabilities	**23 229**	23 185
Net debt	**3 731**	2 381

	At 31 December	
	2009 Audited Rm	2008 Audited Rm
ANALYSIS PER SHARE		
Number of shares in issue (million)	**357**	355
Weighted average number of shares in issue (million)[1]	**345**	343
Earnings per ordinary share		
– Attributable earnings (cents)	**297**	993
– Headline earnings (cents)	**729**	1 058
Dividend per ordinary share (cents)	**200**	375
Dividend cover (times)	**1,48**	2,65
Net asset value per ordinary share (cents)	**3 616**	3 697

[1] *Shares issued to MPower are classified as treasury shares and are excluded from the calculation of the weighted average number of shares.*

SUMMARY OF BUSINESS OPERATIONS

000 tonnes produced	2009	2008	2007	2006
	12 months ended 31 December			
COAL				
Coking coal	**2 020**	2 560	2 962	2 496
Grootegeluk	**1 752**	2 233	2 499	2 133
Tshikondeni	**268**	327	463	363
Power station coal (Eskom)	**36 562**	36 700	34 246	34 599
Grootegeluk	**15 324**	14 581	14 510	14 268
Leeuwpan	**1 247**	1 188	956	921
Matla[1]	**11 273**	13 230	13 030	13 613
Arnot[1]	**5 213**	4 865	3 702	3 985
New Clydesdale[1]		115	156	331
North Block Complex[1]	**2 822**	2 721	1 892	1 481
Mafube	**683**			
Steam coal	**6 638**	5 574	4 111	4 665
Grootegeluk	**1 207**	1 387	1 485	1 585
Leeuwpan	**1 259**	1 801	1 421	1 504
New Clydesdale[1]	**822**	984	814	1 107
North Block Complex[1]	**691**	561	391	469
Inyanda	**1 843**	841		
Mafube	**816**			
Char	**38**			
Total coal production	**45 258**	44 834	41 319	41 760
KZN SANDS				
Ilmenite	**368**	229	367	319
Zircon	**36**	34	34	50
Rutile	**20**	19	17	25
Pig iron	**108**	50	90	75
Scrap pig iron	**15**	16	20	10
Chloride slag	**104**	95	150	134
Sulphate slag	**24**	18	26	36
NAMAKWA SANDS[2]				
Ilmenite	**244**	315	300	272
Zircon	**116**	130	115	128
Rutile	**26**	27	24	28
Pig iron	**73**	103	91	83
Scrap pig iron		6	11	8
Chloride slag	**97**	135	126	112
Sulphate slag	**20**	24	27	23

000 tonnes produced	2009	2008	2007	2006
	12 months ended 31 December			
AUSTRALIA SANDS[3]				
Ilmenite	**207**	174	216	227
Zircon	**33**	29	36	36
Rutile	**16**	13	17	18
Synthetic rutile	**109**	113	100	98
Leucoxene	**14**	16	16	14
Pigment	**53**	43	54	54
BASE METALS				
Rosh Pinah (zinc concentrate)	**94**	94	95	104
Black Mountain (zinc concentrate)[4]	**14**	15	15	18
Zincor (zinc metal)	**87**	87	101	90
Zincor (sulphuric acid)	**142**	129	147	142
Chifeng (zinc metal)[5]	**29**	23	23	16
Rosh Pinah (lead concentrate)	**20**	20	22	21
Black Mountain (lead concentrate)[4]	**18**	17	15	18
INDUSTRIAL MINERALS				
Glen Douglas				
Metallurgical dolomite	**371**	422	543	661
Aggregate	**762**	788	749	672
Lime	**72**	63	54	59
FerroAlloys				
Atomised ferrosilicon	**5**	6	6	6
IRON ORE				
Sishen[6]	**7 878**	6 808	5 946	5 738
Thabazimbi[6]	**511**	532	535	484
Total iron ore production	**8 389**	7 340	6 481	6 222

[1] *Physical information includes Eyesizwe Coal mines for 12 months in 2006 even though only acquired effective 1 November 2006.*

[2] *Physical information includes Namakwa Sands for 12 months from 1 January 2006 even though only acquired effective 1 October 2008.*

[3] *Physical information reflects Exxaro Australia Sands' 50% interest in the Tiwest joint venture.*

[4] *Physical information reflects Exxaro's 26% interest in Black Mountain Mining (Pty) Limited from 1 January 2006 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 Sishen Iron Ore Company.*

CHAIRMAN'S STATEMENT

DEENADAYALEN KONAR

"We recognise that to remain competitive and sustainable, it is vital that energy in its broadest context is dealt with as a strategic imperative. This spans every aspect from potential energy shortages and the rising costs of energy to climate change and its related environmental concerns."

IN 2009, GOVERNMENTS AND COMPANIES AROUND THE WORLD FACED THE WORST ECONOMIC RECESSION SINCE THE SECOND WORLD WAR, WITH GDP GROWTH DROPPING SIX PERCENTAGE POINTS FROM 2007 TO NEGATIVE 1,9%. THE NET EFFECT WAS A LOSS OF CONFIDENCE, STRICTER CREDIT CRITERIA, DECLINING DEMAND, REDUCED SPENDING AND INVESTMENT, DECLINING PROPERTY PRICES AND SIGNIFICANT JOB LOSSES WORLDWIDE.

Although experts initially thought the South African economy would weather the storm better than most, GDP growth tumbled over five percentage points. The domestic situation was compounded by steep increases in electricity tariffs and a rand that strengthened against the US dollar from 9,97 in the first quarter to 7,50 in the fourth.

The global economic downturn initially only had a minor impact on Exxaro and cost-savings initiatives early in the year were sufficient to brace us for the difficult times we anticipated. But a combination of external factors since September had a significant impact on Exxaro's cash flow and we had to re-evaluate the group's strategy by reviewing all projects, commodities and businesses.

Against this background, Exxaro's results for the year are commendable, with revenue rising 8% despite sharply lower demand and prices for its key commodities. The group-wide initiative to reduce costs resulted in savings of R750 million, while the thorough business review – detailed by our chief executive officer – has positioned the group to better manage prevailing economic conditions and resume its growth trajectory when markets improve.

Focus on energy and climate change

At the recent climate conference in Copenhagen, the UN weather agency noted that this decade is on track to be the warmest since records began in 1850, with 2009 possibly ranking among the five hottest years. As global understanding of climate change, its associated risks and opportunities continues to develop, investors are increasingly demanding more advanced corporate disclosure on carbon performance.

We recognise that to remain competitive and sustainable, it is vital that energy in its broadest context is dealt with as a strategic imperative. This spans every aspect from potential energy shortages and the rising costs of energy to climate change and its related environmental concerns. Our multi-faceted approach to energy is detailed on page 102.

In February 2010, Exxaro's energy and carbon management programme was formally approved and the group recommitted to saving 10% on energy efficiency and carbon emissions by 2012. This pledge was communicated to each business unit, and the savings target is being incorporated into the relevant senior management performance criteria. It will also be included in the annual business planning process.

Mining charter review and codes of good practice

The profile of mining in South Africa's industrial and commercial domain was particularly relevant in a year targeted for a review of the mining charter. The charter, a product of tripartite collaboration implemented in 2004, is the template by which mining industry transformation is measured.

As a member of the Chamber of Mines, Exxaro fully supports the work the chamber is undertaking, both in preparing for the charter review process and to achieve the policy objectives of government's medium-term strategic framework.

The work that has been done by the chamber to date confirms the intuitive understanding that competitiveness, transformation and sustainability cannot be independent goals. An industry that is not competitive in the global marketplace – no matter how zealous the commitment – will lack the essential capacity to reach transformation benchmarks. Nor will it be able to support the performance drivers underpinning international principles of sustainability.

Exxaro has met most of the key targets set for 2009 in the existing mining charter (page 126). Targets in the codes of good practice have been incorporated into our overall approach to sustainability and the relevant business plans.

Sustainable development

Exxaro takes its role as a leading and concerned corporate citizen seriously and is firmly committed to advancing the principles and practice of sustainable development.

Given the medium-term growth momentum in our business, we continue to make substantial investments. Also essential to our future growth and sustainability is our ability to address the social and

EXXARO HAS A NUMBER OF INITIATIVES UNDER WAY TO DEVELOP SKILLS, RAISE LITERACY LEVELS AMONG OUR OWN PEOPLE AND THOSE FROM OUR COMMUNITIES AND BUILD A POOL OF EXPERTISE THAT WILL TAKE SOUTH AFRICA INTO THE FUTURE.

environmental issues that affect the health and prosperity of the communities in which we operate.

One of Exxaro's core values is honest responsibility. By extension, this responsibility covers our role as a corporate citizen, custodian of our environmental resources and the ethical code that guides our business practices. At every level, and in every business, Exxaro's people are accountable for their actions.

We are working towards entrenching the Exxaro brand as one that includes a strong sustainable development element. Admittedly, this is an ambitious target, given its multi-faceted dimensions, but we have made significant progress. We believe that sustainable development gives us our licence to operate and our commitment is therefore both a business and social imperative.

While the concept of sustainability is interwoven throughout our business operations, we present a separate section in this report to give interested stakeholders a full understanding of our initiatives.

Exxaro has long measured itself against global best practices. We have used the guidelines of the Global Reporting Initiative (GRI) since 2004 and, in 2008, declared our sustainability report as a B+ level of application, in terms of GRI standards. This was externally verified, as it is again in 2009 (page 131).

Among other international protocols to which Exxaro subscribes, we are a signatory to the United Nations Global Compact which binds member companies and countries to a common universal code of conduct (page 89).

Skills development

The economic climate of 2009 masked the impact of skills shortages in South Africa, given lower activity levels across the board. However, recent reports have estimated that the national artisan shortage might require public and private-sector funding of R9 billion to address.

A specific survey into the skills shortage in the mining industry estimated the shortfall at 50 000, particularly well-qualified, competent and experienced artisans. The industry trained about 1 800 artisans last year, over one third of these in Exxaro initiatives.

At present, mining is the only industry exceeding its artisan training target, but given the low pass rate, more than twice as many artisans need to be trained each year to close the 50 000 shortfall noted above.

In addition, the Mining Qualifications Authority reports that nearly two thirds of the local mining workforce are still illiterate, despite adult basic education and training (ABET) programmes being introduced 20 years ago.

Exxaro has a number of initiatives under way to develop skills, raise literacy levels among our own people and those from our communities and build a pool of expertise that will take South Africa into the future. In 2009, Exxaro had 361 artisans and learners completing various courses (page 117).

Corporate governance

In 2010, the recommendations of the third King report on corporate governance in South Africa (King III) becomes effective. King III requires very little change to the way Exxaro conducts its business and those areas where we do not comply will be addressed.

Good governance is the foundation of an ethical approach to business. The board continued its focus on promoting the high standards of conduct we expect of our employees around the group, recognising that actions speak louder than words.

One of the principal areas of non-compliance with King II was addressed shortly after year end when I was appointed independent non-executive chairman of the Exxaro group.

Also in the current year, the Companies Act No 71 of 2008 is expected to come into effect. Although this was signed into law on 8 April 2009, the effective date is now expected to be October 2010. Again, Exxaro will address the few areas required to comply with the new act.

Directorate

Mr Philip Baum resigned on 15 July 2009 and Mr Chris Griffith was appointed in his stead. Ms Simangele Mngomezulu resigned with effect from 21 December 2009. Ms Noluthando Langeni was appointed to the board in her stead with effect from 23 February 2010.

I thank these directors for their contribution to the board.

Having served as acting chairman since 2006, and as an independent non-executive director for a number of years, I was elected as chairman of the board with effect from 23 February 2010.

Dividend

The board of directors declared a final cash dividend of 100 cents per share, taking the total dividend for 2009 to 200 cents per share.

Appreciation

Exxaro is home to some of the most formidable mining teams in the South African industry. Under the capable leadership of Sipho Nkosi and his executive management, the group has proved its mettle in a most challenging year. On behalf of the board, I thank every one of the people in this group for the passion and energy they bring to Exxaro's continued growth and development. I also thank my fellow directors for their ongoing support and counsel, and invaluable contribution in upholding the highest standards of corporate governance.

Much has been achieved in the three years since Exxaro was formed and the board is confident that much more will be achieved in years to come. We will continue to benefit from the strength of our operational capacity and investment for growth.

I look forward to being part of Exxaro's ongoing success, confident that we will continue creating value for all stakeholders.

Dr Len Konar
Chairman

16 March 2010

CHIEF EXECUTIVE OFFICER'S REVIEW

SIPHO NKOSI

"Currently our strategic intent is to achieve operational excellence as a diversified, and low-cost, resources business which includes streamlining management and cost structures, maximising cash flow and ensuring availability of sustaining and environmental capital."

THE 12 MONTHS TO 31 DECEMBER 2009 – ONLY EXXARO'S THIRD YEAR AS A LISTED, EMPOWERED RESOURCES GROUP – WILL LONG BE REMEMBERED FOR THE SHEER SCALE OF THE GLOBAL ECONOMIC MELTDOWN. FOR EXXARO, THE FIRST SIX MONTHS REFLECTED THE EFFORT PUT INTO MANAGING THIS DOWNTURN AND ITS KNOCK-ON EFFECT ON COMMODITY PRICES AND SUPPLY/DEMAND BALANCES, WITH COMMENDABLE INCREASES IN REVENUE, NET OPERATING PROFIT AND HEADLINE EARNINGS PER SHARE.

In the second six months, some excellent operating performances were offset by external factors, principally the stronger rand exchange rate and a sizeable increase in electricity tariffs.

Strategy

As depicted on the inside front cover, our strategic focus areas are to:

- Achieve operational excellence
- Improve Exxaro's portfolio
- Ensure Exxaro's sustainability
- Protect and build Exxaro's reputation
- Develop Exxaro's people and leadership.

Currently our strategic intent is to achieve operational excellence as a diversified, and low-cost, resources business which includes streamlining management and cost structures, maximising cash flow and ensuring availability of sustaining and environmental capital.

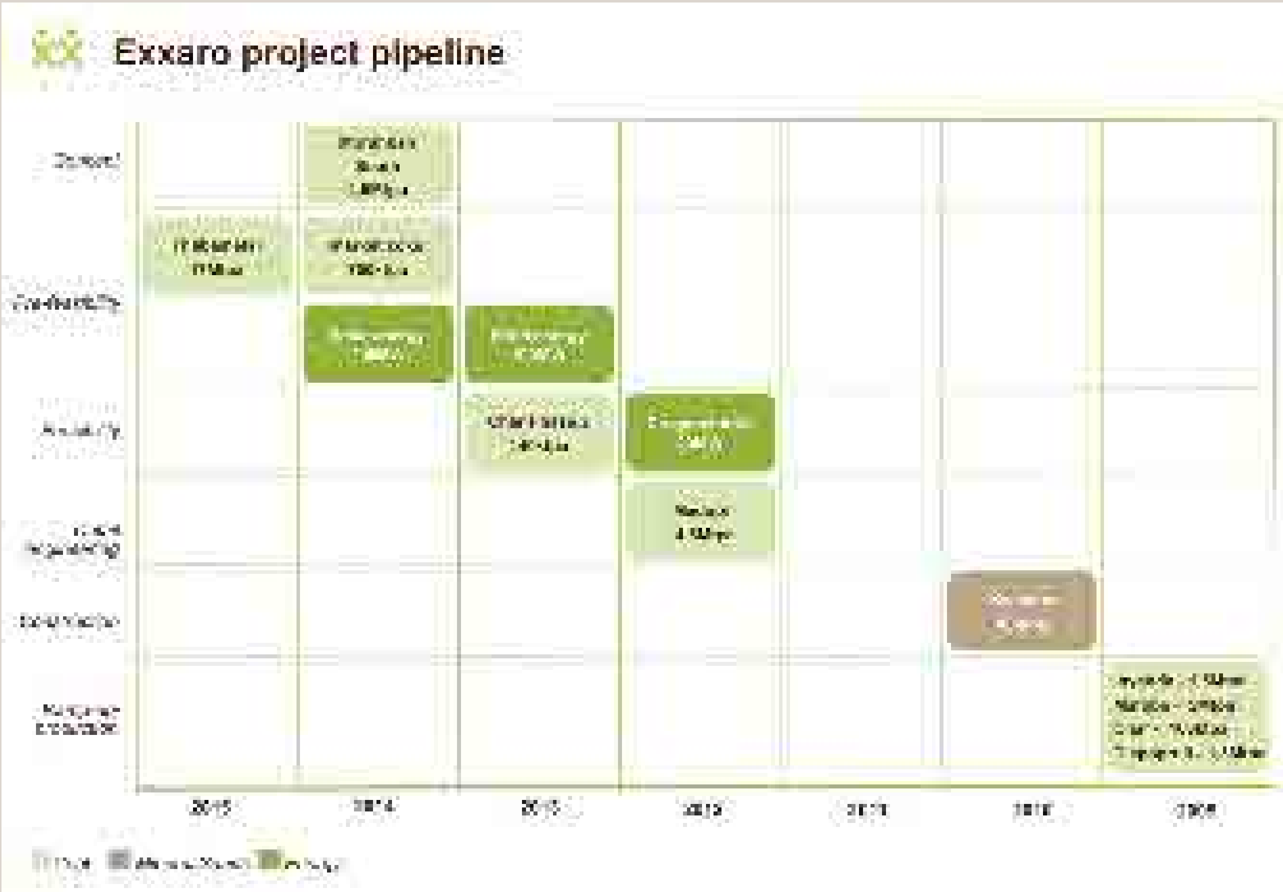
A prioritised commodity strategy is geared to improve Exxaro's portfolio. This is in response to the current economic climate and the need to align existing resources and cost structures to best position the business to release optimal value for all stakeholders. Accordingly, the following developments are taking place:

- An intensified focus has been placed on our carbon-related project pipeline. This encompasses the development of mega mines in the Waterberg such as the Grootegeluk mine brownfields expansion to supply Eskom's new Medupi power station, the Thabametsi greenfields development to supply independent power producers, the Mafutha coal-to-liquid joint venture with Sasol, as well as the Moranbah South joint venture with Anglo Coal in Australia.
- We will strive to increase our coal export allocation and volumes to the metal markets, and develop downstream products such as char and market coke in line with the government's drive to add value to natural resources through beneficiation.
- We believe the fundamentals of iron ore are positive in the longer term, we have expertise and experience in mining bulk ore commodities, and therefore we are considering ways to increase our footprint in this commodity.
- A review of the existing business portfolio and growth pipeline has led to:
  - A programme to reconfigure the group's zinc assets and ultimately divest from these to enable maximum value release for all stakeholders. The zinc assets account for some 2% of the group's net assets and 10% of revenue. The current portfolio of zinc assets is shown on page 4. We will not make further investments in the zinc commodity.
  - A decision not to proceed with the planned development of the Fairbreeze mineral sands mine in KwaZulu-Natal. Exxaro will accordingly plan for closure of the KZN Sands operations during the next five years while, in parallel, investigating feedstock alternatives and the continuation of the business should market conditions improve substantially.
- In the light of the southern African energy shortages, we have various energy efficiency initiatives under way (page 102). Also, while we have a major focus on supplying the coal-fired power generation industry, as a responsible business we are evaluating and developing a growth pipeline of environmentally-friendly renewable energy projects in the wind, solar and co-generation arenas. Opportunities to supply independent power producers are also being examined. A funding strategy that includes potential partners is being developed to service the energy growth pipeline.

We believe these measures provide a balance between our commodity and project portfolios and our longer-term growth aspirations. Our ongoing review of the business with particular emphasis on cost and balance sheet structures will ensure we remain optimally positioned to meet all stakeholder expectations.

While our growth projects are detailed later, it is pertinent for me to comment on these here. Exxaro plans to spend about R28 billion between now and 2018 on developments in the resource-rich Waterberg coal basin in Limpopo

"EXXARO PLANS TO SPEND ABOUT R28 BILLION BETWEEN NOW AND 2018 ON DEVELOPMENTS IN THE RESOURCE-RICH WATERBERG COAL BASIN IN LIMPOPO ALONE, AS WE AIM TO BECOME THE LARGEST COAL PRODUCER IN SOUTH AFRICA (CURRENTLY FOURTH) IN THE NEXT FEW YEARS."



alone, as we aim to become the largest coal producer in South Africa (currently fourth) in the next few years. We have a unique advantage because Exxaro is the only company with a coal mine in the field – the massive and efficient Grootegeluk open-pit mine. Additionally, our deposits are in a shallow area and therefore more cost effective to mine. The Waterberg is the undisputed future of the coal industry and thus South Africa's power supply, and central to our growth strategy.

Exxaro's planned projects in the Waterberg between now and 2018 are detailed in the Growth report on page 49.

The commodity portfolio review announced in December 2009 noted our intention to explore opportunities in the energy markets. Clean energy initiatives encompassing co-generation, carbon credit trading, and renewable energy (wind and solar projects) are also progressing well.

Safety

The first two CEO Safety Summits took place, in February and October, and will become bi-annual events to keep employees focused on safety always, all the way (page 91).

The safety of our employees has never been more of a priority than it was in 2009, with the group rallying stakeholders to focus on ways of achieving a zero-harm environment.

Tragically, an explosion in the maintenance contractors' storage area near the Zincor refinery plant in September 2009 resulted in the deaths of three contractors and injuries to 12 others. Our deepest condolences go to the families, friends and colleagues involved.

Incidents like these regrettably remind us that we still have much to achieve to reach our safety target of zero harm. The overall safety performance for the year was better than 2008, while the average lost-time injury frequency rate (LTIFR) per 200 000 man-hours worked improved by 15% to 0,33, compared to the target of 0,21 and 2008's actual performance of 0,39.

The year in review

During 2009, Exxaro achieved many of its goals, honing its strategy for the journey ahead, and putting systems in place to guide operations into the future. New sites began producing, employees were recognised for their innovation and commitment to the group, and each of the operations contributed significantly to the communities in which they are based.

During the year, we also concentrated on employees' total wellbeing. Apart from the focus on heart health – South Africa's biggest cause of illness and death – we trained over 200 HIV/Aids peer educators and rolled out a new HIV/Aids initiative, the ACT programme (page 95).

Highlights

- Several new projects ramped up, including the Diepspruit shaft at New Clydesdale, and the char plant at Grootegeluk (page 40). Expansion of the Tiwest Kwinana plant is also under way.
- The R9,5 billion expansion of Grootegeluk mine to supply Eskom's new Medupi power station, currently under construction. An estimated 2 000 contractor jobs are being created during the mine's expansion phase, with a further 7 000 jobs involved in constructing the power station. A significant number of permanent jobs will be created once the mine and power station come on stream.
- Several operations achieved new safety records, including Namakwa Sands, Grootegeluk, Rosh Pinah, Arnot, Zincor, and North Block Complex. Arnot, New Clydesdale, Matla and Namakwa Sands launched safety awareness initiatives.
- Thirteen business units are now ISO 14001 and OHSAS 18001 certified. The remaining four business units have programmes in place to be certified by the end of 2010. Notably, our AlloyStream pilot plant received the highest score of all companies in 27 countries participating in the ISO 14001 audit in 2009.
- A group-wide cost-reduction initiative produced operational cost savings of R750 million.
- FerroAlloys has developed ultra-high dense medium separation technology that increases the density at which beneficiation plants can operate (processing iron ore is challenging as conventional beneficiation plants can only treat high-grade ore and large quantities of iron ore are therefore rejected). If plants can process lower density ore, it will allow iron ore mines to exploit low-grade ore bodies such as waste dumps. The technology is currently being tested in a pilot plant.

- Hot commissioning of the char plant at Grootegeluk began in June 2009 with full production by December 2009 – part of our long-term strategy to grow with the ferrochrome industry.
- Exxaro's Evergreen awards are the platform for our people to make a difference. Apart from recognising ongoing personal development, we encourage innovation in production methods, creativity in safety systems and structures, and the study of the environment. This outstanding performance from employees who have remained loyal and passionate about Exxaro and what we do, even in the current difficult times, underscores the progress we have made since our inception just three years ago. A new category has been added to the Evergreen awards to recognise achievements in addressing the challenges of energy and climate change.
- Exxaro launched its first housing subsidy that assists employees at certain levels to buy their first home.
- Exxaro again participated in the Deloitte *Best company to work for* survey to benchmark the group to the standards of an employer of choice. Deloitte congratulated our group for the significant shift in year-on-year results, with employees noting the improvement in management style, values and culture, HR policies and procedures, job satisfaction, innovation, and change management.

Lowlights

The review period presented other operational and strategic challenges, including:

- In September, three contractors died in a gas explosion at Zincor (page 93).
- In the third quarter, Exxaro received notice that Eskom was reviewing certain commercial terms contained in the Medupi coal supply and offtake agreement signed in September 2008, including the coal price escalation mechanism and coal delivery ramp-up. Pending the outcome of the review process, Exxaro's funding programme was temporarily suspended in December 2009 as was the placement of additional contracts associated with the project. The review process is expected to be concluded in the first quarter of 2010.
- Following the commodity portfolio review discussed earlier, Exxaro withdrew from the Igoda coal export venture with Sasol Mining and divested from the iron ore project in Turkey as it did not meet the group's investment criteria.

Operational overview

All operations delivered commendable production results combined with cost savings and optimisation initiatives. Full details of operational activities are provided on pages 38 to 48 in the business operations review.

Conversion of mining rights

We continue to engage with relevant stakeholders to process registration of new-order mining rights granted, as well as the converted old-order mining rights of the former Kumba Resources Limited. Approval of the conversion of the old-order mining rights of the former Eyesizwe Coal (Pty) Limited submitted in 2008 is awaited.

Appreciation

Exxaro is fortunate to have such exceptional people at every level who draw on the group's collective innovation and expertise in dealing with the issues we face. Our people have an excellent and long-standing track record of rising above tough circumstances to make this an even greater organisation.

My sincerest thanks to Dr Len Konar for his guidance and wise counsel as acting chairman. We look forward to his ongoing contribution as chairman.

Prospects

The rate of recovery from the global recession remains uncertain, despite a number of positive indicators.

Exxaro expects global demand for coal to increase, with demand for local power station coal expected to remain strong. Domestic demand for steam and metallurgical coal is, however, expected to be firmer but remain subdued in 2010. Coal exports may be affected by the availability of rail and port allocation at RBCT.

For the mineral sands commodities, higher production and sales volumes are anticipated at prices which, although still under pressure, are showing signs of recovery.

The base metals business is expected to remain under pressure in 2010 as a global zinc oversupply may result in downward pressure on zinc prices in the second half of 2010, while local demand is expected to remain stable.

Based on current market expectations for iron ore price increases effective from 1 April 2010, coupled with strong demand, the equity accounted contribution from SIOC may have a positive impact on Exxaro's earnings.

The introduction of royalty payments from 1 March 2010 will have a negative impact on the group's operating results, most notably for the coal business.

Overall, the group's consolidated results for 2010 will largely be driven by the recovery in demand and prices for its commodities, as well as by trading levels of the local and Australian currencies. The group will continue with its strong focus on capital prioritisation and working capital management, together with rigorous cost control.

Exxaro has what it takes to continue and grow as a key South African-based resources group. By continuing to choose our operations carefully, and managing these efficiently, we believe the future holds abundant possibilities for Exxaro's shareholders, employees and other stakeholders.

Sipho Nkosi
Chief executive officer

16 March 2010

FINANCIAL REVIEW

WIM DE KLERK

OVERVIEW

8% increase in revenue to R15 billion

Profit affected by R1 435 million impairment at KZN Sands

Currency strength impacted negatively on earnings

Headline earnings of 729 cents per share

Final dividend of 100 cents per share; total dividend of 200 cents per share

Targeted savings realised through optimisation initiatives and prioritising capital expenditure

CALENDAR 2009 PROVED EXXARO'S RESILIENCE IN DIFFICULT GLOBAL ECONOMIC CONDITIONS; SOLID RESULTS WERE REPORTED DESPITE LOWER DEMAND AND SOFTER PRICES FOR A NUMBER OF OUR PRODUCTS AMID A STRENGTHENING LOCAL CURRENCY. THE GROUP'S BALANCE SHEET REMAINS HEALTHY, INTERIM AND FINAL DIVIDENDS WERE DECLARED AND NET DEBT LEVELS REMAIN RELATIVELY LOW AS A FOUNDATION TO SECURE FUNDING FOR A SIGNIFICANT PART OF THE EXCITING GROWTH PIPELINE, MOST NOTABLY IN THE COAL BUSINESS.

Introduction

The group's audited financial results for the 12-month period ended 31 December 2009 include a proportionately consolidated 50% interest in Mafube Coal Mining (Pty) Limited (Mafube) from 1 June 2009 as well as a R1 435 million impairment (the impairment) of the carrying value of the assets of KZN Sands after the decision not to proceed with the development of Fairbreeze mine. The results are therefore not comparable with the corresponding period in 2008 which only includes the acquisition of Namakwa Sands and a 26% interest in Black Mountain Mining (Pty) Limited (Black Mountain) with effect from 1 October and 1 November 2008 respectively.

Fully comparable supplementary results have not been disclosed, however, analysis and comments in this report have been done by excluding the impairment due to the significant distortion it creates on inclusion.

Overview of group operating results

Table 1

	12 months ended 31 December	
R million	**2009**	2008
Revenue	**15 009**	13 843
Operating expenses	**13 270**	11 376
Net operating profit before impairment	**1 739**	2 467
Net operating profit margin (%)	**12**	18

Group revenue increased by 8% to R15 billion, with net operating profit reducing by R728 million to R1 739 million before the impairment.

Export sales were recorded at weaker average exchange rates than in 2008. However, realised currency losses were incurred as foreign currency proceeds on export sales were repatriated at stronger exchange rate levels. Unrealised foreign currency losses were also incurred on revaluing monetary items in foreign currency at 31 December 2009.

The coal business reported lower net operating profit as an increase in revenue, mainly due to higher export and local power station sales volumes, was more than offset by lower international coal prices and above-inflation increases in the cost of electricity, rail tariffs and labour costs, as well as realised and unrealised foreign currency losses.

All three units in the mineral sands business reported operating losses on the back of lower demand for their products at generally softer prices. The two local operations, KZN Sands and Namakwa Sands, were also impacted by realised and unrealised foreign currency losses while the Australia Sands operation was affected by the Australian dollar (AUD) persisting at strong levels against the US dollar (USD).

Lower realised zinc prices and lower demand for products resulted in the base metals business recording a small net operating loss.

Segmental results

Segmental results are shown in tables 2 and 3

Table 2

R million	12 months ended 31 December 2009	2008
Revenue		
Coal	**9 731**	9 040
Tied operations[1]	**2 681**	2 492
Commercial operations	**7 050**	6 548
Mineral sands	**3 508**	2 776
KZN Sands	**705**	974
Namakwa Sands[2]	**1 334**	491
Australia Sands	**1 469**	1 311
Base metals	**1 582**	1 829
Rosh Pinah	**566**	436
Zincor	**1 413**	1 733
Inter-segmental	**(397)**	(340)
Other	**188**	198
Total	**15 009**	13 843

Table 3

Net operating profit excluding the impairment (Rm)/margin (%)	12 months ended 31 December 2009	%	2008	%
Coal	**1 905**	**20**	2 654	29
Tied operations[1]	**75**	**3**	83	3
Commercial operations	**1 830**	**26**	2 571	39
Mineral sands	**(124)**		104	4
KZN Sands	**(12)**		31	3
Namakwa Sands[2]	**(110)**		155	32
Australia Sands	**(2)**		(82)	
Base metals	**(8)**		(172)	
Rosh Pinah	**105**	**19**	(14)	
Zincor	**(47)**		(95)	
Other	**(66)**		(63)	
Other	**(34)**		(119)	
Total net operating profit	**1 739**	**12**	2 467	18
Non-cash costs	**1 224**		976	
Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA)	**2 963**	**20**	3 443	25

[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] *Revenue and net operating profit included from the effective date of acquisition of 1 October 2008.*

Coal

Revenue increased by 8% to R9 731 million as higher export volumes, combined with increased domestic power station coal sales at higher prices, were partially offset by lower domestic metallurgical and steam coal sales and lower export prices realised.

Despite higher revenue, net operating profit decreased by 28% to R1 905 million, at an operating margin of 20%, as above-inflation increases in electricity, rail tariffs and labour increased the cost of sales. Costs were further impacted by realised and unrealised exchange rate losses and an increase in exploration expenditure for the Moranbah South project in Australia.

The net operating profit from the tied operations was slightly down year-on-year as the environmental rehabilitation provision was reduced after extending the life-of-mine at Matla mine.

Mineral sands

KZN Sands

Despite the increased production, revenue reduced by R269 million to R705 million as lower sales volumes of zircon, pig iron and chloride slag were recorded at softer prices.

The net operating loss of R12 million before the impairment was R43 million worse than the corresponding period as lower revenue combined with realised and unrealised foreign currency losses were only partially offset by improvements in production efficiencies and cost savings.

Namakwa Sands

Net operating profit for only three months in 2008 of R155 million was followed by a loss in the 2009 financial year of R110 million. Softer prices, albeit at a marginally weaker local currency, realised and unrealised exchange rate losses, and the R55 million derecognition of the preheaters due to their deteriorated condition, all added to the weaker financial results.

Australia Sands

Revenue increased 12% to R1 469 million while net operating results improved from a loss of R82 million in 2008 to a loss of R2 million in 2009. This was achieved on the back of a much stronger production performance, higher pigment sales and higher average prices for both mineral and pigment products at a realised rate of USD0,79 to the AUD compared with USD0,84 in 2008.

Base metals

Revenue for the 12 months to 31 December 2009 decreased by 14% mainly as a result of the lower average realised US dollar zinc price. The average zinc price for 2009 of USD1 658 is 12% lower than in 2008 and was only partially offset by the slightly weaker local currency.

A turnaround from a net operating loss in 2008 of R172 million to a loss of R8 million was reported due to cost-saving initiatives implemented as well as the upward revaluation of inventories at the Zincor refinery at year end. The impact of above-inflation increases in electricity and maintenance expenses is, however, still being felt.

Other

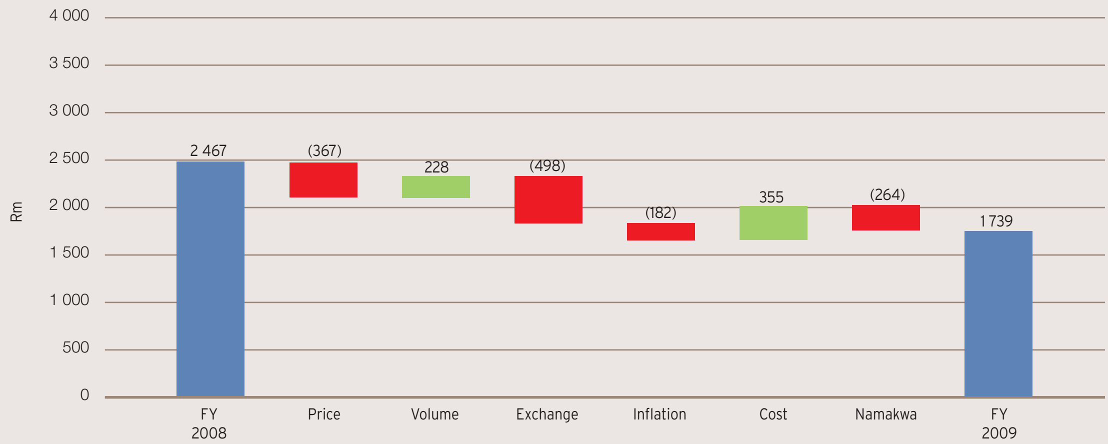
Production volumes at the FerroAlloys plant were slightly higher while Glen Douglas production volumes were lower due to unplanned plant stoppages. Sales volumes were lower at both Glen Douglas and FerroAlloys.

Revenue for 2009 decreased marginally compared to the previous year due to lower demand and selling prices.

Consolidated

The following graph reconciles net operating profit for 2008 to the R1 739 million reported for 2009:

Net operating profit: FY08 vs FY09 (unaudited)



**Excluding impairment of R1 435 million at KZN Sands*

Coal	2 654	(464)	369	(260)	(41)	(353)		1 905
Mineral Sands	104	61	(183)	(132)	(72)	362	(264)	(124)
Base Metals	(172)	36	46	(77)	(54)	213		(8)
Other	(119)		(4)	(29)	(15)	133		(34)
Total	2 467	(367)	228	(498)	(182)	355	(264)	1 739

Attributable earnings

Table 4

R million	12 months ended 31 December **2009**	2008
Net operating profit excluding the impairment	**1 739**	2 467
Income from investments	**2**	2
Net financing cost	**(415)**	(241)
Equity-accounted income – net of tax	**1 898**	1 663
Taxation	**(766)**	(510)
Minority interest		24
Attributable earnings excluding the impairment	**2 458**	3 405
Weighted average number of shares	**345**	343
Attributable earnings (cents per share)	**712**	993

Attributable earnings for the period, excluding the impairment, were R2 458 million (712 cents per share). This is significantly lower than the comparable 2008 attributable earnings of R3 405 million (993 cents per share) primarily due to lower operating results. Attributable earnings include Exxaro's 20% share of the after-tax profits of Sishen Iron Ore Company (Pty) Limited (SIOC) amounting to R1 762 million, a contribution of R13 million from the effective 22% interest in the Chifeng zinc refinery and an equity-accounted profit of R123 million from the 26% interest in Black Mountain.

The impairment of the carrying value of the assets at KZN Sands resulted in Exxaro recording a number of deferred tax asset write-downs to reflect the group's assessment of the likelihood of having sufficient future taxable income. In order to eliminate the distortion caused by posting the required deferred tax write downs, attributable earnings should, for information purposes only, be determined using a normalised effective tax rate of 28% as shown below.

	12 months ended 31 December	
R million	**2009**	2008
Net operating profit excluding the impairment	**1 739**	2 467
Income from investments	**2**	2
Net finance cost	**(415)**	(241)
Equity-accounted income – net of tax	**1 898**	1 663
Taxation	**(371)**	(510)
Minority interest		24
Attributable earnings for information purposes	**2 853**	3 405
Weighted average number of shares	**345**	343
Attributable earnings (cents per share) for information purposes	**827**	993

Net financing costs

An analysis of the composition of the net financing cost was:

	12 months ended 31 December	
R million	**2009**	2008
Interest expense and loan costs	**460**	283
Finance lease	**66**	63
Interest income	**(145)**	(153)
	381	193
Interest adjustment on non-current provisions	**34**	48
Total	**415**	241

The higher interest expense is due to higher debt levels after the acquisition of Namakwa Sands and a 26% interest in Black Mountain in the last quarter of 2008 as well as payment for the 50% joint venture interest in Mafube in July 2009.

The interest adjustment on non-current provisions refers to unwinding of the discount rate for environmental rehabilitation provisions accounted for at net present value.

Income from equity-accounted investments – post tax

Table 5

R million	12 months ended 31 December 2009	2008
SIOC	**1 762**	1 856
Chifeng	**13**	(4)
Black Mountain	**123**	(189)
Total	**1 898**	1 663

The results of SIOC are fully reported by Kumba Iron Ore Limited in its financial results to 31 December 2009.

Production at the Chifeng refinery was in line with 2008. Equity-accounted income from this operation improved by R17 million to R13 million mainly due to reduced production costs as well as lower rates of environmental duties paid.

Exxaro's 26% share in Black Mountain, acquired in the last quarter of 2008, contributed R123 million to equity income due mainly to increased sales volumes.

Taxation

Due to the required deferred taxation asset write-downs subsequent to the impairment, the effective tax rate as disclosed is not meaningful.

A reconciliation of the tax rate reflects the following:

	Percentage (%)
› **Effective tax rate** including the impairment	**42,8**
› **Tax effect of:**	
– Share of associates and joint ventures	29,6
– Derecognition of deferred tax assets	(46,0)
– Exempt income and special tax allowances	4,3
– Assessed losses not provided for	(1,5)
– Capital losses	(1,3)
– Disallowable expenditure	(1,3)
– Other	1,4
› **Corporate tax rate**	**28,0**

Headline earnings

Headline earnings, which exclude the impact of the impairment of the carrying value of assets in KZN Sands, were R2 514 million (729 cents per share), which is 31% lower than the R3 630 million (1 058 cents per share) in 2008.

Headline earnings

Table 6

R million	12 months ended 31 December 2009	2008
Attributable earnings excluding the impairment	**2 458**	3 405
Net impairment of property, plant and equipment (PPE)		20
Share of associates' impairments and adjustments	**(8)**	167
Gains or losses on disposal of PPE and subsidiaries	**88**	59
Taxation effect of adjustments	**(24)**	(21)
Headline earnings	**2 514**	3 630
Headline earnings per share	**729**	1 058

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 may, however, be lower to adequately provide for funding the current growth pipeline of projects, comply with contractually agreed loan covenants, and maintain healthy key financial metrics.

While Exxaro was affected by the global recession, the group continued with both its interim and final dividend declarations in 2009.

Due cognisance was however taken of the uncertainty of the global economic recovery, Exxaro's capital risk profile as well as a prudent focus on cash flow preservation.

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
30 June 2009	**100**	**356**	**356**	**19 August 2009**	**28 September 2009**
31 December 2009	**100**	**357**	**357**	**24 February 2010**	**19 April 2010**

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

Total dividends declared for the 2009 financial year of R713 million equate to a dividend covered 3.5 times by attributable earnings and are paid or payable to the shareholders as follows:

	Total Rm	Final Rm	Interim Rm
Gross dividend declared	**713**	357	356
BEE Holdco	**372**	186	186
Public	**249**	125	124
Anglo American	**70**	35	35
Exxaro empowerment scheme (Mpower)	**22**	11	11

Cash flow

Table 7

R million	12 months ended 31 December 2009	2008
Net cash retained from operations	**2 117**	3 574
Net financing cost, taxation and dividends	**(2 323)**	(1 664)
Cash used in investing activities		
New capacity	**(990)**	(470)
Sustaining and environmental capital	**(992)**	(1 147)
Acquisition of investments and operations	**(1 090)**	(3 157)
Dividends received	**1 754**	1 044
Proceeds on sale of non-core assets and investments	**11**	29
Other	**(107)**	(55)
Cash (outflow)	**(1 620)**	(1 846)
Share issue	**43**	31
Other movements in net debt	**227**	(83)
(Increase) in net debt	**(1 350)**	(1 898)

Cash retained from operations was R2 117 million. This was primarily used to fund net financing charges of R381 million, taxation payments of R892 million, dividend payments of R1 050 million and capital expenditure of R1 982 million, of which R990 million was invested in new capacity and R992 million applied to sustaining and environmental capital. After the receipt of R1 754 million in dividends, primarily from SIOC, and the R1 082 million outflow to finalise the acquisition of the 50% interest in Mafube, the group had a net cash outflow of R1 620 million for the financial year.

Net debt of R2 381 million at 31 December 2008 accordingly increased to R3 731 million at a net debt to equity ratio of 29% at 31 December 2009.

Debt structure and financial covenants

Compliance with the group's financial loan covenants with its external financiers is shown below:

Table 8

	Ratio	Covenants
Net debt to equity (%)	29	<125
EBITDA interest cover (times)	8	>4
HDSCR[1]	1,30	>1,3
CHDSCR[2]	2,06	>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.*

Debt structure

The group's debt structure at 31 December 2009 is:

Table 9

R million	Drawn	Available	Repayment profile	
Long term	**4 754**	736	407	2010
Corporate	**4 144**	555	827	2011
Australia Sands	**610**	181	723	2012
			1 886	2013
			911	After 2013
Cash and cash equivalents	**(1 023)**			
Net debt	**3 731**		4 754	
Short-term standby facilities		1 300		

The final dividend for payment in April 2010 will amount to a further cash outflow of R357 million offset by dividend inflow from SIOC of approximately R600 million.

Organisational structure

The acquisition of the 50% interest in the Mafube joint venture was completed with effect from 1 June 2009 followed by payment of R1 082 million being made in July 2009.

Following the commodity portfolio review detailed by the chief executive officer, Exxaro plans to reconfigure its zinc assets to ultimately divest from them in an optimal manner. The portfolio of zinc assets includes the Zincor refinery in Springs, Gauteng, a 50,04% interest in the Rosh Pinah zinc and lead mine in Namibia, a 26% interest in Black Mountain which owns the Black Mountain zinc and lead mine and the Gamsberg zinc project in the Northern Cape, and an effective 22% interest in the Chifeng zinc smelter in China.

The sale of Glen Douglas Dolomite (Pty) Limited remains imminent.

The final evaluation of the iron ore project in Turkey concluded that it did not meet the group's investment criteria and a decision was made to divest from the project.

A total of 60% of Rosh Pinah's projected zinc and lead concentrate sales are hedged to December 2011 at average forward prices ranging from USD2 216 to USD2 061 for zinc and USD1 967 to USD1 713 for lead.

A detail of the hedging in place is as follows:

Table 10

	Year	Tonnes hedged	Average USD price	Average ZAR price
Zinc				
	2010	26 400	2 216	19 944
	2011	26 700	2 061	19 976
		53 100	2 139	19 960
Lead				
	2010	5 172	1 713	15 690
	2011	5 500	1 967	19 065
		10 672	1 840	17 378

Capital expenditure

As announced on 1 December 2009, Exxaro reviewed its commodity portfolio and growth pipeline against the background of the prevailing economic climate to align resources with a commodity strategy best positioned to release optimal value for all stakeholders.

Table 11 compares capital expenditure for the 12-month periods ended 31 December 2009 and 2008 together with an estimate for the 2010 financial year.

Investment on expansion of the Grootegeluk mine at a revised capital cost of R9,5 billion over the next few years to supply Eskom's adjacent Medupi power station, and the AUD118 million Tiwest Kwinana pigment expansion project for an additional 40ktpa production, has to date, and will continue to dominate cash outflows on capital expenditure in 2010 and beyond. Sustaining and environmental capital in 2010 includes replacement of primary mining equipment at the coal operations.

Capital expenditure

Table 11

R million	Financial year 2010 Estimate	12 months ended 31 December 2009	2008
Sustaining and environmental	1 445	**992**	1 147
Expansion			
Coal[1]	1 513	**492**	337
Mineral sands	187	**486**	104
Base metals	8	**12**	26
Other			3
Total	3 153	**1 982**	1 617

[1] *Includes capital expenditure on the Grootegeluk mine for Eskom's Medupi power station in FY10 of R1 314 million, excluding capitalised interest.*

Acknowledgements

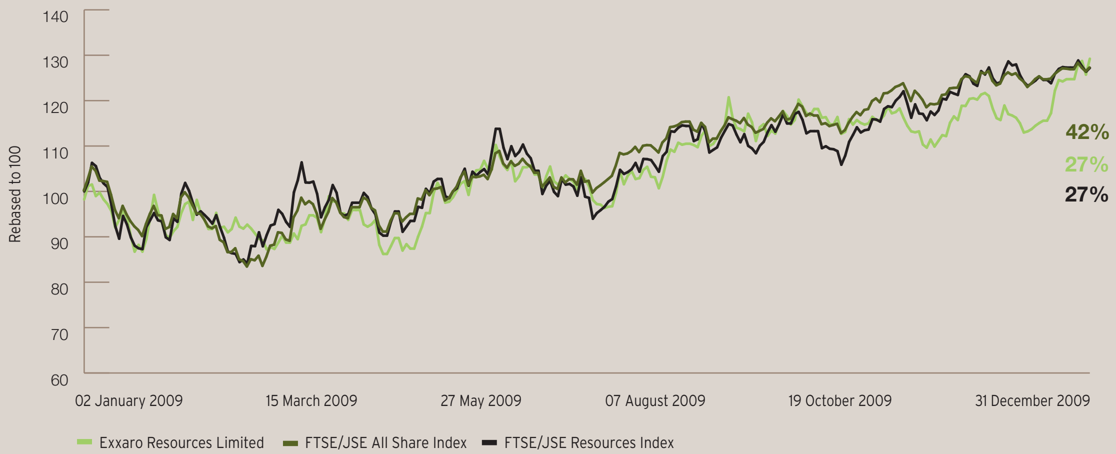
I express my sincere appreciation to the previous finance director, Dirk van Staden, for the solid platform from which I was able to operate and build, as well as to the very competent Exxaro finance teams for their continued commitment, dedication, and valuable contributions.

Wim de Klerk

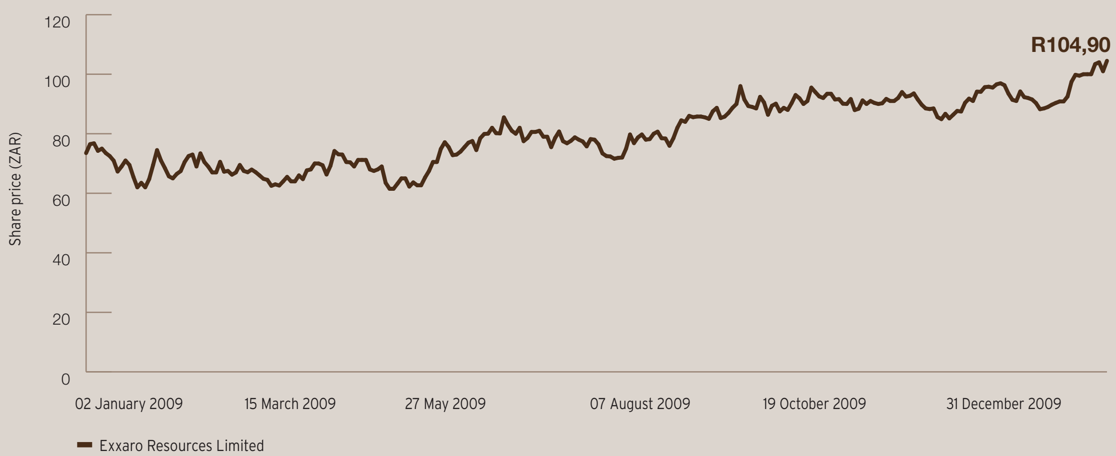
Finance director

16 March 2010

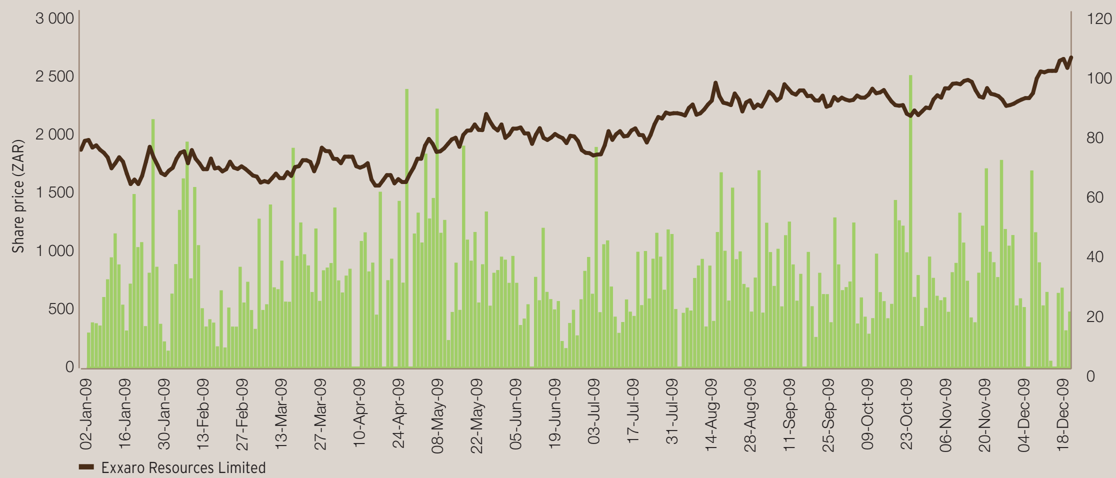
Relative performance for the period 1 January 2009 to 31 December 2009



Share price performance for the period 1 January 2009 to 31 December 2009



Share price volumes traded for the period 1 January 2009 to 31 December 2009



MACRO-ECONOMIC AND COMMODITY REVIEW

In 2009, the world found itself in the worst economic recession since the Second World War, with GDP growth falling to a negative 1,9% after the 4,0% and 1,9% expansion in 2007 and 2008 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 resulted in a loss of confidence, tight credit, declining demand, reduced spending and investment, declining property prices and significant job losses worldwide.

The impact of the recession was felt most acutely in the advanced economies of the world, despite unprecedented fiscal and monetary stimulus measures instituted by governments to ameliorate the consequences of the credit crisis. USA GDP declined by 2,4% in 2009 and those of Western Europe and Japan by 4,0% and 5,1%, respectively. As a whole, economic output in the advanced economies of the world declined by 3,3% in 2009.

During the fourth quarter of 2009, the world economy started emerging from the recession that had started in the same period a year earlier. In this quarter the year-on-year decline in economic activity of advanced economies was only 0,7%, compared to 4,6% in the first quarter. It is expected that positive growth will be recorded from the first quarter of 2010, with most major developed economies participating in this turnaround. However, recovery will be slow – economic growth of about 2,0% is expected in this economic grouping in 2010.

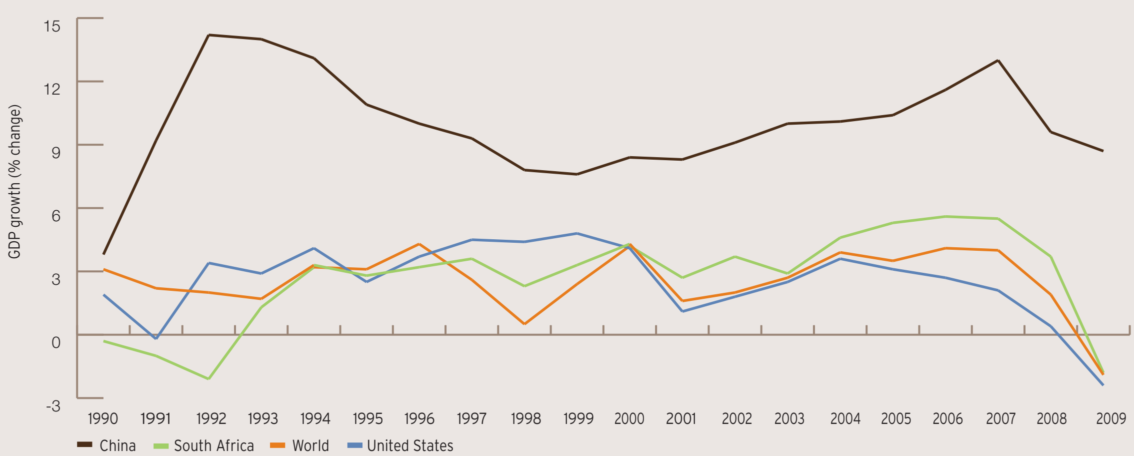
Although not impervious to conditions in advanced economies, emerging economies fared significantly better in 2009. China and India did particularly well, with the latter recording a GDP growth rate of 6,8% in 2009. The emerging economies as a group achieved 1,2% GDP expansion in 2009, compared to 5,8% in 2008 – growth in these countries is expected to improve to 5,7% in 2010.

Commodity demand depended increasingly on economic growth in China and, to a lesser extent, other emerging economies in 2009. Expansion in China slowed only from 9,6% in 2008 to 8,7% in 2009, mainly from decreasing international trade. In line with developed countries, China also injected massive stimulus into the economy in the form of fiscal, monetary and fixed investment measures to arrest the decline in economic activity. These measures proved very effective, with GDP growth accelerating from 6,2% in the first quarter of 2009 to 10,7% in the fourth. GDP growth in 2010 is expected to increase to an average of 10,1%.

In the world as a whole economic growth is forecast to recover to 3,2% in 2010, compared to a trend growth rate of 3,5% to 4,0% in the period preceding the recession.

The key risks to the global economy in 2010 are viewed as further weakness

Comparative GDP growth rates



Source: Global Insight

in consumer demand due to high unemployment, premature tightening of fiscal and monetary policy, a sharp rise in oil and other commodity prices, and further failures of large financial institutions. At the same time, the impact of stimulus measures will start waning. A combination of some of these factors could cause renewed negative global growth, leading to a w-shaped growth profile. The latter prospect is viewed as an uncomfortably high risk by many analysts. The possibility that pervasively low short-term interest rates could lead to the development of more asset bubbles, particularly in emerging economies, is also viewed as a risk.

Although experts initially thought the South African economy would weather the storm better than most, this expectation proved illusory as GDP growth tumbled to a negative 2% in 2009 from 3,7% a year earlier, lagging the world economic downturn by about three months. On a quarterly basis, year-on-year growth declined from negative 0,7% in the first quarter of 2009 to negative 2,2% in the third, before the rate of decline eased to some 1,4% in the fourth quarter. GDP growth is expected to recover to 2,5% in 2010, depending on, and in line with, conditions in the rest of the world.

South Africa's average annual consumer price inflation declined to 7,1% in 2009 from 9,9% in 2008, allowing for monetary relaxation by the Reserve Bank during this period. Inflation fell to the upper limit of the Reserve Bank's target range of 3 – 6% in the fourth quarter. Expectations are that the rise in consumer prices going forward will remain close to this benchmark. Significant increases in electricity prices will continue to put pressure on the inflation rate.

On average, the rand weakened against the US dollar in 2009 compared to 2008, from R8,25 to R8,44/dollar. However, increasing risk appetite of investors, premised on a healthy recovery of the world economy in 2010 and manifesting itself mainly in strong portfolio inflows, resulted in the rand exchange rate strengthening against the US dollar during 2009. This rate declined from 9,97 in the first quarter to 7,50 in the fourth. The rand is expected to remain relatively strong compared to the US dollar in 2010, which will have a detrimental impact on export earnings, although commodity prices seem to be picking up. The latter are expected to be volatile in 2010.

Due to declining economic activity, infrastructure bottlenecks in terms of electricity supplies and transport and harbour capacities, as well as the shortage of skilled and experienced human resources, eased temporarily in 2009. Increasing economic activity in 2010 will put renewed pressure on these infrastructure components. With regard to export logistics through the Richards Bay Coal Terminal, rail capacity remained a serious problem even during the recession.

Commodity review

Robust materials-intensive economic growth in China and other emerging economies, especially in the second half of 2009, continued to underpin commodity demand and prices. However, strong growth in commodity imports into China has led to high levels of metal stocks in that country, both official and unofficial, and of a speculative nature. If this overhang of stocks is not responsibly drawn down in 2010, it could lead to rapid deterioration in commodity market fundamentals and prices.

Spot metal prices, which had seen significant price declines in the second half of 2008, generally started improving in the first or second quarter of 2009. The monthly Economist Metals Price Index was 89% higher in December compared to the low in February 2009. Contract commodity prices, on the other hand, which had achieved record levels in 2008, all saw precipitous falls in the prices negotiated with their customers as settlements were generally reached early in the year.

Projections of global steel production indicate that crude output decreased by 107Mt, or about 8%, to 1 220Mt in 2009. In contrast to the rest of the world, production increased in China by 13,5% to 568Mt. In the rest of the world, output declined by 21% compared to 2008 to some 652Mt. China was responsible for about 47% of world raw steel production in 2009, much higher than the 2008 figure of 38%. Steel output generally moved sideways at low levels in the first four months of 2009, but picked up steadily over the rest of the year in both China and the rest of the world. General expectations are that in 2010 growth in steel demand in China will continue and recovery in the rest of the world will accelerate as the global economy recovers.

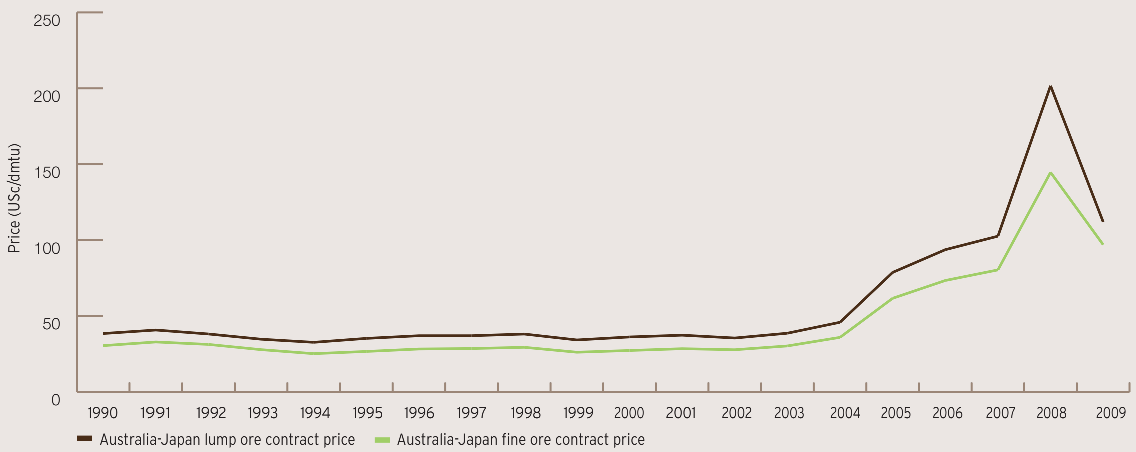
Low and stagnant steel production in the early part of 2009, leading to a negative outlook for coking coal market fundamentals, excess capacity and easing of supply bottlenecks, resulted in significant decreases in the level of contract metallurgical coal prices negotiated between consumers and producers. The contract price of hard coking coal declined by 57% to $129/t and that of semi-soft coking coal by 65% to $85/t. Given the steady growth in steel production in China and the rest of the world since contract prices were settled in 2009, as well as the expectation that this would continue into 2010, the outlook for contract prices in 2010 seems much improved. Benchmark prices, both for hard and semi-soft coking coal, are expected to improve by more than 40%.

The average Richards Bay spot steam coal price for 2009, at $64,41/t, was 47% lower than the average for 2008. The declining price trend of the second half of 2008 continued until May 2009, with an average price of $57/t achieved in that month. Over the next five months, the price remained in the low- to mid-$60/t range, after which it increased to an average of $71/t in December on increased demand after a very cold winter in the northern hemisphere, as well as a reoccurrence of logistical bottlenecks. The latter situation, together with indications of increased import demand from China and India, are positive factors for steam coal prices and could see these increase by some 20% in 2010.

Perceptions of an oversupplied iron ore market, based on the decline in economic activity in late 2008 and early 2009, as well as declining spot iron ore prices in China, led to a 35% decline in fine iron prices negotiated for 2009 and a 44% decrease in that for lump ore. During the year, some iron ore producers began selling more iron ore on the spot market, a trend that could, in time, lead to a significant change in the price-settling mechanism for the iron ore market, including much greater use of derivative instruments. Robust expansion in steel production in China from May 2009, resulting in strong levels of iron ore import demand, led to an increase in the spot price of fine iron ore in that country, from an average of $64/t in April to $105/t in December. Continuing expansion of demand in China and recovery in demand in the rest of the world, together with the fact that the Australian and Brazilian currencies had appreciated by more than 20% against the US dollar, could see the iron ore price settlement being upwards of 40% in 2010.

The 2009 average LME cash zinc price was $1 658/t, some 12% lower than the average for 2008. Driven by worsening market fundamentals, the zinc price fell to a low of $1 060/t in February 2009. However, it then increased steadily, reaching a high of $2 570/t by the end of the year. This price escalation was mostly due to commodity investment fund activity premised on a rapid recovery in the world economy in 2010, as well as strong demand from China. In addition, dollar weakness boosted commodity prices.

Nominal historical contract iron ore prices



Source: AME

The increase in the zinc price came amid weak market fundamentals as reflected in a steady increase in LME stocks, rising from 255kt in January to 489kt in December, an increase of 92%. In addition, estimates of unreported stocks built up in China ranged from 800kt to 1 000kt. Besides this, Chinese authorities also established an official stockpile of 160kt of zinc metal. In the second half of the year, increasing prices led to the start-up of some zinc mine and smelter capacity that had been idled in 2008 and the first half of 2009. This was particularly significant in China. The weak market fundamentals of 2009 are illustrated further by a refined zinc surplus of about 1,1Mt during the year, compared to the surplus of 280kt in 2008. Restocking in the rest of the world as economies start to expand, as well as continued strong demand from China, is expected to lead to a decline in the market surplus in 2010 to about 500kt. However, some experts believe the high zinc price at the end of 2009 is not a true reflection of market fundamentals and prices could move sideways or even decline from these levels during 2010. Injudicious release of large unofficial stockholdings, especially in China, could see extremely volatile market conditions and the price of zinc falling precipitously.

Due to the significant cutbacks in mining production in late 2008 and early 2009 more than neutralising cutbacks in the refining industry, the 2008 concentrate market surplus of some 200kt was whittled down to about 175kt. This, together with lower prices, led to the realised contract treatment charges on concentrate (TCs) declining from some $290/t in 2008 to about $246/t in 2009. Contract TCs were around $194,5/t at a zinc basis price of $1 250/t. Spot TCs increased throughout the year but were well below realised contract TCs due to the relatively tight concentrate market. Expansion in mine production due to rising prices, as well as the refined zinc stock overhang, could see a concentrate market in surplus in 2010. Realised contract TCs are expected to be broadly similar to those of 2009.

Recessionary conditions in the world had a severe impact on the titanium dioxide pigment industry in 2009, with demand expected to decline by about 9%. This resulted in a significantly oversupplied market and the idling of several plants to manage inventories. This caused industry capacity utilisation to fall to below 80%. As a result, prices moved sideways during the year in Western markets, following the sharp decrease at the end of 2008. In China, on the other hand, pigment demand accelerated from April, leading to cutbacks early in the year being reversed and the industry producing at full capacity. Pigment imports into China showed a similar picture.

Changes in the pigment industry's capacity utilisation had an immediate impact on the titanium dioxide feedstock industry. As demand decelerated, the industry was forced to make cutbacks and operational adjustments, including the temporary closure of some titanium dioxide slag-producing furnaces in South Africa and Canada. Significant destocking of feedstocks occurred in the first half of 2009, but demand started improving during the second half of the year. Despite the serious economic decline, prices for high-grade titanium dioxide feedstocks held up reasonably well, in some instances due to the fact that contracts were concluded before the full impact of decreasing demand and destocking became apparent. Although the feedstock market is still in surplus, the outlook for 2010 is more optimistic as the market tightens due to increasing demand and an inevitable need for restocking. However, price increases, if any, are expected to be subdued.

The zircon industry also experienced a period of destocking in the first half of 2009, but in line with titanium dioxide feedstocks, saw an upturn in demand in the second half of the year, with offtake from China being a major driver. Zircon prices reflected demand fundamentals throughout the year, but started declining again towards the end of 2009. The Murray Basin Stage 2 and Jacinth Ambrosia projects started production towards the end of 2009, firmly establishing a new zircon and rutile-producing mineral province in Australia. The zircon market is expected to recover in 2010, albeit with modest price adjustments.

The US dollar strengthened significantly against the currencies of commodity-exporting countries in the last quarter of 2008 due to the sub-prime crisis in the US and subsequent events precipitating a flight from risk and capital outflows from commodity-producing countries. These exchange rate levels were generally maintained in the first quarter of 2009.

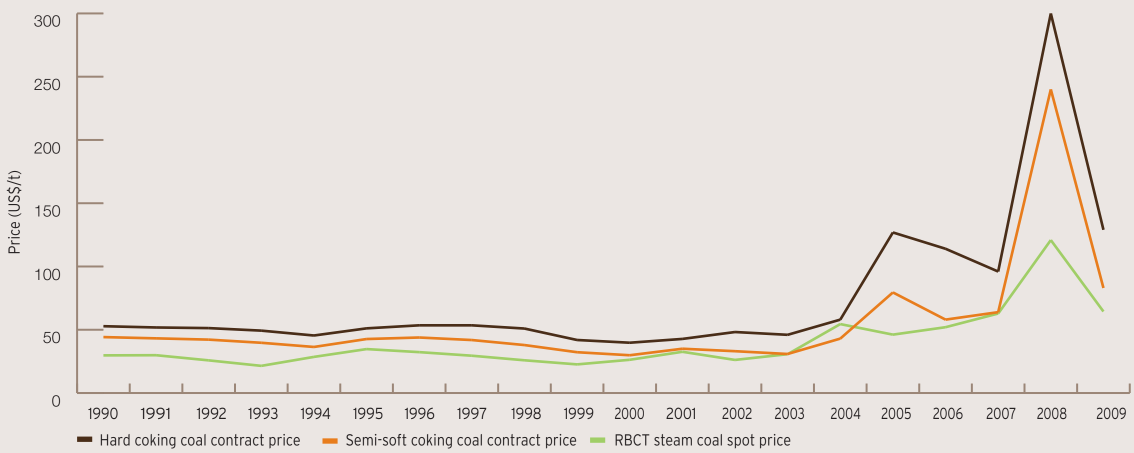
However, as perceptions grew that the world economy would recover relatively quickly, the flight of capital from riskier markets reversed and the US dollar generally started weakening against the currencies of commodity-exporting countries from April 2009. Despite this trend, these currencies weakened modestly against the US dollar on an annual average basis. Expectations that the weakening of the dollar will continue into 2010, on a view that the US Federal Reserve will not start tightening monetary conditions until late in the year, could see receipts from commodity exports in local currencies decline. This will put pressure on producers to try and claw back these losses in contract price negotiations.

Mining costs generally declined in 2009 due to pressure from lower prices and, in annual average terms, weaker producer currencies. Lower energy prices, with the average Brent crude oil price declining by 37% from 2008 to 2009, were also important. Capacity shortages in terms of contractors, machinery, equipment and mining professionals worldwide also abated. The significant retrenchments in the mining industry in the last quarter of 2008 and first part of 2009 also stabilised later on.

After falling to unsustainably low levels at the end of 2008, global bulk freight rates improved in 2009, with the Baltic Dry Index increasing in a cyclical pattern by some 300% from January to December 2009. Commodity import demand from China played a key role in the performance of the freight indices in 2009. In addition, delays in shipyard deliveries of bulk vessels and a high rate of scrapping early in 2009 resulted in the net change in the bulk carrier fleet being consistent with that of 2008, contrary to expectations of a huge increase in the fleet. Subsequently, this has led to the rolling over of expectations of a significant oversupply of ships into 2010. The rate of economic recovery in the world, which would affect growth in demand for bulk freight, will determine whether the expected shipping stock overhang is actually realised. If it does, freight rates will be put under pressure. China will remain a major driver in this market.

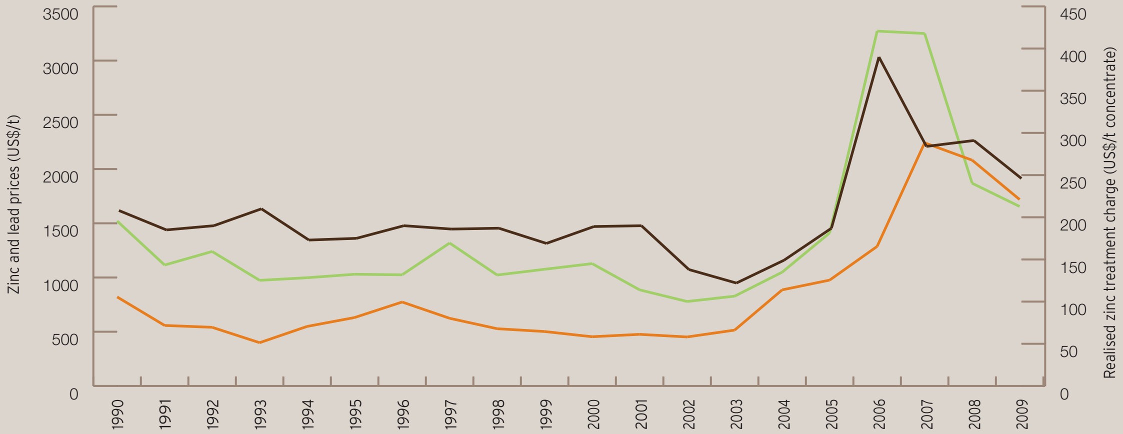
According to the Metals Economics Group, estimated planned non-ferrous exploration spending for 2009 plummeted 42% to $7,7 billion, after rising for six consecutive years to a 19-year high of $13,2 billion in 2008. The global economic crisis and declining prices for almost all mineral commodities took their toll on the industry. This drop is the largest year-on-year decline in global exploration budgets (in both dollar and percentage terms) since the study of global exploration spending began in 1989. In time, this will result in capacity shortages when a sustained upturn in demand is experienced. Investment in exploration is expected to improve in 2010 as access to financing, especially for junior explorers, improves.

Nominal historical coal prices



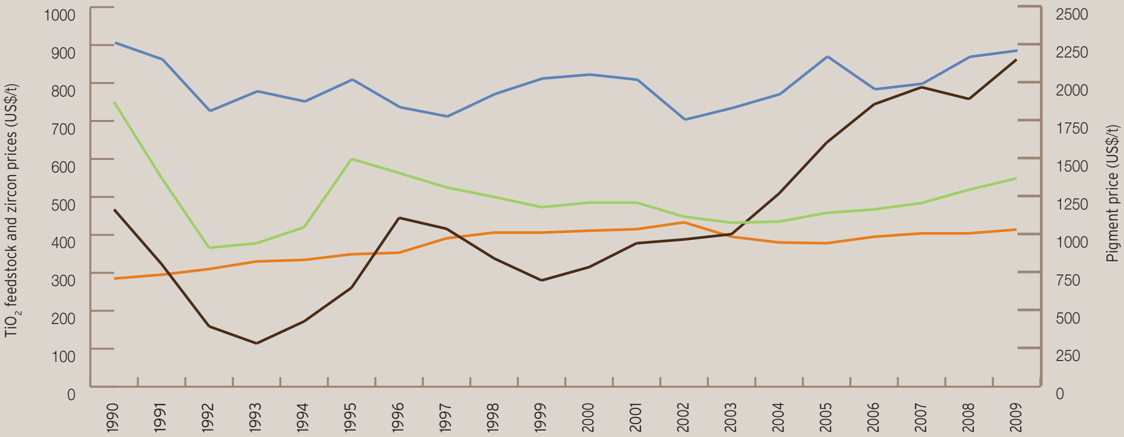
Source: AME; Energy Publishing

Nominal historical zinc and lead prices



Source: I-Net; Brook Hunt

Nominal historical TiO_2 pigment, feedstock and zircon prices



Source: TZMI

BUSINESS OPERATIONS REVIEW

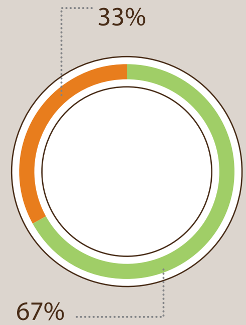
COAL

Revenue up 8%

Significant increase in coal exports

Inyanda at name-plate capacity

2010 Capital expenditure estimate



THE REVIEW PERIOD WAS A CHALLENGING ONE IN MANY RESPECTS COMPARED TO 2008. INTERNATIONAL COAL PRICES DECREASED SIGNIFICANTLY WHILE DOMESTIC DEMAND FOR METALLURGICAL AND STEAM COAL ALSO DECLINED.

Operating results

Total	2009 Rm	2008 Rm
Revenue	**9 731**	9 040
Net operating profit	**1 905**	2 654
Capital expenditure	**924**	741

Physical information	2009	2008	Variance	Y-O-Y %
Production (000 tonnes)				
Power station coal	**36 562**	36 700	(138)	
– Tied operations[1]	**16 486**	18 095	(1 609)	(9)
– Commercial operations	**20 076**	18 605	1 471	8
Coking coal	**2 020**	2 560	(540)	(21)
– Tied operations[1]	**268**	327	(59)	(18)
– Commercial operations	**1 752**	2 233	(481)	(22)
Other coal	**6 638**	5 574	1 064	19
Char	**38**		38	
Coal buy-ins	**759**	733	26	4
Total	**46 017**	45 567	450	1
Sales (000 tonnes)				
Eskom coal	**36 299**	36 255	44	
– Tied operations[1]	**16 473**	18 054	(1 581)	(9)
– Commercial mines	**19 826**	18 201	1 625	9
Other domestic coal	**4 587**	5 481	(894)	(16)
– Tied operations[1]	**259**	352	(93)	(26)
– Commercial mines	**4 328**	5 129	(801)	(16)
Coal export[2]	**4 715**	3 276	1 439	44
Char	**31**		31	
Total	**45 632**	45 012	620	1

[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.*

The review period was a challenging one in many respects compared to 2008. International coal prices decreased significantly while domestic demand for metallurgical and steam coal also declined. Exxaro was fortunate enough to partially offset softer demand and prices by increasing exports after securing additional export access at Richards Bay Coal Terminal (RBCT) from other RBCT users.

Inyanda mine is producing at name-plate capacity and the joint venture with Anglo American on the Mafube operation was concluded in June 2009, resulting in additional production.

Additional emphasis was placed on value growth by downstream integration, of which the Sintel char plant at Grootegeluk is an example. The char plant was commissioned in the second half of 2009. Although not currently running at capacity, quality and demand for the product has exceeded our expectations.

The Diepspruit shaft at New Clydesdale (NCC) was commissioned in the second half of 2009, unfortunately later than planned. We aim to achieve full production by the end of the second quarter in 2010.

Total coal production volumes were marginally higher than the previous year.

Power station coal production at Eskom tied mines was 9% lower at 16,5Mtpa mainly as a result of an inrush of water at Matla's number 2 mine which affected production for several months, but has subsequently been rectified. This was partially offset by increased production at Arnot mine after ramping up the opencast mining operations to full production.

The commercial mines increased production by 8% to over 20Mtpa to meet increased demand from Eskom.

Coking coal production showed a marked decrease year on year, down 21% to 2,0Mtpa, due to difficult geological conditions at Tshikondeni mine. Semi-soft coking coal production decreased significantly at Grootegeluk mine on lower demand from the steel and related industries.

Steam coal production was 19% higher at 6,638Mtpa mainly due to the inclusion of production from Mafube of some 816kt after Exxaro acquired a 50% interest in the joint venture in June 2009. Higher production at Inyanda and North Block Complex (NBC) mines was offset by lower production at Grootegeluk and Leeuwpan mines due to lower domestic steam coal demand. Production at NCC's new Diepspruit shaft also ramped up slower than anticipated.

Some 38kt of char was produced by the four new retorts successfully commissioned at Grootegeluk mine. Ramp-up to full production is expected in the second half of 2010.

Sales to Eskom were in line with the previous year as increased sales volumes from the commercial operations were offset by lower sales volumes from the tied operations mainly due to production challenges at Matla mine.

Domestic sales were 16% lower at 4,6Mtpa due to lower demand during the recessionary climate.

In line with Exxaro Coal's strategy, export volumes increased 44% year-on-year to 4 715Mtpa after Exxaro secured an additional export allocation at RBCT from other RBCT users.

Even though RBCT will have installed capacity of 91Mt per annum, forecasts indicate that Transnet Freight Rail (TFR) will only have the capability to transport 65Mt of coal in 2010. This will have a negative impact on new entrants into RBCT via the Phase V development scheduled for commissioning during April 2010 as these participants had already in 2009 positioned themselves to export through RBCT. Although RBCT had capacity of 72Mt per annum in 2009, only 61,7Mt was exported compared with approximately 63Mt in 2008 mainly due to lower rail performance.

Prospects for the coal commodity business are summarised in the chief executive officer's review (page 14) and detailed in the commodity review (page 32). The growth aspirations are included in the report on page 49.

Exxaro Coal aims to create exceptional value by being an innovative, integrated and synergistic coal and reductants company, with a global footprint, utilising and developing excellence in people and value-adding, superior processes and structures to achieve the annual target of 75Mt of coal and 750kt of reductants by 2015 by focusing on:

- Operational excellence
- Responsible custodianship of safety, health and sustainable development
- Continued optimisation of market position
- Value growth of the business
- Organisational excellence including a high-performance culture.

MINERAL SANDS

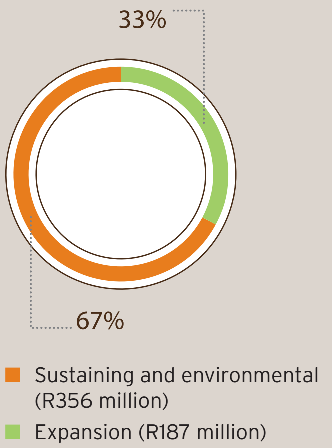
Record slag tapped from both furnaces at KZN Sands

Lower demand at softer prices

R1 435 million impairment at KZN Sands

Good cost performance from all three business units

2010 Capital expenditure estimate



Operating results

Total	2009 Rm	2008 Rm
Revenue	**3 508**	2 776
Net operating (loss)/profit[1]	**(124)**	104
Capital expenditure	**826**	571

[1] *Excludes the R1 435 million impairment at KZN Sands.*

THE GLOBAL RECESSION IMPACTED ON DEMAND FOR ALL PRODUCTS DURING THE YEAR. DEMAND IMPROVED IN THE SECOND HALF OF THE YEAR BUT NOT TO THE FORECAST LEVELS ALTHOUGH CHLORIDE SLAG, ZIRCON AND PIGMENT PRICES INCREASED YEAR ON YEAR.

Physical information	2009	2008	Variance	Y-O-Y %
(000 tonnes)				
KZN Sands				
Production				
– Ilmenite	**368**	229	139	61
– Zircon	**36**	34	2	6
– Rutile	**20**	19	1	5
– Pig iron	**108**	50	58	116
– Scrap pig iron	**15**	16	(1)	(6)
– Slag tapped	**205**	112	93	83
– Chloride slag	**104**	95	9	9
– Sulphate slag	**24**	18	6	33
Sales				
– Ilmenite		40		
– Zircon	**21**	36	(15)	(42)
– Rutile	**14**	14		
– Pig iron	**52**	64	(12)	(19)
– Scrap pig iron	**6**	7	(1)	(14)
– Chloride slag	**68**	101	(33)	(33)
– Sulphate slag	**25**	17	8	47
Namakwa Sands[1]				
Production				
– Ilmenite	**244**	315	(71)	(23)
– Zircon	**116**	130	(14)	(11)
– Rutile	**26**	27	(1)	(4)
– Pig iron	**73**	103	(30)	(29)
– Scrap pig iron		6	(6)	
– Slag tapped	**126**	166	(40)	(24)
– Chloride slag	**97**	135	(38)	(28)
– Sulphate slag	**20**	24	(4)	(17)
Sales				
– Zircon	**95**	135	(40)	(30)
– Rutile	**23**	27	(4)	(15)
– Pig iron	**86**	82	4	5
– Scrap pig iron		1	(1)	
– Chloride slag	**76**	145	(69)	(48)
– Sulphate slag	**19**	26	(7)	(27)
Australia Sands[2]				
Production				
– Ilmenite	**207**	174	33	19
– Zircon	**33**	29	4	14
– Rutile	**16**	13	3	23
– Synthetic rutile	**109**	113	(4)	(4)
– Leucoxene	**14**	16	(2)	(13)
– Pigment	**53**	43	10	23
Sales				
– Zircon	**30**	35	(5)	(14)
– Rutile	**14**	14		
– Synthetic rutile	**50**	62	(12)	(19)
– Leucoxene	**15**	17	(2)	(12)
– Pigment	**54**	44	10	23

[1] *Namakwa Sands is included from 1 January 2008, for comparable purposes.*
[2] *Exxaro Sands Australia's 50% interest in its Tiwest joint venture is disclosed.*

The global recession impacted on demand for all products during the year. Demand improved in the second half of the year but not to the forecast levels although chloride slag, zircon and pigment prices increased year on year. In these trying operating circumstances, the three units in this business recorded a good cost performance.

Unfortunately, current depressed market fundamentals for the commodity led to the decision to discontinue the development of the Fairbreeze mine as replacement for the Hillendale mine at KZN Sands. This decision in turn invariably resulted in the impairment of the carrying value of the assets at KZN Sands to the value of R1 435 million.

KZN Sands

KZN Sands had significantly higher production volumes, with both furnaces operational compared to one furnace being down for 10 months in 2008 after the water ingress incident in February 2008.

Titanium slag tapped was 93kt higher at 205kt as both furnaces tapped more than 100kt of titanium slag. Low manganese pig iron and ilmenite production were respectively 58kt and 139kt higher than in 2008, in line with increased slag production. Zircon and rutile production remained in line with 2008 despite the decrease in run-of-mine tonnes as a result of higher grades mined.

Despite increased production, revenue reduced as lower sales volumes of zircon, pig iron and chloride slag were recorded at softer prices.

Namakwa Sands

The impact of the global recession on operations resulted in postponing the furnace 1 start-up which was shut down for a reline at the end of March 2009. In addition, production activities at the mine and separation plants were temporarily halted in August to preserve cash flow and avoid building up stocks.

Total annual sales of 299kt were down 28% on the previous year's record of 416kt.

Australia Sands

Improvement initiatives led to pigment production returning to 2007 levels, with 2009 production up 23% on 2008. Zircon and rutile production increased as a result of higher grades and various improvement projects. Synthetic rutile production was slightly lower following maintenance-related problems predominantly experienced in the second quarter of 2009.

Revenue increased while net operating results improved. This was achieved on the back of a much stronger production performance, higher pigment sales and higher average prices for both mineral and pigment products at a realised rate of USD0,79 to the AUD compared with USD0,84 in 2008.

The prospects for the mineral sands commodity business are referred to in the chief executive officer's review (page 19) and elaborated on in the Commodity review (page 21). The growth aspirations are included in the report on page 50.

The objective of the mineral sands business is to:

- Maintain its position among leading global suppliers of titanium dioxide feedstock and zircon
- Downstream value addition
- Increase its share in the world chloride pigment market.

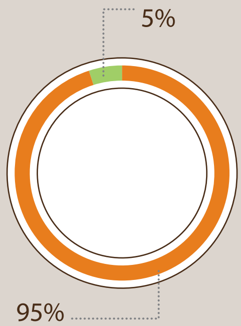
BASE METALS

Higher production of zinc metal despite downtime on acid plant

Improved operating results assisted by cost savings

Lower average realised LME zinc price

2010 Capital expenditure estimate



- Sustaining and environmental (R167 million)
- Expansion (R8 million)

THE BUSINESS RECORDED STABLE PRODUCTION RESULTS DESPITE PLANT DOWNTIME AND AN EXPLOSION IN SEPTEMBER 2009 AT THE ZINCOR REFINERY.

Operating results

Total	2009 Rm	2008 Rm
Revenue	**1 582**	1 829
Net operating loss	**(8)**	(172)
Capital expenditure	**139**	228

Physical information	2009	2008	Variance	Y-O-Y %
Production (000 tonnes)				
Base metals				
Zinc concentrate	**108**	109	(1)	(1)
– Rosh Pinah	**94**	94		
– Black Mountain[1]	**14**	15	(1)	(7)
Zinc metal	**116**	110	6	5
– Zincor	**87**	87		
– Chifeng[2]	**29**	23	6	26
Lead concentrate	**38**	37	1	3
– Rosh Pinah	**20**	20		
– Black Mountain[1]	**18**	17	1	6
Zinc metal sales	**122**	126	(4)	(3)
– Domestic	**93**	93		
– Export	**29**	33	(4)	(12)
Lead concentrate – Rosh Pinah				
Export	**19**	22	(3)	(14)

[1] *Exxaro's 26% interest in Black Mountain has been disclosed from 1 January 2008, for comparable purposes.*
[2] *Exxaro's effective interest in the Chifeng refinery is disclosed.*

Exxaro's base metals business encompasses a 50,04% interest in the Rosh Pinah zinc and lead mine in southern Namibia, the Zincor refinery in Gauteng, an effective 22% interest in the Chifeng zinc refinery in Inner Mongolia, China, and a 26% interest in Black Mountain Mining (Pty) Limited (Black Mountain).

Lead and zinc concentrate production at the Rosh Pinah mine was in line with 2008, with lead concentrate exports 14% lower than 2008.

Production of zinc metal at the Zincor refinery of 87kt was 338 tonnes more than in 2008, but adversely affected by downtime on the acid plant as well as the disruption caused by the explosion in September 2009. Domestic zinc metal sales were in line with 2008.

The average zinc price for 2009 of USD1 658 is 12% lower than in 2008 and only partially offset by the slightly weaker local currency.

Production at the Chifeng refinery (China) was in line with 2008. Equity-accounted income from this operation increased by R17 million to R13 million after a R4 million loss in 2008, mainly due to reduced production costs and a reduction in the rates of environmental duties paid.

Exxaro's 26% share in Black Mountain, acquired in the last quarter of 2008, contributed R123 million to equity income due mainly to increased sales volumes.

The prospects for zinc are referred to in the chief executive officer's review on page 19 and are further elaborated on in the Commodity review on page 21.

Following the strategic decisions taken during the last quarter of 2009, the focus in the base metals commodity has been updated to:

- secure a viable long-term quality feedstock supply for Zincor
- quantify the upside life-of-mine potential at Rosh Pinah
- optimise the assets for divestment.

Activities in the financial year ahead will focus on approaching potential suitors in the second half.

GROWTH

Capital expenditure and project pipeline

As announced on 1 December 2009, Exxaro reviewed its commodity portfolio and growth pipeline against the background of the prevailing economic climate to align resources with a commodity strategy best positioned to release optimal value for all stakeholders.

Following this review, Exxaro plans to reconfigure its zinc assets to ultimately divest from them in an optimal manner.

The portfolio of zinc assets includes the Zincor refinery in Springs, Gauteng, a 50,04% interest in the Rosh Pinah zinc and lead mine in Namibia, a 26% interest in Black Mountain which owns the Black Mountain zinc and lead mine and the Gamsberg zinc project in the Northern Cape, and an effective 22% interest in the Chifeng zinc smelter in China.

Coal

Grootegeluk expansion for Medupi

Detail engineering on the expansion of the Grootegeluk mine to supply Eskom's new Medupi power station with 14,6Mtpa of power station coal for 40 years is progressing to be able to supply first coal to Eskom in the second quarter of 2012. This coincides with the start-up of the power station. Full production from 2015 is anticipated.

Exxaro received notice from Eskom in the third quarter of 2009 that Eskom was seeking to review certain commercial terms contained in the Medupi coal supply and offtake agreement signed on 19 September 2008, including the coal price escalation mechanism and the coal delivery ramp-up. Pending the outcome of the review process, Exxaro's funding programme was temporarily suspended in December 2009 as was the placement of additional contracts associated with the project. The review process is expected to be concluded in the first quarter of 2010. Due to the delays in project execution, the capital cost associated with the project is now expected to increase from R9 billion to R9,5 billion.

Thabametsi project

The Thabametsi project pre-feasibility study to develop a potential greenfields mine adjacent to Grootegeluk mine is scheduled for completion by end March 2010. If approved, Thabametsi would supply the market with power station and metallurgical coal. Implementation of this project is however linked to Eskom's future developments in the Waterberg, together with the establishment by the Department of Energy of an appropriate enabling environment to allow for new-generation capacity in terms of Eskom's multi-site base-load independent power producer (IPP) programme. The scope of the bankable feasibility study will only be finalised after the details of potential new-generation capacity have been determined, after which the required technical studies will begin. The environmental studies started at the end of 2009 and are due to be completed during 2011. First coal production could be expected by 2015.

Waterberg prospecting joint venture (project Mafutha)

Exxaro entered into a prospecting joint venture agreement with Sasol Mining for the development of a new coal mine in the Waterberg to supply Sasol's potential new 80 000 barrels-per-day inland coal-to-liquids facility. The project is in pre-feasibility stage and a decision to proceed to bankable feasibility study is expected in 2010.

Waterberg infrastructure development

An integrated infrastructure plan is being implemented for the Waterberg coalfields with relevant stakeholders. Focus areas include the supply of raw water to the area as well as rail, road and housing infrastructure.

Sintel char project

After the successful commissioning of the Sintel char plant at Grootegeluk mine to produce reductants for the ferroalloy industry, Exxaro is currently evaluating the phase 2 expansion to produce a further 140ktpa of char.

Moranbah South resource

Exploration of the hard coking coal resource on the Moranbah South properties in the Bowen Basin of Queensland, Australia, is progressing well and results obtained are encouraging. Moranbah South, which is a 50% joint venture with Anglo American, has the potential to produce premium-quality hard coking coal.

Energy

The commodity portfolio review announced on 1 December 2009 stated the group's intention to explore opportunities in energy markets. Clean energy initiatives encompassing co-generation, carbon credit trading, and renewable energy (wind and solar projects), are progressing well.

Development of the first five-spot test for the coal bed methane project in Botswana, with the aim of testing for economic gas flow, is progressing well. Completion of the test work is planned for April 2010, after which the site will be operated until economic gas flow has been attained.

Clean energy initiatives include:

- Solar
  - Pre-feasibility study on a 200MW plant at Lephalale.
- Wind
  - Pre-feasibility study on a 100MW wind farm on South Africa's West Coast.

Mineral sands

As a result of the decision not to continue with the development of Fairbreeze mine, Exxaro will plan for the closure of the KZN Sands operations over the next five years while, in parallel, investigating other feedstock alternatives and the continuation of the business should the outlook for the mineral sands industry improve substantially.

Kwinana

The implementation of the Tiwest Kwinana pigment expansion project to increase production by 40ktpa is progressing according to plan, with commissioning targeted for the second half of 2010. Exxaro is funding 100% of the expansion project, with capital expenditure now projected at some AUD118 million.

Base metals

Base metals activities are focused on the process of optimisation for divestment. Exxaro anticipates that potential suitors will be approached in the second half of 2010.

Ferrous

The final evaluation of the iron ore project in Turkey concluded that it did not meet the group's investment criteria and a decision was made to divest from the project.

Exxaro is considering ways to expand its footprint in the iron ore commodity.

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 53 to 64. Mineral Resources are reported inclusive of those Mineral Resources that have been converted to Ore Reserves and at 100%, irrespective of the percentage attributable to Exxaro, except for Gamsberg and Black Mountain mines, because figures received from Anglo Base Metals represent resources exclusive of reserves. Significant changes in resource or reserve figures are explained by footnotes to each table. Resource estimations are based on resource models, which incorporate all new validated geological information, updated geological models and, if applicable, revised resource definitions and classifications. The resource models are compiled as a rule between June and August of the reporting year. Ore Reserves are estimated using the relevant modifying factors at the time of reporting (mining, metallurgical, economic, marketing, legal, environmental, social and governmental regulatory requirements). Mineral Resources in which Exxaro held the controlling interest were reviewed in 2009 to comply with "reasonable and realistic prospects for eventual economic extraction" (SAMREC Code 2007).

Exxaro uses a systematic review process that measures the level of maturity of the exploration work done, the extent of the geological potential, the mineability and associated risks/opportunities to establish an eventual extraction outline (EEO). Mineral Resources and Ore Reserves quoted fall within existing Exxaro resources mine or prospecting rights. Mining rights are of sufficient duration (or convey a legal right to convert or renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules. 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 2007. All 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 at the time of reporting. 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 are audited by external consultants when deemed essential to establish transparency. In the case of mines or projects in which Exxaro does not hold the controlling interest, the figures have been compiled by competent persons from the applicable companies and have not been audited by Exxaro. Resource and reserve estimation at Exxaro mines or projects in Australia were done by competent persons as defined by the JORC Code (2004).

The person in Exxaro designated to take corporate responsibility for Mineral Resources and reserves, HJ van der Berg, the undersigned, has reviewed and endorsed the reported estimates.

HJ van der Berg
MSc (Geology), BSc (hon)
Pr Sci Nat (400099/01)
Manager mineral assets

REVIEW OF MINERAL RESOURCES AND RESERVES CONTINUED

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 Mineral Resource was addressed when a new mining right, which covers these farms, was granted to Exxaro. The appeal against the refusal of a prospecting right, which covers the Strehla Mineral Resource, has not yet been resolved.

Exxaro received written confirmation from the Department of Mineral Resources (DMR), dated 2 April 2009, which confirms that all the ex-Kumba mining licences have been converted to mining rights. Apart from the Glen Douglas mine, which was executed in September 2009, execution of the other conversions still needs to be scheduled by the DMR. With regard to the conversion of the ex-Eyesizwe mines, applied for in 2008, all additional information requested by the DMR was submitted and the evaluation process is continuing. The delay in the conversion or execution of converted rights does not put any of the mines at risk, because the old-order right remains in place until the minister takes a decision on the application for conversion and the conversion has been executed. Three new mining rights, which cover two small extensions to the Hillendale Mineral Resource and an extension to the Fairbreeze C resources, were executed.

As a result of the economic climate and good management practice all growth projects, including exploration projects, were evaluated and prioritised during the year. Prospecting activities were focused on the Waterberg coalfield and a number of high-priority coal projects in Mpumalanga province, especially those close to existing Exxaro mines. The progress will be evaluated again early in 2010 to review the status and ensure that decisions taken remain valid or are adapted to comply with the growth strategy.

Internationally the focus was on investigation of the Moranbah hard coking coal deposit in Queensland, Australia, an iron ore project with associated base metal potential in Turkey and heavy mineral sands in Madagascar. Drilling also continued at the Rosh Pinah zinc mine in Namibia. Exploration drilling at Moranbah, which is a 50:50 joint venture with Anglo Coal Australia, was increased and a structural study completed. The results were very positive and the project is moving into prefeasibility study phase. The viability of the iron ore project in Turkey was tested through small-scale experimental mining. Although the mining process was successfully executed, results indicated that the achievable production rate would be too small for Exxaro to be interested. The investigation was therefore terminated. Simultaneously, the base metal potential in the area was considered, but the potential is too low to warrant further interest. The study on the Ranobe mineral sands projects in Madagascar was finalised in 2009 and the decision taken not to renew the option; the rights have therefore been relinquished. Drilling down to areas below the known ore bodies in the Rosh Pinah mine and exploration to the north of the mine in conjunction with the Anglo American group confirmed the potential to find additional zinc ore. Prospecting will continue in 2010.

Exxaro recognises the importance and value of its mineral assets as the base of its present success and future sustainability. The drive to manage, optimise and grow the company's mineral assets will therefore remain a focus area in 2010. Mineral asset risks and opportunities are being identified at each operation and growth project, and managed to improve utilisation and profitability, while pursuing safer working conditions and responsible environmental practices. Simultaneously, the growth strategy will focus on adding quality new resources to Exxaro's mineral asset portfolio.

COAL MINES AND PROJECTS IN SOUTH AFRICA

COAL

Coal Resources

The table below details the total inclusive Coal Resources estimated as at 31 December 2009.

Commodity	Operation[1]	% attributable to Exxaro[2]	Resource category	Tonnes (million)[3,5]	Grade[4]	Tonnes (million)[3,5]	Grade[4]	% change
Coal	Arnot mine[6]	100	Measured	150,2	Raw Coal[4]	176,8	Raw Coal	
Mpumalanga	(captive market)		Indicated	38,3	Raw Coal[4]	8,5	Raw Coal	
	(UG)		Inferred	25,5	Raw Coal[4]	6,5	Raw Coal	
			TOTAL	**214,0**	**Raw Coal[4]**	**191,8**	**Raw Coal**	**11,6**
	Matla mine	100	Measured	406,0	Raw Coal[4]	256,5	Raw Coal	
	(captive market)		Indicated	330,5	Raw Coal[4]	483,0	Raw Coal	
	(UG)		Inferred	107,5	Raw Coal[4]	71,3	Raw Coal	
			TOTAL	**844,0**	**Raw Coal[4]**	**810,8**	**Raw Coal**	**4,09**
	Inyanda mine[7]	100	Measured	12,6	Raw Coal[4]	15,5	Raw Coal	
	(OC)		Indicated	–	–	–	–	
			Inferred	–	–	–	–	
			TOTAL	**12,6**	**Raw Coal[4]**	**15,5**	**Raw Coal**	**(18,7)**
	Leeuwpan mine	100	Measured	181,7	Raw Coal[4]	186,6	Raw Coal	
	(OC)		Indicated	2,8	Raw Coal[4]	2,8	Raw Coal	
			Inferred	–	–	–	–	
			TOTAL	**184,5**	**Raw Coal[4]**	**189,4**	**Raw Coal**	**(2,6)**
	Mafube mine[8]	50	Measured	121,1	Raw Coal[4]	122,5	Raw Coal	
	(OC)		Indicated	–	–	–	–	
			Inferred	57,3	Raw Coal[4]	54,3	Raw Coal	
			TOTAL	**178,4**	**Raw Coal[4]**	**176,8**	**Raw Coal**	**0,9**
	NBC mine[9]	100	Measured	30,7	Raw Coal[4]	32,4	Raw Coal	
	(North Block Complex)		Indicated	5,1	Raw Coal[4]	20,2	Raw Coal	
	(OC)		Inferred	0,2	Raw Coal[4]	0,0	Raw Coal	
			TOTAL	**36,0**	**Raw Coal[4]**	**52,6**	**Raw Coal**	**(31,7)**
	Belfast project	100	Measured	107,7	Raw Coal[4]	107,7	Raw Coal	
	(prospecting)		Indicated	3,7	Raw Coal[4]	3,7	Raw Coal	
	(OC)		Inferred	7,1	Raw Coal[4]	7,1	Raw Coal	
			TOTAL	**118,5**	**Raw Coal[4]**	**118,5**	**Raw Coal**	**0**
	NCC mine	100	Measured	13,9	Raw Coal[4]	16,8	Raw Coal	
	(New Clydesdale)		Indicated	42,2	Raw Coal[4]	40,3	Raw Coal	
	(UG, OC)		Inferred	–	–	–	–	
			TOTAL	**56,1**	**Raw Coal[4]**	**57,1**	**Raw Coal**	**(1,8)**
Coal	Grootegeluk mine[10]	100	Measured	2 610	Raw Coal[4]	4 117	Raw Coal	
Limpopo	(OC)		Indicated	1 290	Raw Coal[4]	1 347	Raw Coal	
			Inferred	787	Raw Coal[4]	96	Raw Coal	
			TOTAL	**4 687**	**Raw Coal[4]**	**5 559**	**Raw Coal**	**(15,7)**
	Grootegeluk West project[11]	100	Measured	–	–	17	Raw Coal	
	(prospecting)		Indicated	1 021	Raw Coal[4]	5 357	Raw Coal	
	(OC)		Inferred	3 617	Raw Coal[4]	590	Raw Coal	
			TOTAL	**4 638**	**Raw Coal[4]**	**5 963**	**Raw Coal**	**(22,2)**
	Waterberg North project	100	Measured	–	–	–	–	
	(prospecting)		Indicated	–	–	–	–	
	(OC)		Inferred	2 176	Raw Coal[4]	2 176	Raw Coal	
			TOTAL	**2 176**	**Raw Coal[4]**	**2 176**	**Raw Coal**	**0**

Commodity	Operation[1]	% attributable to Exxaro[2]	Resource category	Tonnes (million)[3,5]	Grade[4]	Tonnes (million)[3,5]	Grade[4]	% change
	Waterberg South project	100	Measured	–	–	–	–	
	(prospecting)		Indicated	–	–	–	–	
	(OC)		Inferred	699	Raw Coal[4]	699	Raw Coal	
			TOTAL	**699**	**Raw Coal[4]**	**699**	**Raw Coal**	**0**
	Tshikondeni mine	100	Measured	24,0	Raw Coal[4]	24,4	Raw Coal	
	(captive market)		Indicated	10,1	Raw Coal[4]	10,1	Raw Coal	
	(UG)		Inferred	–	–	–	–	
			TOTAL	**34,1**	**Raw Coal**	**34,5**	**Raw Coal**	**(1,0)**
Coal	Moranbah South project[12]	50	Measured	56,0	Raw Coal[4]	165,6	Raw Coal	
Australia	(prospecting)		Indicated	150,0	Raw Coal[4]	767,8	Raw Coal	
	(UG)		Inferred	60,4	Raw Coal[4]	406,1	Raw Coal	
			TOTAL	**266,4**	**Raw Coal[4]**	**1 339,5**	**Raw Coal**	**NA**

Rounding-off of figures may cause computational discrepancies.

All changes more than 10% (significant) are explained.

1 *Mining method: OC – open-cut, UG – underground.*

2 *Figures are reported at 100% irrespective of percentage attributable to Exxaro and refer to 2009 only.*

3 *The tonnages are quoted in metric tonnes and million tonnes is abbreviated as Mt, Coal Resources are quoted on a Mineable Tonnage In-Situ (MTIS) and on a air-dried basis.*

4 *Coal qualities are reported in Table 1 and are quoted on a Mineable Tonnage In-Situ (MTIS) and on a air-dried basis.*

5 *Mineral Resources are quoted inclusive of Mineral Resources that have been modified to Ore Reserves unless otherwise stated.*

6 *The increase is the result of a change in the cut-off specification (2m to 1,8m minimum seam thickness), the update of the open cut Mooifontein model, the re-definition of the resource boundary and a minor modification in classification methodology.*

7 *The reduction is the result of mining depletion (2,4Mt) and a revision of the geological model (0,5Mt).*

8 *Figures are received from Anglo Coal and were not audited by Exxaro, Coal Resources are quoted on a Mineable In-Situ (MTIS) basis and tonnes are in addition to those resources which have been modified to produce the reported Coal Reserves. The slight increase is the result of mining depletion (2,9Mt) being offset by additional drilling and revised geological model.*

9 *The update of the geological model (specific the exclusion of "seam 2 upper-upper" from "seam 2" because of poor quality), the transfer of 8Mt to inventory because of the exclusion of boreholes with suspect quality and/or collar information and mine depletion (3,5Mt) resulted in the significant decrease.*

10 *The decrease is the result of production depletion (37Mt), revised resource classification methodology (~835Mt), which includes the exclusion of geophysical logged open holes for classification purposes as well as the revision of the resource, based on eventual economic extraction, which resulted in the exclusion of benches 1b, 7a and zone 1. The Coal Resource classification methodology implemented in 2008 has been reviewed and applied with certain modifications in 2009. Measured resources are classified by a 500m drill grid spacing, but structurally complex areas require additional investigative drilling to increase the structural definition for inclusion into the measured category. The exclusion of geophysical logged open holes in resource classification this year will be reviewed in 2010 after current investigations have been concluded.*

11 *The project area is adjacent to Grootegeluk and forms part of the geological model of the mine. The decrease and movement between the categories are the result of the exclusion of geophysical logged open holes in resource classification and the movement of 903Mt to inventory based on eventual economic extraction.*

12 *Figures are received from Anglo Coal Australia and not audited by Exxaro. Resources outside the 2009 long wall layout and the north-west board and pillar area are excluded from reporting this year and is part of the low potential resources.*

COAL RESOURCE QUALITIES

Table 1

Operation	Seam/ layer/ formation	Measured Resource					Indicated Resource					Inferred Resource				
		Tonnes (Mt)[1]	CV MJ/Kg	% VM	% Ash	% S	Tonnes (Mt)[1]	CV MJ/Kg	% VM	% Ash	% S	Tonnes (Mt)[1]	CV MJ/Kg	% VM	% Ash	% S
Arnot mine	Total	150,1	23,6	23,9	21,1	1,0	38,3	23,9	23,7	21,4	0,9	25,5	24,1	23,7	20,8	0,9
Matla mine	Total	406,0	21,5	23,0	25,0	1,0	330,5	20,7	22,4	27,6	0,7	107,5	21,3	22,5	25,9	0,7
Inyanda mine	Total	12,6	25,3	24,0	20,4	1,9	–	–	–	–	–	–	–	–	–	–
Leeuwpan mine	TL[2]	104,8	16,0	17,0	42,0	0,9	1,6	11,3	10,8	51,8	0,4	–	–	–	–	–
	BL[2]	76,8	25,0	19,0	22,0	1,0	1,2	25,7	9,7	20,5	1,1	–	–	–	–	–
Mafube mine	Total	121,1	23,4	23,5	27,9	0,8	–	–	–	–	–	57,3	22,1	21,6	30,4	0,8
NBC mine	Total	30,0	20,4	21,2	28,3	0,9	5,1	20,0	21,2	30,0	0,9	0,2	21,4	21,4	25,1	0,8
Belfast project	Total	107,7	24,6	23,4	18,9	1,1	3,7	24,2	22,1	20,1	1,1	7,1	24,4	21,6	20,0	1,3
NCC mine	Total	13,9	25,0	26,5	20,3	1,2	42,1	23,2	23,7	25,7	1,0	–	–	–	–	–
Grootegeluk mine	Volksrust Formation	1 962	12,7	19,7	54,4	1,1	990	14,2	19,7	53,9	1,1	621	13,4	20,0	53,6	0,9
	Vryheid Formation	648	23,2	22,2	27,6	2,1	300	23,3	22,3	28,6	2,2	166	23,2	21,5	28,5	2,0
Grootegeluk West project	Volksrust Formation	–	–	–	–	–	840	13,8	19,4	55,9	0,9	2 960	12,5	19,6	56,4	0,9
	Vryheid Formation	–	–	–	–	–	181	22,9	22,3	29,5	2,3	656	21,5	21,8	32,1	2,2
Waterberg North project	Volksrust Formation	–	–	–	–	–	–	–	–	–	–	1 588	11,2	19,1	56,5	1,0
	Vryheid Formation	–	–	–	–	–	–	–	–	–	–	588	16,3	21,0	41,7	1,6
Waterberg South project	Volksrust Formation	–	–	–	–	–	–	–	–	–	–	247	10,6	19,4	55,5	0,6
	Vryheid Formation	–	–	–	–	–	–	–	–	–	–	451	16,5	21,1	38,3	4,2
Tshikondeni mine	Total	24,0	30,8	22,0	14,0	0,7	10,1	30,8	22,0	13,9	0,7	–	–	–	–	–
Moranbah project	Total	56,0	24,9	19,0	26,7	0,6	150,0	26,3	18,4	22,7	0,6	60,4	27,2	17,9	20,9	0,6

VM – volatile matter, S – sulphur, CV – calorific value.
Rounding-off of figures may cause computational discrepancies.
Coal qualities are quoted on a Mineable Tonnage In-Situ (MTIS) and on an air-dried basis.

[1] *The tonnages are quoted in metric tonnes and million tonnes is abbreviated as Mt.*
[2] *TL – Top layer, BL – Bottom layer.*

COAL

Coal Reserves

The table below details the total Coal Reserve estimated as at 31 December 2009.

Commodity	Operation[1]	% attribu-table to Exxaro[5]	Reserve category	2009 ROM (Mt)[2,3]	2009 Saleable product (Mt)[2,4]			2008 ROM (Mt)[2,3]	2008 Saleable product (Mt)[2,4]			% change	Mine life based on reserve (years)
					Coking coal	Thermal coal	Metal-lurgical coal		Coking coal	Thermal coal	Metal-lurgical coal		
Coal Mpumalanga	Arnot mine (UG) (captive market)	100	Proved	72,6	N/A	70,4	N/A	86,1	N/A	85,7	N/A		
			Probable	10,2	N/A	9,9	N/A	1,2	N/A	1,2	N/A		
			TOTAL	**82,8**	**N/A**	**80,3**	**N/A**	**87,3**	**N/A**	**86,9**	**N/A**	**(5,2)**	**17**
	Matla mine[6] (UG) (captive market)		Proved	201,1	N/A	200,1	N/A	110,3	N/A	109,7	N/A		
			Probable	132,1	N/A	131,5	N/A	264,2	N/A	262,9	N/A		
			TOTAL	**333,2**	**N/A**	**331,6**	**N/A**	**374,5**	**N/A**	**372,6**	**N/A**	**(11,0)**	**33**
					A-grade export steam coal				A-grade export steam coal				
	Inyanda mine[7] (OC)	100	Proved	11,6		8,2		13,9		8,7			
			Probable	0,4		0,3		–		–			
			TOTAL	**12,0**		**8,5**		**13,9**		**8,7**		**(14,0)**	**5,1**
					Export	Thermal	Metal-lurgical coal		A-grade export steam coal				
	Leeuwpan mine (OC)	100	Proved	88,3	4,2	35,4	9,5	88,0		48,4			
			Probable	64,8	–	9,4	23	57,4		34,3			
			TOTAL	**153,1**	**4,2**	**44,8**	**32,5**	**145,4**		**82,7**		**5,3**	**21**
					Export	Thermal	Metal-lurgical coal		Export	Thermal	Metal-lurgical coal		
	Mafube mine[8] (OC)	50	Proved	35,6	18,4	8,2	N/A	40,6	22,0	11,4	N/A		
			Probable	67,3	25,1	21,2	N/A	66,8	24,7	20,9	N/A		
			TOTAL	**102,9**	**43,5**	**29,4**	**N/A**	**107,4**	**46,7**	**32,3**	**N/A**	**(4,2)**	**20,4**
	NBC[9] (OC) (North Block Complex)	100	Proved	26,9	N/A	24,5	N/A	24,2	N/A	24,2	N/A		
			Probable	4,1	N/A	3,7	N/A	19,6	N/A	19,6	N/A		
			TOTAL	**31,0**	**N/A**	**28,2**	**N/A**	**43,8**	**N/A**	**43,8**	**N/A**	**(29,3)**	**8**
	Belfast project (OC) (prospecting)	100	Proved	91,9	56,8	29,9	N/A	91,9	56,8	29,9	N/A		
			Probable	3,0	–	–	N/A	3,0	–	–	N/A		
			TOTAL	**94,9**	**56,8**	**29,9**	**N/A**	**94,9**	**56,8**	**29,9**	**N/A**	**0**	**40**
	NCC mine (OC, UG) (New Clydesdale)	100	Proved	11,7	N/A	7,6	N/A	12,5	N/A	8,6	N/A		
			Probable	–	N/A	–	N/A	–	N/A	–	N/A		
			TOTAL	**11,7**	**N/A**	**7,6**	**N/A**	**12,5**	**N/A**	**8,6**	**N/A**	**(6,6)**	**7**
					Coking coal	Thermal coal	Metal-lurgical coal		Coking coal	Thermal coal	Metal-lurgical coal		
Coal Limpopo	Grootegeluk mine[10] (OC)	100	Proved	2 140	96,4	905,3	83,3	2 756	124,0	1 094,1	105,3		
			Probable	666	33,0	309,6	33,7	552	28,1	221,0	14,9		
			TOTAL	**2 806**	**129,4**	**1 214,9**	**117,0**	**3 308**	**152,1**	**1 315,1**	**120,2**	**(15,2)**	**55**
	Tshikondeni mine[11] (UG) (captive market)	100	Proved	3,98	2,11	N/A	N/A	4,41	2,40	N/A	N/A		
			Probable	–	–	N/A	N/A	–	–	N/A	N/A		
			TOTAL	**3,98**	**2,11**	**N/A**	**N/A**	**4,41**	**2,40**	**N/A**	**N/A**	**(9,8)**	**7**

Rounding-off of figures may cause computational discrepancies.

All changes more than 10% (significant) are explained.

Reserves quoted are inclusive of reported Mineral Resources unless otherwise stated.

1 *Mining method: OC – open-cut, UG – underground.*
2 *The tonnages are quoted in metric tonnes and million tonnes is abbreviated as Mt.*
3 *Coal Reserves are quoted on a run of mine (ROM) reserve tonnage basis which represents the tonnages delivered to the plant at an applicable moisture and quality.*
4 *Saleable reserve tonnage represents the product tonnes of coal available for sale on an applicable moisture basis. Qualities of saleable products are provided in Table 2.*
5 *Figures are reported at 100% irrespective of percentage attributable to Exxaro and refer to 2009 only.*
6 *The decrease is the result of mining depletion (11,27Mt), the exclusion 14Mt in seam 4 due to safety considerations and the exclusion of ~17Mt due to a change in classification methodology.*
7 *Decrease is the result of mining depletion (2,1Mt) and a revision of the geological model (0,5Mt).*
8 *Figures are received from Anglo Coal and were not audited by Exxaro.*
9 *Decrease is the result of the significant reduction in the resource base (refer to Coal Resource table).*
10 *The decrease is the result of mining depletion and the change from indicated to inferred resources (~450Mt) within the LOMP that occurred with the implementation of the revised classification methodology.*
11 *Mining depletion (~0,6Mt) and revised block scheduling changes (0,86Mt) have depleted the reserve.*

COAL RESERVE QUALITIES

Table 2

Operation	Seam/ layer	THERMAL saleable (proved + probable)					METALLURGICAL saleable (proved + probable)					COKING saleable (proved + probable)				
		Tonnes (Mt)[1]	CV MJ/Kg	% VM	% Ash	% S	Tonnes (Mt)[1]	CV MJ/Kg	% VM	% Ash	% S	Tonnes (Mt)[1]	CV MJ/Kg	% VM	% Ash	% S
Arnot mine	Total	80,3	24,3	24,0	23,0	1,0										
Matla mine	Total	331,2	19,8	20,4	28,1	1,1										
Inyanda mine	Total	8,5	27,5	25,1	15,1	0,6										
Leeuwpan mine	TL[2]	44,8	21,0	20,0	24,0	0,8	–	–	–	–	–					
	BL[2]	4,2	26,8	16,0	16,0	0,7	32,5	26,8	20,0	16,0	0,7					
Mafube mine	Total	43,5	27,5	25,2	11,5	0,4										
	Total	29,4	23,6	21,3	20,7	0,8										
Belfast project	Total	29,9	27,6	21,8	15,2	0,6										
NCC mine	Total	7,6	27,7	28,0	14,7	0,8										
Grootegeluk mine	Volksrust Formation	751	21,4	27,1	31,8	0,8	–	–	–	–	–	129	29,2	35,6	59,1	4,3
	Vryheid Formation	464	22,4	22,0	29,9	2,2	117	29,1	24,5	11,3	0,6	–	–	–	–	–
Tshikondeni mine	Total	–	–	–	–	–	–	–	–	–	–	2,1	30,8	22,0	90,0	9,0

Saleable reserve tonnage represents the product tonnes of coal available for sale on an applicable moisture and air-dried quality basis.
VM – volatile matter, S – sulphur, CV – calorific value.
Rounding-off of figures may cause computational discrepancies.

[1] *Saleable product tonnages are quoted in metric tonnes and million tonnes is abbreviated as Mt.*
[2] *TL – Top layer, BL – Bottom layer.*

MINERAL SANDS

Mineral Resources

The table below details the total inclusive mineral sands resources estimated as at 31 December 2009.

				2009		2008		
Commodity	Operation[1]	% attributable to Exxaro[2]	Resource category	Tonnes (million)[3]	Grade	Tonnes (million)[3]	Grade	% change
					% ilmenite		% ilmenite	
Mineral sands KwaZulu-Natal	Hillendale mine + Braeburn + Braeburn Extension[4] (OC)	100	Measured	40,9	3,27	53,4	3,35	
			Indicated	–	–	–	–	
			Inferred	–	–	–	–	
			TOTAL	**40,9**	**3,27**	**53,4**	**3,35**	**(23,5)**
	Fairbreeze A+B+C+C Ext (OC)	100	Measured	202,1	3,7	202,1	3,7	
			Indicated	26,9	2,5	26,9	2,5	
			Inferred	–	–	–	–	
			TOTAL	**229,0**	**3,6**	**229,0**	**3,6**	**0**
	Fairbreeze D (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**
	Block P (OC)	100	Measured	–	–	–	–	
			Indicated	40,6	3,1	40,6	3,1	
			Inferred	–	–	–	–	
			TOTAL	**40,6**	**3,1**	**40,6**	**3,1**	**0**
	Block P Extension project (prospecting) (OC)	0	Measured	Rights have been relinquished due to poor current economical viability.		–	–	
			Indicated			–	–	
			Inferred			42,0	2,7	
			TOTAL			**42,0**	**2,7**	**–**
	Port Durnford project[5] (prospecting) (OC)	51	Measured	142,5	3,0	142,5	3,0	
			Indicated	340,1	2,8	340,1	2,8	
			Inferred	466,0	2,5	466,0	2,5	
			TOTAL	**948,6**	**2,7**	**948,6**	**2,7**	**0**

Mineral sands resources continued

Commodity	Operation[1]	% attributable to Exxaro[2]	Resource category	2009 Tonnes (million)[3]	2009 Grade	2009	2008 Tonnes (million)[3]	2008 Grade	2008	% change
					% ilmenite			% ilmenite		
Mineral sands Eastern Cape	Eastern Cape project (Nombanjana, Ngcizele, Sandy Point old and recent) (OC)	100	Measured	226,2	4,6		232,9	4,5		
			Indicated	9,9	3,3		–	–		
			Inferred	19,8	3,9		–	–		
			TOTAL	**255,9**	**4,5**		**232,9**	**4,5**		**9,8**
Mineral sands Limpopo	Gravelotte sand and pebbles (OC)	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**
	Gravelotte rock (OC)	100	Measured	–	–		–	–		
			Indicated	–	–		–	–		
			Inferred	112,3	20,7		112,3	20,7		
			TOTAL	**112,3**	**20,7**		**112,3**	**20,7**		**0**
	Letsitele sand project (prospecting) (OC)	100	Measured	12,5	10,5		12,5	10,5		
			Indicated	–	–		–	–		
			Inferred	–	–		–	–		
			TOTAL	**12,5**	**10,5**		**12,5**	**10,5**		**0**
	Letsitele rock project (prospecting) (OC)	100	Measured	–	–		–	–		
			Indicated	53,6	25,9		53,6	25,9		
			Inferred	–	–		–	–		
			TOTAL	**53,6**	**25,9**		**53,6**	**25,9**		**0**
					% ilmenite	% zircon		% ilmenite	% zircon	
Mineral sands Western Cape	Namakwa Sands mine[6] (OC)	100	Measured	578,1	3,0	0,7	181,3	3,9	0,9	
			Indicated	258,1	2,5	0,7	393,2	3,6	0,8	
			Inferred	84,8	1,5	0,3	262,9	2,4	0,6	
			TOTAL	**921,0**	**2,7**	**0,6**	**837,4**	**3,3**	**0,8**	**10**
Mineral sands Madagascar	Ranobé – Upper sand unit (OC)	0	Measured				208,8	4,8	–	
			Indicated	Option has not been renewed due to			320,4	4,0	–	
			Inferred	poor current economical viability.			181,3	3,5	–	
			TOTAL				**710,5**	**4,1**		**–**
Mineral sands Australia	Tiwest				% THM			% THM		
	– Cooljarloo mine (OC)	50	Measured	95,0	2,9		62,5	3,4		
			Indicated	234,1	2,3		281,8	2,4		
			Inferred	10,0	2,4		10,0	2,4		
			TOTAL	**339,1**	**2,5**		**354,3**	**2,6**		**(4,3)**
	Jurien project (OC)	50	Measured	–	–		–	–		
			Indicated	25,6	6,0		25,6	6,0		
			Inferred	–			–			
			TOTAL	**25,6**	**6,0**		**25,6**	**6,0**		**0**
	Dongara project (prospecting) (OC)	50	Measured	91,4	4,5		91,4	4,5		
			Indicated	–	–		–	–		
			Inferred	–	–		–	–		
			TOTAL	**91,4**	**4,5**		**91,4**	**4,5**		**0**

%THM – % total heavy minerals.
Mineral Resources are quoted inclusive of Mineral Resources that have been modified to Ore Reserves unless otherwise stated.
Rounding-off of figures may cause computational discrepancies.
All changes more than 10% (significant) are explained.

[1] *Mining method: OC – open-cut, UG – underground.*

[2] *Figures are reported at 100% irrespective of percentage attributable to Exxaro and refer to 2009 only.*

[3] *The tonnages are quoted in metric tonnes and million tonnes is abbreviated as Mt.*

[4] *The decrease is the result of mining depletion (7,7Mt), redefinition of the ore-body floor (~1Mt), loss of material due to backfilling (~0,1Mt) and review and update of the geological model (~3,7Mt). The total resource estimate includes 15,5Mt of material within the legal mine boundary buffer and ~2,8 Mt of material located beneath current infrastructure.*

[5] *Prefeasibility study has been finalised during the reporting year and the project was put on hold due to poor current economical viability.*

[6] *The operation was reviewed by Exxaro during the reporting year as well as externally audited. The increase is primarily the result of the inclusion of the OFSW unit in the east mine (~90Mt) and the update of the geological model with the new 2008/09 drilling information.*

MINERAL SANDS

Ore Reserves

The table below details the total mineral sands reserves estimated as at 31 December 2009.

				2009						2008							
Commodity	Operation(1)	% attributable to Exxaro[2]	Reserve category	ROM (Mt)[3]	Grade	Total heavy mineral (THM) composition				ROM (Mt)[3]	Grade	Total heavy mineral (THM) composition				% change	Mine life based on reserve (years)
					% THM	% ilmenite	% zircon	% rutile	% leuco-xene		% THM	% ilmenite	% zircon	% rutile	% leuco-xene		
Mineral sands	Hillendale mine[4] (OC)	100	Proved	18,9	7,0	56,2	7,3	4,0	2,0	25,8	7,5	55,0	6,5	3,7	1,9		
KwaZulu-Natal	(including Braeburn and Braeburn Extension)		Probable	–	–	–	–	–	–	2,7	5,0	63,0	4,0	8,0	2,0		
			TOTAL	**18,9**	**7,0**	**56,2**	**7,3**	**4,0**	**2,0**	**28,5**	**7,3**	**55,8**	**6,3**	**4,1**	**1,9**	**(33,6)**	**3**
	Fairbreeze A+B+C+C Ext[5]	100	Proved	161,1	6,6	60,4	8,2	3,4	1,7	137,4	6,1	59,9	8,3	3,1	1,4		
	(OC)		Probable	20,4	4,2	49,0	7,4	2,7	2,1	44,1	7,2	61,3	8,1	3,4	1,8		
			TOTAL	**181,5**	**6,4**	**59,1**	**8,1**	**3,3**	**1,7**	**181,5**	**6,4**	**60,3**	**8,1**	**3,3**	**1,7**	**0**	**22**
Mineral sands	Gravelotte sand	100	Proved	52,4	13,0	85,0	N/A	N/A	N/A	52,4	13,0	85,0	N/A	N/A	N/A		
Limpopo	(OC)		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**	**11**
Mineral sands	Namakwa Sands mine[6]	100	Proved	393,6	9,0	3,2	0,7	0,2	0,4	64,7	12,2	38,7	9,8	1,8	3,9		
Western Cape	(OC)		Probable	120,0	6,9	2,3	0,5	0,2	0,3	217,9	10,0	37,8	9,8	2,1	4,1		
			TOTAL	**513,6**	**8,3**	**2,9**	**0,6**	**0,2**	**0,4**	**282,6**	**10,5**	**38,0**	**9,8**	**2,0**	**4,1**	**81,7**	**18**
Australia	Tiwest	50	Proved	93,3	2,7	60,6	8,8	4,6	3,0	58,0	3,3	60,6	9,3	4,3	3,2		
	– Cooljarloo (OC)		Probable	17,0	2,7	56,0	13,4	5,2	2,8	56,0	2,7	60,4	8,4	4,6	3,1		
			TOTAL	**110,3**	**2,7**	**58,1**	**9,0**	**4,5**	**2,9**	**114,0**	**3,0**	**60,5**	**8,9**	**4,4**	**3,1**	**(3,2)**	**6**
	– Jurien (OC)	50	Proved	–	–	–	–	–	–	–	–	–	–	–	–		
			Probable	15,7	7,9	54,0	10,0	6,8	2,3	15,7	7,9	54,0	10,0	6,8	2,3		
			TOTAL	**15,7**	**7,9**	**54,0**	**10,0**	**6,8**	**2,3**	**15,7**	**7,9**	**54,0**	**10,0**	**6,8**	**2,3**	**0**	**5,2**
	– Dongara (OC)	50	Proved	29,5	7,3	48,6	10	7,0	2,0	29,5	7,3	48,6	10	7,0	2,0		
	(prospecting)		Probable	–	–	–	–	–	–	–	–	–	–	–	–		
			TOTAL	**29,5**	**7,3**	**48,6**	**10,1**	**7,0**	**2,0**	**29,5**	**7,3**	**48,6**	**10,1**	**7,0**	**2,0**	**0**	**9,8**

%THM – percent total heavy minerals.
Rounding-off of figures may cause computational discrepancies.
All changes more than 10% (significant) are explained.
Reserves quoted are inclusive of reported Mineral Resources unless otherwise stated.

1 *Mining method: OC – open-cut, UG – underground.*
2 *Figures are reported at 100% irrespective of percentage attributable to Exxaro and refer to 2009 only.*
3 *The tonnages are quoted in metric tonnes and million tonnes is abbreviated as Mt.*
4 *The decrease is the result of mining depletion (7,7Mt) and reduction in the resource base.*
5 *The measured resources previously reported as probable based on the pending status of the Fairbreeze C Ext. mine right application were reclassified as proved reserves this year due to the granting of the mine right during the reporting period.*
6 *The change is the result of a review of the reserve model and the significant increase in the resource base.*

BASE METALS

Mineral Resources

The table below details the total inclusive base metal resources estimated as at 31 December 2009.

Commodity	Operation[1]	% attributable to Exxaro[2]	Resource category	2009 Tonnes (million)[3]	2009 Grade		2008 Tonnes (million)[3]	2008 Grade		% change
				Mt	%Zn	%Pb	Mt	%Zn	%Pb	
Base metals	Rosh Pinah mine	50,04	Measured	4,2	8,5	2,2	4,7	8,7	2,2	
Namibia	(zinc and lead)		Indicated	5,8	6,7	1,8	5,8	6,6	1,8	
	(UG)		Inferred	1,7	4,8	0,8	1,7	4,8	0,8	
			TOTAL	**11,6**	**7,1**	**1,8**	**12,2**	**7,2**	**1,8**	**(4,5)**

Commodity	Operation[1]	% attributable to Exxaro[2]	Resource category	2009 Tonnes (million)[3]	2009 Grade				2008 Tonnes (million)[3]	2008 Grade				% change
Base metals	Black Mountain Mining			Mt	Zn%	Pb%	Cu%	Ag g/t	Mt	Zn%	Pb%	Cu%	Ag g/t	
Northern Cape	– Deeps and Broken Hill[4,5]	26	Measured	7,2	2,7	3,2	0,4	38,5	1,6	3,7	3,4	0,6	47,0	
	(zinc, lead, copper and silver)		Indicated	5,8	2,1	3,0	0,5	44,7	2,6	3,7	4,3	0,6	58,0	
	(UG)		Inferred	7,3	3,0	2,3	0,7	25,9	2,4	4,4	1,4	1,1	14,0	
			TOTAL	**20,3**	**2,6**	**2,8**	**0,5**	**35,8**	**6,6**	**3,9**	**3,0**	**0,8**	**40,0**	**206**
	– Swartberg[4,6]	26	Measured	–	–	–	–	–	–	–	–	–	–	
	(zinc, lead, copper and silver)		Indicated	17,3	0,6	2,9	0,7	35,0	17,3	0,6	2,9	0,7	35,0	
	(UG)		Inferred	24,5	0,7	2,8	0,6	41,0	24,5	0,7	2,8	0,6	41,0	
			TOTAL	**41,8**	**0,7**	**2,8**	**0,7**	**39,0**	**41,8**	**0,7**	**2,8**	**0,7**	**39,0**	**0**

Commodity	Operation[1]	% attributable to Exxaro[2]	Resource category	2009 Tonnes (million)[3]	2009 Grade	2008 Tonnes (million)[3]	2008 Grade	% change
				Mt	Zn%	Mt	Zn%	
	– Gamsberg North[4,7]	26	Measured	43,3	7,1	–	–	
	(zinc)		Indicated	57,5	6,5	–	–	
	(OC)		Inferred	53,3	5,4	54,2	4,1	
			TOTAL	**154,1**	**6,3**	**54,2**	**4,1**	**184**

%Zn – percent zinc, %Cu – percent copper, %Pb – percent lead, Ag g/t – grams per tonne silver.
Mineral Resources are quoted inclusive of Mineral Resources that have been modified to Ore Reserves unless otherwise stated.
Rounding-off of figures may cause computational discrepancies.
All changes more than 10% (significant) are explained.

1 *Mining method: OC - open-cut, UG - underground.*

2 *Figures are reported at 100% irrespective of percentage attributable to Exxaro.*

3 *The tonnages are quoted in metric tonnes and million tonnes is abbreviated as Mt.*

4 *Figures received from Anglo Base Metals and were not audited by Exxaro.*

5 *Resources quoted are in addition to reported Ore Reserves. Broken Hill and the Deeps Mineral Resources are combined for reporting purposes as both deposits are geologically connected and make use of the same mining infrastructure. The decrease in Ore Reserves due to production has been partially offset through changed economic assumptions and updated resource modelling based on new information. The definition of Mineral Resources for Broken Hill and the Deeps is based on the same 2009 economic and financial parameters as used for the definition of Ore Reserves.*

6 *Mine was placed on care and maintenance in 2007. No Ore Reserves, all remaining resources are declared.*

7 *Resources quoted are in addition to reported Ore Reserves. These Mineral Resources were formerly referred to as Gamsberg. However the recent discovery of the Gamsberg East deposit has necessitated distinction between the two deposits; hence the renaming of Gamsberg to Gamsberg North. Towards the latter part of 2009, a new Gamsberg Mineral Resource model has been produced based on an extensive drilling campaign carried out during 2008 and 2009. Mineral Resources are defined using geology and a cut-off grade (3% Zn) within an economic pit shell. In view of the significant changes (geological model, economic parameters and technological advancements) that have taken place since the 2000 feasibility study was completed, Ore Reserves have been reallocated to Mineral Resources and will be restated once a new feasibility study has been completed and approved. During 2009, some 11kt of material with an average grade of 8% Zn were mined via the exploration audit and processed at the Black Mountain concentrator.*

BASE METALS

Ore Reserves

The table below details the total base metal reserves estimated as at 31 December 2009.

				2009					2008					
Commodity	Operation[1]	% attributable to Exxaro[2]	Reserve category	ROM (Mt)[3]	Grade		Saleable product		ROM (Mt)[3]	Grade	Saleable product		% change	Mine life based on reserve (years)
					%Zn	%Pb	Zinc metal (x 1,000t)	Lead metal (x 1,000t)		%Zn	Zinc metal (x 1,000t)	Lead metal (x 1,000t)		
Base metals	Rosh Pinah mine[4] (UG)	50,04	Proved	2,8	10,3	2,5	282	69	3,3	10,1	327	80		
(zinc and lead)	Namibia		Probable	2,0	7,9	1,7	158	34	2,7	7,4	203	49		

				2009									2008										
Commodity	Operation[1]	% attributable to Exxaro[2]	Reserve category	ROM (Mt)[3]	Grade				Saleable product				ROM (Mt)[3]	Grade				Saleable product				% change	Mine life based on reserve (years)
					%Zn	%Pb	Cu%	Ag g/t	Zinc metal (x 1,000t)	Lead metal (x 1,000t)	Copper metal (x 1,000t)	Silver metal (x 1,000t)		%Zn	%Pb	Cu%	Ag g/t	Zinc metal (x 1,000t)	Lead metal (x 1,000t)	Copper metal (x 1,000t)	Silver metal (x 1,000t)		
Base metals (zinc, lead, copper and silver)	Black Mountain mining Deeps[5] (UG)	26	Proved	4,9	3,5	3,6	0,4	43	171,2	176,6	18,5	206,8	3,0	3,7	3,2	0,5	40	109,4	93,2	13,4	116.8		
			Probable	2,8	2,0	2,6	0,4	50	57,4	74,7	11,6	142,6	5,9	2,9	2,9	0,4	42	170,1	168,2	21,9	244.5		

				2009			2008			
Commodity	Operation[1]	% attributable to Exxaro[2]	Reserve category	ROM (Mt)[3]	Grade	Saleable product	ROM (Mt)[3]	Grade	Saleable product	% change
					%Zn	Zinc metal (x 1,000t)		%Zn	Zinc metal (x 1,000t)	
Base metals		26	Proved	–	–	–	34,2	7,5	2,6	
(zinc)	Gamsberg [6] (OC)		Probable	–	–	–	110,3	5,5	6,1	
			TOTAL	**–**	**–**	**–**	**144,5**	**6,0**	**8,7**	**–**

%Zn – percent zinc, %Cu – percent copper, %Pb – percent lead, Ag g/t – grams per tonne silver.
Reserves quoted are inclusive of reported Mineral Resources unless otherwise stated.
Rounding-off of figures may cause computational discrepancies.
All changes more than 10% (significant) are explained.

[1] *Mining method: OC – open-cut, UG – underground.*

[2] *Figures are reported at 100% irrespective of percentage attributable to Exxaro and refer to 2009 only.*

[3] *The tonnages are quoted in metric tonnes and million tonnes is abbreviated as Mt.*

[4] *The decrease is the result of mining depletion (~0,5Mt) and revised mine design based on updated economical assumptions (~0,7Mt).*

[5] *Figures received from Anglo Base Metals and not audited by Exxaro. Reserves quoted are exclusive of Mineral Resources. The decrease in Ore Reserves due to production has been partially offset through changed economic assumptions and updated resource modelling based on new information. The definition of Mineral Resources for Broken Hill and the Deeps is based on the same 2009 economic and financial parameters as used for the definition of Ore Reserves.*

[6] *Figures received from Anglo Base Metals and not audited by Exxaro. A prefeasibility study is currently in progress and no Ore Reserves are therefore reported.*

INDUSTRIAL MINERALS

Mineral Resources

The table below details the total inclusive industrial mineral resources estimated as at 31 December 2009.

				2009		2008		
Commodity	Operation[1]	% attributable to Exxaro[2]	Resource category	Tonnes (million)[3]	Grade	Tonnes (million)[3]	Grade	% change
					% SiO_2		% SiO_2	
Gauteng	Glen Douglas mine	100	Measured	178,5	<2,5	179,2	<2,5	
	(metallurgical dolomite)		Indicated	–	–	–	–	
	OC		Inferred	125,2	<2,5	125,2	<2,5	
			TOTAL	**303,7**	**<2,5**	**304,4**	**<2,5**	**(0,2)**
	Glen Douglas mine	100	Measured	34,2	Raw material	36,1	Raw material	
	(aggregate dolomite)		Indicated	–	–	–	–	
	OC		Inferred	193,7	Raw material	193,7	Raw material	
			TOTAL	**227,9**	**Raw material**	**229,8**	**Raw material**	**(0,8)**

Mineral Resources are quoted inclusive of Mineral Resources that have been modified to Ore Reserves unless otherwise stated.
%Sio_2 – percent silica.
Rounding-off of figures may cause computational discrepancies.
All changes more than 10% (significant) are explained.

[1] *Mining method: OC – open-cut, UG – underground.*
[2] *Figures are reported at 100% irrespective of percentage attributable to Exxaro.*
[3] *The tonnages are quoted in metric tonnes and million tonnes is abbreviated as Mt.*

REVIEW OF MINERAL RESOURCES AND RESERVES CONTINUED

INDUSTRIAL MINERALS

Ore Reserves

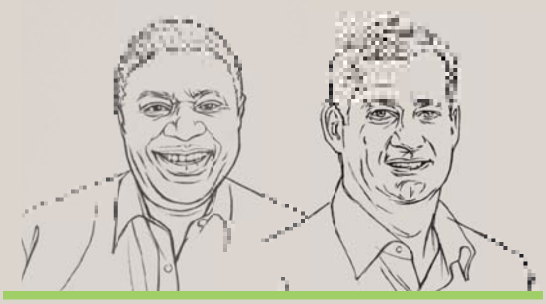
The table below details the total inclusive industrial mineral reserves estimated as at 31 December 2009.

				2009			2008			
Commodity	Operation[1]	% attributable to Exxaro[2]	Reserve category	ROM (Mt)[3]	Grade	Saleable product	ROM (Mt)[3]	Grade	Saleable product	% change
					% SiO_2	Metallurgical dolomite (Mt)		% SiO_2	Metallurgical dolomite (Mt)	
Industrial minerals	Glen Douglas (OC)	100	Proved	42,1	<2,5	39,8	42,8	<2,5	40,2	
Gauteng	Dolomite mine		Probable	–	–	–	–	–	–	
			TOTAL	**42,1**	**<2,5**	**39,8**	**42,8**	**<2,5**	**40,2**	**(1)**
						Aggregate (Mt)			Aggregate (Mt)	
	Glen Douglas (OC)[4]	100	Proved	8,6	Raw dolomite	8,5	10,5	Raw dolomite	9,8	
	Dolomite mine		Probable	–	–	–	–	–	–	
			TOTAL	**8,6**	**Raw dolomite**	**8,5**	**10,5**	**Raw dolomite**	**9,8**	**(18)**

MINERAL SAND MINES AND PROJECTS IN KWAZULU-NATAL

BASE METAL AND INDUSTRIAL MINERAL MINES IN SOUTHERN AFRICA

EXECUTIVE COMMITTEE



Left: **Sipho Nkosi** (55)
Chief executive officer
BCom (hons)(econ), MBA (Univ Mass, USA), Diploma in Marketing Management, Advanced management leadership programme (Oxon)

After six years at Ford Motor Company in South Africa as a market analyst, in 1986 Sipho 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, becoming managing director of ABB Power Generation in 1998. As founder of Eyesizwe Holdings, he served as chief executive officer. On 1 September 2007 he was appointed chief executive officer of Exxaro.

Right: **Wim de Klerk** (46)
Finance director
BCom (hons), CA(SA), TEP (Darden), EMP (Harvard)

Wim has served on the executive management team of Iscor, responsible for strategy and continuous improvement. From 2001, he was responsible for the mineral sands commodity business and assumed responsibility for the base metals businesses in 2008. He was appointed to his current position in March 2009.

Trevor Arran (42)
Executive general manager: sands and base metals
BSc (hons)(econ geo), Advanced management programme (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. He assumed responsibility for his current portfolio in the first half of 2009.

Left: **Mxolisi Mgojo** (49)
Executive general manager: coal
BSc (hons), MBA, Advanced management programme (Wharton)

Previously at Eyesizwe Coal, he was responsible for marketing. Before assuming his current position, Mxolisi was responsible for the base metals and industrial minerals commodity business.

Right: **Retha Piater** (55)
Executive general manager: human resources
BCom (hons), MBA, Advanced management programme (Insead)

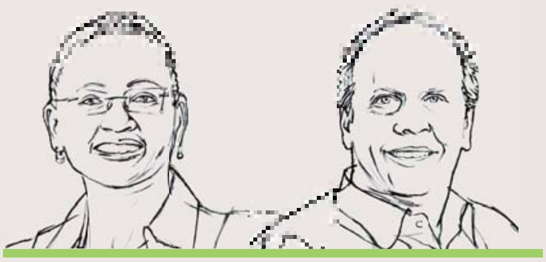
Retha has 23 years of human resources experience across the various business units and commodities, specifically in the area of remuneration.

Left: **Dr Nombasa Tsengwa** (45)
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). Subsequent to year end, Nombasa assumed responsibility for the coal captive mines.

Right: **Ernst Venter** (53)
Executive general manager: business growth
BEng (hons), MBA, Advanced management programme (Insead)

Ernst has headed a number of portfolios including base metals, 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.

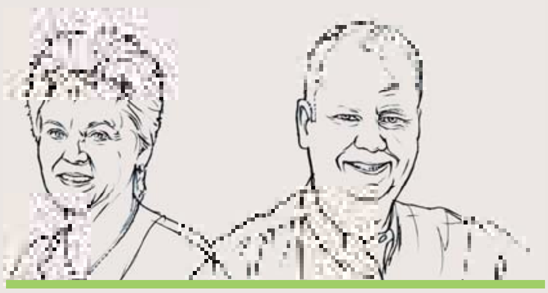


Left: **Marie Viljoen** (63)
Company secretary

Marie has 23 years' experience in the field. She is responsible for the group's corporate governance and business administration to comply with statutory and legal requirements.

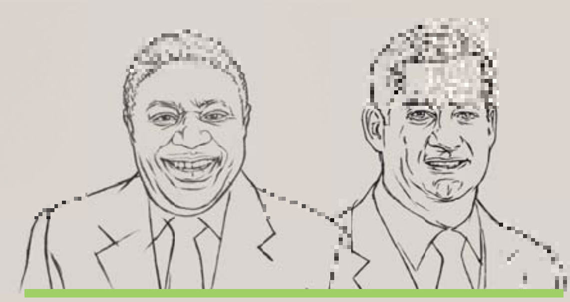
Right: **Dr Willem van Niekerk** (50)
Executive general manager: corporate services
BSc (hons), MSc, PhD (met eng)(Univ of Pretoria), BCom (Unisa), MBA (Henley), TEP (Darden)

Willem started his career as a metallurgist with Iscor in 1985, progressing to general manager corporate technology by 2001. At Exxaro, he has headed Zincor and Australia Sands, and is now responsible for technology, information management, logistics and supply chain management.



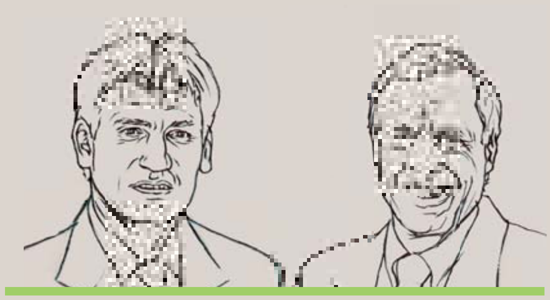
> *Dirk van Staden retired with effect from 28 February 2009. Wim de Klerk was appointed as finance director on 1 March 2009.*

DIRECTORATE



Left: **Sipho Abednego Nkosi** (55)
Chief executive officer
BCom (hons)(econ), MBA (Univ Mass, USA), Diploma in marketing management, Advanced management leadership programme (Oxon)
See page 66

Right: **Willem Abraham de Klerk** (46)
Finance director
BCom (hons), CA(SA), TEP (Darden), EMP (Harvard)
See page 66

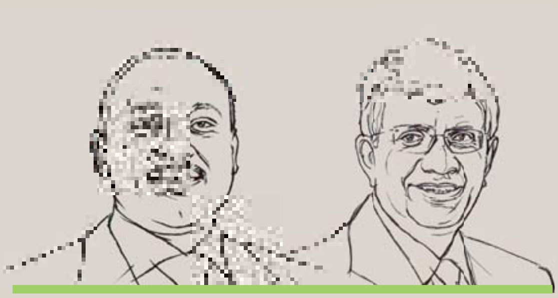


Left: **Christopher Ivan Griffith** (45)
BEng (mining)(hons), professional engineer

Chris is chief executive officer of Kumba Iron Ore, chairman of Sishen Iron Ore Company and a member of the Anglo American plc executive committee. Prior to his appointment at Kumba in 2008, he headed joint ventures for Anglo Platinum. Chris is a member of the South African Institute for Mining and Metallurgy and the Association of Mine Managers.

Right: **Jurie Johannes Geldenhuys** (67)
Independent non-executive director
BSc (eng)(elec), BSc (eng)(min), MBA (Stanford), professional engineer

Jurie spent 35 years with the Anglovaal Group in technical and executive capacities across numerous commodities, retiring as managing director of Avgold Limited in 2000. He was president of the Chamber of Mines (1993 – 1994) and served on several of its board committees. He also served on the Atomic Energy Council and National Water Advisory Council. He is currently non-executive chairman of Astral Food Limited and chairs its human resources and remuneration committee.



Left: **Ufikile Khumalo** (44)
Non-executive director
BSc (eng) (UCT), MAP (Wits), Senior executive development programme (Harvard), Advanced management programme (Insead)

Ufikile served with Sasol and Eskom as a senior engineer and Bevcan as a manufacturing manager prior to joining the Independent Development Corporation (IDC). He held several positions at the IDC, including head of international finance; executive vice-president of industrial sectors and executive vice president of projects. He provided strategic direction in the industrial sectors on large projects, and was involved in evaluating investment proposals, contributing to successfully implementing the IDC's development mandate.

Right: **Deenadayalen Konar** (56)
Independent non-executive director, chairman
BCom, CA(SA), MAS, DCom

Immediately after completing his articles at Ernst & Young, Len became an academic at the University of Durban-Westville. He then spent six years with the Independent Development Trust as head of investments and internal audit, prior to becoming a professional director of companies and consultant. He is past chairman and member of the external audit committee of the International Monetary Fund. Len is currently chairman of Steinhoff International and Mustek, and a board member of Illovo Sugar, Makalani, Sappi and JD Group and co-chairman of the implementation oversight panel of the World Bank in Washington.

Vincent Zwelibanzi Mntambo (52)
Non-executive director
BJuris, LLB (Univ of North West, LLM (Yale)

Zwelibanzi is executive chairman of ASG Business Solutions. He was previously a senior lecturer at the University of Natal, executive director of IMSSA, director-general of Gauteng Province and chairman of the Commission for Conciliation, Mediation and Arbitration of South Africa. He is chairman of Metrobus (Pty) Ltd, Mainstreet 333 (Pty) Ltd and a director of SA Tourism (Pty) Ltd and Aveng Ltd.

Left: **Richard Peter Mohring** (62)
Independent non-executive director
BSc (eng)(mining), MDP, PMD (Harvard); professional engineer

From 1972 to 1998, Rick held production, managerial and executive posts in the gold and coal divisions of the Rand Mines and Billiton groups. From 1998 until 2000, he was chief executive officer of NewCoal, an empowerment initiative set up by Anglo Coal and Ingwe Coal Corporation and the forerunner to Eyesizwe Coal, the largest BEE coal company in South Africa. Rick served as deputy chief executive officer of Eyesizwe Coal for three years. He retired in December 2003, and set up a private consulting company, Mohring Mining Consulting.

Right: **Nkululeko Leonard Sowazi** (46)
Non-executive director
BA, MA (UCLA)

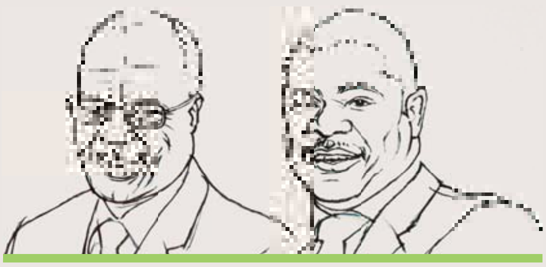
Nkululeko is founding executive chairman of the Tiso Group, a black-controlled investment holding company with interests in natural resources, infrastructure and industrial services. He was previously executive deputy chairman of JSE-listed banking group, African Bank Investments Limited (ABIL) and managing director of the Mortgage Indemnity Fund. He is chairman of Idwala Industrial Holdings, Home Loan Guarantee Company, Financial Markets Trust, and serves on the boards of Aveng Ltd, Alstom South Africa, Trident Steel, Emira Property Fund and African Explosives Ltd.

Left: **Jeffrey van Rooyen** (59)
Independent non-executive director
BCom, BCompt (hons), CA(SA),
Competitive readiness programme (Columbia, USA)

Director of various companies in the Uranus Group. Non-executive director of MTN Group and Pick n Pay Stores. Trustee of the International Accounting Standards Committee Foundation and member of the University of Pretoria's faculty of economic and management sciences oversight board. Jeff was a partner in Deloitte and Touché, chairman of the Public Accountants and Auditors Board, CEO of the Financial Services Board and advisor to the Minister of Public Enterprises. He is a founder member and former president of the Association for the Advancement of Black Accountants of South Africa.

Right: **Dalikhaya Zihlangu** (43)
Non-executive director
BSc (eng) (mining) (Wits), MDP (Unisa), MBA (Wits)

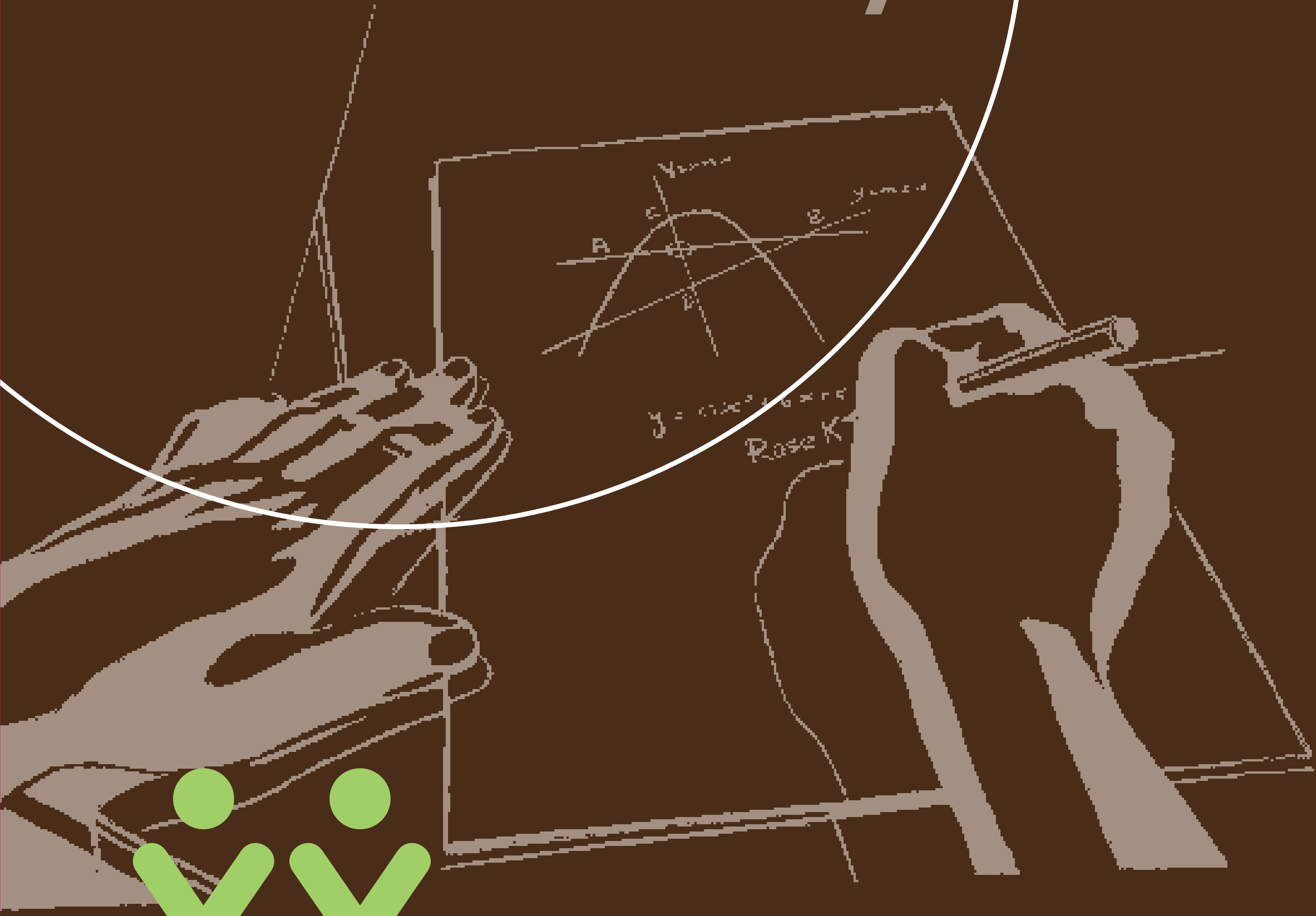
Dalikhaya is chief executive officer of Eyabantu Capital Consortium. Between 1989 and 1994, he was a stoper/developer and shift boss at Vaal Reefs Gold Mining Company. From 1995 until 2002, he served as shift boss, mine overseer, operations manager and mine manager at Impala Platinum Limited, and then as chief executive officer of Alexkor Limited. He is a non-executive director of the South African National Oil and Gas Company (PetroSA), chairman of its human capital committee and a member of its business strategy committee.



- *Dirk van Staden retired with effect from 28 February 2009. Wim de Klerk was appointed as finance director on 1 March 2009.*
- *Philip Baum resigned as a non-executive director with effect from 15 July 2009. Chris Griffith was appointed as non-executive director on 16 July 2009*
- *Simangele Mngomezulu resigned as a non-executive director with effect from 21 December 2009.*

WE UNDERSTAND THAT REACHING OUR LONG-TERM GOALS REQUIRES SHORT-TERM ACTION.

Governance and sustainability



CORPORATE GOVERNANCE

Highlights

- Independent board, individual director performance assessments and peer evaluation of directors
- Roll-out of a comprehensive induction programme for directors, which included:
  - Statutory and regulatory requirements relating to the governance and operations of the company
  - The organisation's operations and business environment
- Implementation of a new framework for delegation of authority in support of the board-approved policy and best-practice principles
- Implementation of reinforced processes for conflict of interest
- Introduction of a bi-annual CEO Safety Summit
- Introduction of an ethical assessment panel
- Independent assessment of compliance to the competition act and implementation of a structured compliance programme to ensure competition law compliance
- Independent King II compliance assessment
- Launching a high-level review of existing governance practices against the compliance requirements of King III.

Sound corporate governance is implicit in our values, culture, processes, organisational structure and operations. To ensure that the tone is set for accountability and transparency, corporate governance practices are driven from our board of directors through to management and all employees. This ensures management remains accountable, not only to shareholders but to all stakeholders.

Transparency and accountability have never proven more important than during the global financial crisis of the last financial year. Exxaro's effective embedded governance processes have allowed it to critically evaluate and re-evaluate capital projects to create value for the benefit of internal and external stakeholders within existing financial constraints.

The review of capital projects is only one of a number of governance processes within the organisation. Exxaro's governance processes are guided by the:

- Memorandum and articles of association
- Board charter
- Board committees' terms of reference
- Companies Act 61 of 1973, as amended
- Listings Requirements of the JSE Limited
- King codes
- Global Reporting Initiative.

The board

The board is ultimately accountable and responsible to shareholders for the performance and affairs of Exxaro. The board therefore retains full and effective control over Exxaro and gives strategic direction to management. The board is also responsible for ensuring compliance with all relevant laws, regulations and codes.

The board regularly evaluates economic, political, social and legal issues, as well as any other relevant external matters that may influence or affect the development of the business or the interests of shareholders and, if appropriate, obtains independent expert advice.

The board has a written charter that governs its powers, functions and responsibilities. There is a clear distinction in Exxaro between the roles of chairman and chief executive officer to ensure unfettered powers of decision making.

The board selects and appoints the company secretary and recognises the pivotal role to be played by the company secretary in achieving good corporate governance.

The board meets at least five times a year.

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

Our board consists of:

- Four independent non-executive directors, unconnected to the organisation
- Six non-executive directors
- Two executive directors.

In assessing the status of directors, the principles of the Listings Requirements of the JSE Limited were used.

The board collectively provides scrutinising, monitoring and strategic functions, and maintains strict confidentiality of all information relating to the business of Exxaro. The board is familiar with issues of concern to shareholders.

Attendance

Board 2009	Appointed to board	20 Feb	27 March	29 May	15 Jul	18 Aug	01 Oct	30 Nov	Present	Apology
D Konar (Chairman)	1 Jun 01	P	P	P	P	P	P	P	7	0
PM Baum	17 Feb 04	X	P	X	X				1	3
WA de Klerk	1 Mar 09		P	P	P	P	P	P	6	0
JJ Geldenhuys	1 Jun 01	P	P	P	P	P	P	P	7	0
CI Griffith	16 Jul 09					P	P	P	3	0
U Khumalo	28 Nov 06	X	P	P	P	X	X	P	4	3
SEA Mngomezulu	13 Aug 08	P	P	X	P	P	P	X	5	2
VZ Mntambo	28 Nov 06	X	P	P	P	P	P	P	6	1
RP Mohring	28 Nov 06	P	P	P	P	P	P	P	7	0
SA Nkosi	18 Oct 01	P	P	P	P	P	X	P	6	1
NL Sowazi	28 Nov 06	P	X	X	X	P	X	P	3	4
J van Rooyen	13 Aug 08	X	P	P	P	P	P	P	6	1
DJ van Staden	1 Jun 01	P							1	0
D Zihlangu	28 Nov 06	P	X	P	P	P	P	P	6	1

P = present
X = apology

pre/post appointment

Committees of the board

The committees assist in the execution of board duties, powers and authorities. The board delegates to each of the committees the authority required to enable the committees to fulfil their respective functions through formal board-approved terms of reference.

Delegating authority to board committees or management does not mitigate or discharge the board and its directors of their duties and responsibilities. This is reflected in the Exxaro delegations of authority framework (the framework) which is managed by the office of the company secretary. The framework has been adopted by all wholly-owned subsidiaries.

In the spirit of transparency and full disclosure, each committee's independent chairman reports formally to the board after each meeting on all matters within their duties and responsibilities. This includes recommendations on steps to be taken.

Board committees and members are authorised to obtain independent outside professional advice when considered necessary. The company secretary assists the board committees and members in obtaining any such professional advice.

Audit, risk and compliance committee

The committee is responsible for appointing auditors and ensuring the company's financial reporting is accurate and complete.

The committee assists in:

- Ensuring effective internal financial controls are in place
- Overseeing the external audit function
- Reviewing the integrity of risk control systems and risk policies
- Evaluating the qualification and independence of the external auditor*
- Evaluating the scope and effectiveness of the external audit function*
- Evaluating the competency level of the finance director*
- Appointment of the chief audit executive
- Compliance with legal and regulatory requirements.

* *Evaluation performed and concluded at the committee's November 2009 meeting.*

The committee, in carrying out its duties, has due regard to the principles of governance and code of best practice as contained in the King reports.

The committee meets at least four times a year.

Due to the heavily regulated environment within which Exxaro operates, emphasis has been placed on the need to implement effective compliance processes in line with the standards of the Compliance Institute of South Africa.

The terms of reference of the audit, risk and compliance committee describe the committee's oversight responsibility in managing compliance risk.

The following compliance-related memorandums were submitted to the committee and the board for noting:

- Directors' liability in terms of safety and environmental statutes
- Directors' liability in terms of the Competition Act 1 of 2009 (that seeks to amend the Competition Act 89 of 1998)
- Gap analysis on the draft King III report and actions required by the board and management ahead of King III coming into effect
- The impact of the proposed Companies Act, Act no 71 of 2008.

Exxaro's compliance policy describes the process and the roles and responsibilities of individuals responsible for implementation of the compliance process.

Attendance

Audit 2009	Appointed to committee	20 Feb	29 May	18 Aug	30 Nov	Present	Apology
J van Rooyen (Chairman)	13 Aug 08	P	P	P	P	4	0
D Konar	11 Feb 02	P	P	P	P	4	0
RP Mohring	30 May 07	P	P	P	P	4	0
NL Sowazi	30 May 07	P	X	P	P	3	1
WA de Klerk		P	P	P	P	4	0
DJ van Staden		P				1	0
SA Nkosi		P	P	P	P	4	0
R Strydom*		P	P	P	P	4	0

P = present
X = apology
invitees

** Chief Audit Executive*

post retirement

Transformation, remuneration, human resources and nomination committee

The purpose of this committee is to:

- Guide, monitor, review and evaluate Exxaro's progress on transformation, with specific reference to the three primary pillars – employment equity, community involvement and preferential procurement
- Make recommendations on appointments, remuneration policies and practices for the company's executive directors, senior management and other employees
- Review compliance with all statutory and best-practice requirements for labour and industrial relations management.

Although this is a combined committee, a process is in place to ensure that the following responsibilities for the nomination element are carried out:

- Providing recommendations on the composition of the board and board committees and ensuring that the board of directors consists of individuals who are equipped to fulfil the role of directors of the company
- Annual revision of corporate governance guidelines and related documents and providing recommendations to the board as deemed advisable
- Providing comments and suggestions on committee structures of the board, committee operations, member qualifications and member appointment
- Establishing and maintaining procedures for interested parties to communicate with board members
- Reviewing and recommending to the board its annual training programme
- Maintaining procedures for reviewing board members' interests.

Although the board chairman is not a member of the committee, a separate agenda is in operation for nomination committee matters and the board chairman chairs this part of the meeting.

Attendance

TREMCO 2009	Appointed to committee	19 Feb	15 May	17 Aug	30 Oct	Present	Apology
RP Mohring (Chairman)	1 Mar 08	P	P	P	P	4	0
PM Baum	16 Mar 04	X	P			1	1
JJ Geldenhuys	1 Jun 08	P	P	P	P	4	0
VZ Mntambo	9 May 07	X	P	P	P	3	1
WA de Klerk		P	P	P	X	3	1
D Konar		P	P	P	P	4	0
SA Nkosi		P	X	P	P	3	1
DJ van Staden		P				1	0

P = present
X = apology
invitees

pre/post appointment

Safety and sustainable development (S&SD) committee

The name of this committee was changed from safety, health and environment committee in 2009 to reflect its obligations to the environment, employees and those communities impacted by Exxaro's operations in support of sustainable development.

The committee's purpose is to provide advice to the board and, as necessary, to the audit, risk and compliance committee on S&SD matters, related risks and their management within Exxaro.

In executing this governance function, the committee will:

- Assess the effectiveness of management's approach towards, and activities in, managing S&SD-related risks
- Review significant S&SD incidents, performance indicators and compliance
- Report to the board on developments, trends and/or significant legislation on S&SD matters relevant to Exxaro's operations, its assets and employees
- Identify those issues and elements arising from national and international protocols applicable to Exxaro's S&SD
- Ensuring the company reports annually through an integrated sustainability report on S&SD issues.

The committee meets at least three times a year.

Attendance

S&SD 2009	Appointed to committee	19 Feb	28 May	17 Aug	27 Nov	Present	Apology
JJ Geldenhuys (Chairman)	11 Apr 02	P	P	P	P	4	0
RP Mohring	1 Jun 08	P	P	P	P	4	0
D Zihlangu	18 Apr 07	A	P	P	P	3	0
WA de Klerk		P				1	0
SA Nkosi		P	P	P	P	4	0

P = present
X = apology
A = absent without apology
invitees

pre/post appointment

Management committees

Executive committee

The executive committee (Exco) is constituted in terms of Exxaro's articles of association to assist the CEO in managing the group.

Exco assists the CEO to guide and control the overall direction of the company and acts as a medium of communication and coordination between the business units, corporate service departments and subsidiary companies and the board.

Collectively and individually, the members of the executive committee must:

- Oversee the financial, operational and safety performance of Exxaro
- Guide Exxaro in its relations with shareholders and key stakeholders, including employees, regulators, politicians, environmental interest groups and the media
- Develop group strategy for board approval
- Receive and consider regular reports from businesses in Exxaro to monitor and manage financial performance
- Ensure coordination between business units as well as corporate service departments
- Continually review the adequacy of reporting arrangements and effectiveness of internal control and risk management
- Approve or recommend to the board expenditure and other financial commitments as specified in the framework for the delegation of authority
- Acts as a responsible corporate citizen and follow an ethical culture.

Portfolio review committee

The portfolio review committee is constituted as a strategy management committee to assist the CEO with portfolio management.

The committee ensures that new opportunities fit Exxaro's portfolio and determines strategic priorities. It oversees strategic initiatives and investigations into the viability of potential investment projects throughout the group. The committee discusses and challenges Exxaro's portfolio performance as well as intended strategic initiatives and projects. Initiatives aligned with the current strategy are included in proceedings of the investment review committee. Recommendations to terminate initiatives in the current strategy or to proceed with initiatives or projects that are not included in the current strategy are subject to agreed governance procedures.

Investment review committee

The investment review committee is constituted as a management committee to assist the CEO with the management process of the group.

The committee oversees approval processes for investments, designed to ensure that these are aligned to the group's agreed strategies and values, risks are identified and evaluated, investments are fully optimised to produce the maximum shareholder value within an acceptable risk framework and appropriate risk management strategies are pursued.

The main purpose of the committee is to review investments in a structured, formal and transparent manner to ensure that:

- Each project meets the strategic, technical and investment requirements of the company, which includes the identification and management of all project-related risks
- Critical decisions, project parameters and governance processes are followed and addressed prior to committing funds
- Each project enhances the portfolio value of the company.

The offshore review committee fulfils a similar governance function for Exxaro's offshore subsidiaries, with executive management representing Exxaro's interests at offshore structures.

Offshore review committee

This committee assists the board to financially co-ordinate Exxaro's portfolio of offshore investments and interests.

The primary responsibilities of the committee include:

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

The offshore review committee meets quarterly, or more frequently if required.

Sustainability

The Exxaro brand is built on a strong vision – *everything we do and deliver today will allow others to realise their vision tomorrow*. At Exxaro, we look beyond the current commodities and operations and see the impact we have on people and the planet.

Exxaro is committed to good corporate citizenship which requires economic performance while considering the long-term impact of business operations on stakeholders and the environment.

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 122).

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 Exxaro, we ensured that the:

- Majority of voting rights are exercised by HDSA shareholders without any restrictions
- Majority of profits accrue to black people
- Majority of the board comprises black people
- The employment equity target exceeds the mining charter target for management.

Disclosure policy

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

Conflict of interests

Exxaro has a comprehensive conflict of interests policy that applies to directors, management and employees in regulating conditions that constitute or could constitute a conflict.

The primary objectives of this policy are to:

- 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 conflicts of interest
- Provide a mechanism for the objective review of personal outside interests.

By implementing the above, the company is in a position to:

- Allow individuals, where appropriate, to acquire and maintain personal outside interests, provided that these do not interfere with, or have the potential to interfere with, their duties to the company, or improperly influence the judgements expected of them when acting on behalf of the company
- Protect individuals from misplaced charges of any conflict of interest by providing a mechanism for the objective review and approval (including conditional approval) of appropriate personal outside interests held by individuals
- Avoid any unjustified perception of bias or self-interest by individuals acting in situations where the company has approved the holding of personal outside interests by such individuals.

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 and internal communications across a range of platforms.

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

Shareholder information

Market listings and other information

The principal market for Exxaro is the JSE Limited. As a constituent of the All Share Top 40 Index (ALSI40 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, with contact details set out on the inside back cover.

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.

Major shareholders

As of 31 December 2009, 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 52,26% of the number of shares in issue. This entity is commonly referred to as BEE Holdco (refer to page 129).

SHAREHOLDERS' ANALYSIS

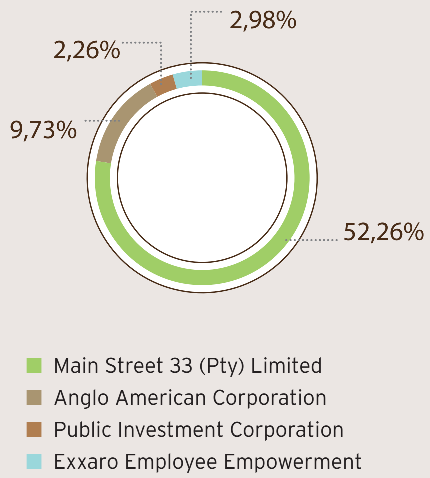
at 31 December 2009

Issued share capital:	356 940 200

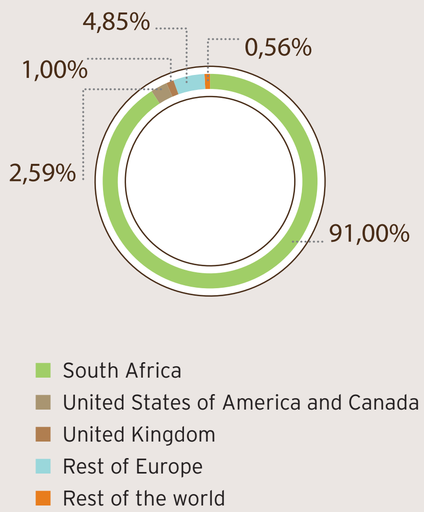
Shareholder spread	Number of shareholders	% of shareholders	Number of shares	% of issued capital
1 – 1 000 shares	14 250	82,27	4 764 072	1,33
1 001 – 10 000 shares	2 545	14,69	7 632 635	2,14
10 001 – 100 000 shares	367	2,12	20 245 742	5,67
100 001 – 1 000 000 shares	135	0,78	36 784 654	10,31
1 000 001 shares and over	25	0,14	287 513 097	80,55
	17 322	**100,00**	**356 940 200**	**100,00**

Category	Number of shareholders	% of shareholders	Total shareholding	% of issued capital
Black economic empowerment	1	0,01	186 549 411	52,26
Corporate holdings	380	2,19	36 775 160	10,30
Unit trusts/mutual funds	2 542	14,67	31 904 602	8,94
Pension funds	431	2,49	31 212 720	8,74
Custodians	37	0,21	23 592 018	6,61
Investment trusts	35	0,20	14 721 727	4,12
Insurance companies	64	0,37	11 679 164	3,27
Exxaro Employee Empowerment	1	0,01	10 618 974	2,98
Private investors	13 440	77,59	7 881 247	2,21
Charity	76	0,44	960 678	0,27
Other funds/holdings	313	1,81	806 810	0,23
American depositary receipts	1	0,01	236 227	0,07
Other	1	0,00	1 462	0,00
	17 322	**100,00**	**356 940 200**	**100,00**

Beneficial shareholders holding 3% or more



Geographic split of beneficial shareholders



SHAREHOLDERS' ANALYSIS CONTINUED

Public/non-public shareholders	Number of shareholders	% of shareholders	Total shareholding	% of issued capital
Public shareholders	17 310	99,93	118 980 067	33,33
Non-public shareholders	11	0,06	237 960 133	66,67
Directors and associates	7	0,04	18 548 286	5,20
Main Street 333 (Pty) Ltd*	1	0,01	168 002 587	47,07
Anglo American Corporation	1	0,01	34 730 282	9,73
Exxaro Employee Empowerment	1	0,01	10 618 974	2,98
Kumba Management Share Trust	1	0,01	1 783 716	0,50

**Directors' holdings of 18 548 286 excluded*

Beneficial shareholders holding 3% or more	Total shareholding	% of issued capital
Main Street 333 (Pty) Limited	186 550 873	52,26
Anglo American Corporation	34 730 282	9,73
Public Investment Corporation	8 061 047	2,26
Exxaro Employee Empowerment	10 618 974	2,98

Geographic split of beneficial shareholders	Total shareholding	% of issued capital
South Africa	324 815 582	91,00
United States of America and Canada	9 244 751	2,59
United Kingdom	3 569 402	1,00
Rest of Europe	17 311 599	4,85
Rest of the world	1 998 865	0,56
	356 940 200	**100,00**

Directors	Number of shares	% of shares
SA Nkosi	8 016 068	2,25
VZ Mntambo	5 529 881	1,55
D Zihlangu	2 818 552	0,79
NL Sowazi	2 181 590	0,61
WA de Klerk	1 462	0,00
D Konar	168	0,00
	18 548 286	**5,20**

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

RISK MANAGEMENT

Risk philosophy

Effective risk management (ERM) is central to maintaining and improving a competitive advantage while adapting to changes in the business environment. The underlying principle of ERM or enterprise-wide risk management is that every entity exists to provide value for its shareholders. Exxaro's ERM adopts a holistic approach to managing uncertainty, representing both risk and opportunity. The aim is to establish the acceptable level of risk in each area of business, which should be as low as reasonably practical, while taking full advantage of the highest returns possible to maximise shareholder wealth. In all risk management activities, compliance with the King III Code of Corporate Practice and Conduct is a fundamental principle.

Risk appetite

The audit, risk and compliance committee of the board approves Exxaro's risk appetite and ensures it is aligned with group strategy. Exxaro's risk appetite is a function of its ability to withstand unexpected losses and their impact on the group's ability to continue as a going concern. In addition, risk appetite is determined by obtaining robust risk information that enables management to assess overall capital needs and enhance capital allocation capability.

Risk culture

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

The internal environment encompasses the whole organisation and sets the basis for how risk is viewed and addressed by all responsible employees. It takes into account the risk management philosophy, risk appetite, integrity and ethical values (corporate governance) and other compliance issues.

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 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			
Future of KZN Sands operation	High	High	Continuous review of viability should significant sustainable changes transpire in market fundamentals of the commodity.
Retention of new mining rights and prospecting rights	High	High	Prioritisation of prospecting rights. Engaging with non-governmental organisation and relevant authorities. Ensure compliance with all legal and regulatory requirements.
Funding current operations and value-added growth within balance sheet and equity-raising constraints	High	High	Ranking value-adding opportunities in an approved commodity strategy aligned growth process and within an acceptable capital structure, underpinned by cash flow generation and preservation, giving credence to maintaining Exxaro's empowerment status.

High-level business risks

Risk	Impact	Probability	Control measures
STRATEGIC continued			
Longer-term decline in commodity prices affecting dividend payouts, and impacting on stable BEE shareholder structure	High	Medium	Exploring alternatives to raise equity given the group's equity-raising restrictions. Continuous business improvement. Optimised use of operating assets. Maintain healthy balance sheet through judicious consideration of growth aspirations and global market conditions.
Medium-term reserve confirmation for Namakwa Sands	High	Medium	Redefine and confirm physical properties of ore reserve at Namakwa Sands; investigate redesign and product blending opportunities.
Long-term, viable, quality zinc concentrate supply to zinc refinery in Springs	High	Medium	Continued exploration activity at Rosh Pinah zinc mine and identification of other viable zinc concentrate supply sources.
Lengthy process of executing new mining rights	Medium	Medium	Ensure compliance with mining charter requirements. Continuous engagement with Department of Mineral Resources.
Securing a strategic partner for Australia Sands operation	Medium	Medium	Actively participate in securing a preferred technology partner in good financial standing for Australia Sands.
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 for conserving and using electricity throughout operations. Commitment to assist Eskom with additional coal supply to achieve stability in power grid.
Above-inflation increases in certain input and maintenance costs as well as availability concerns on certain materials	Medium	High	Strategic sourcing and long-term contracting with reliable suppliers. Continuous business improvement initiatives and knowledge sharing.
PROFITABILITY			
Volatility in currencies combined with impact of forecast macroeconomic 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.
Rail and port infrastructure constraints inhibiting coal exports and ability to transfer zinc feedstock to zinc refinery	High	High	Collaborate with Transnet Freight Rail; upgrade loading facilities; engage with Richards Bay Coal Terminal (RBCT) shareholders on additional export allocation; engage to fully utilise Exxaro's RBCT allocation of 6,3Mtpa; evaluate viability of acquiring own rolling stock.

High-level business risks

Risk	Impact	Probability	Control measures
PROFITABILITY continued			
Impact of the buoyant construction and engineering market on the cost of capital projects	High	Medium	Maintain database on escalations 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.
Prolonged depressed global economic downturn impacting on demand and prices	Medium	Low	Restructure to be profitable throughout the commodity cycle. Ensure a fit-for-purpose support services offering.
HUMAN RESOURCES			
Attraction and retention of key skills impacting on current production and future growth	Medium	Medium	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 Strategy to comply with code of practice.
ENVIRONMENT			
Risks posed by continuously changing environment legislation, including delays in permit approvals Pressure from authorities to guarantee environmental liability shortfall.	High	High	Continuous monitoring of work performed in line with rehabilitation strategy. Process hazard reviews on emissions. Continuous engagement with authorities. Ongoing rehabilitation managed out of operational budgets while Exxaro Environmental Rehabilitation Fund provides for final closure costs.
SAFETY AND SUSTAINABLE DEVELOPMENT			
Poor safety record resulting in government, labour union and other stakeholder intervention	Medium	Medium	Enhancing safety awareness and preventative programmes through a strong focus on hazard identification and visible felt leadership. Focusing on outcomes of 2009 CEO Safety Summits.
HIV/Aids pandemic	Medium	Medium	Improve voluntary counselling and testing enrolment by creating a conducive environment for disclosure and treatment participation.

SIPHO NKOSI

RESPONSIBLE BUSINESS PRACTICES REMAIN A LONG-TERM VALUE PROPOSITION FOR EXXARO: IT MAKES BUSINESS SENSE TO INVEST IN CREATING A SUSTAINABLE ENVIRONMENT IN WHICH TO OPERATE, BASED ON UNIVERSAL VALUES, ACCOUNTABILITY AND TRANSPARENCY. IT'S SIMPLY ALSO THE RIGHT THING TO DO.

Message from the chief executive officer

I believe 2009 was a year that truly tested the depth of mining companies' commitments to sustainable development – and at every level. Faced with myriad challenges in protecting the economic bottom line, we developed innovative solutions to honour our commitments to the social and environmental bottom lines by making available funds work harder and by ensuring that every initiative benefited the maximum number of people.

In this respect, Exxaro proved its mettle. The benefit of integrating our safety, health and environment division with our sustainable development initiatives emerged in the form of synergies across commodity businesses, disciplines and divisions. Perhaps the best example of this is our carbon footprinting project which prompted the vegetative study, which in turn informed our water management study and each site's biodiversity action plan.

We have also made solid progress in our ability to report meaningful data off a common information technology platform. This has been most evident in the areas of energy, air quality monitoring and socio-economic development.

In preparing this report, we drew on stakeholder feedback, a review of current standards and conventions (including Global Reporting Initiative (GRI), UN Global Compact, Organisation for Economic Co-operation and Development (OECD) guidelines on multinational enterprises, International Labour Organisation (ILO) conventions 69 and 176, as well as UN declaration of human rights) in developing material themes that will guide this and future reports. These themes include:

- Implementation and maintenance of ethical business practices and sound systems of corporate governance
- Integration of sustainable development considerations in corporate decision-making processes
- Implementation of risk management strategies based on credible data sets
- Adherence to fundamental human rights and respect of cultures, customs and values in dealings with stakeholders
- Contributing to the social, economic and institutional development of our communities
- Implementing effective, sustained and transparent engagement strategies with all stakeholder groups, as well as explicit responsiveness to stakeholder concerns
- Demonstrating understanding of and implementing responses to the business case for sustainability.

Distilling these themes into those most material to the South African resources sector highlights the need for:

- Ongoing improvement of occupational health and safety performance

- Ongoing improvement of environmental performance, particularly water use, energy consumption and efficiency, and waste and land management
- Transparency in engaging with stakeholders on controversial topics or situations
- Continued progress against requirements of the mining charter
- Management of HR challenges, ie skills shortages and employment equity
- Use of integrated approaches to land use planning to contribute to conserving biodiversity
- Understanding impacts of climate change on the company and its long-term sustainability
- Demonstrating an understanding of product stewardship including responsible product design, use, re-use, recycling and disposal of products
- Ongoing, integrated planning and provision for mine closure.

Combining these themes with our vision of creating unrivalled value for all stakeholders through our processes, thinking and passion translates into measurable targets in the longer term:

- Sustainable returns to our shareholders – including our own people. The return on equity target for 2009 was 25%, actual performance was 8% (page 26)
- An injury-free work environment – the target for 2009 was a lost-time injury frequency rate of 0,21 against the actual rate of 0,33 (page 93)
- A healthy workforce – with an appropriate balance between individual responsibility and healthy working conditions (page 93)
- Responsible use of our natural resources (pages 95 to 112).

Performance

We understand that reaching our long-term goals requires short-term action. Our material issues for 2009 are discussed on page 87 and cross-referenced to the relevant sections.

The group's performance on the key elements of sustainable development – economic, social and environmental – was again mixed during 2009. On the positive side, we considerably improved our ranking in the South African Carbon Disclosure Project, reinforcing the progress made towards best practice. We exceeded the group target for HIV/Aids voluntary counselling and testing, and made good progress in our drive on water management.

Given the strategic importance of every aspect of energy – from consumption and efficiency to conservation and generation – we have broadened the scope of our internal data management and external reporting (page 125). Underscoring this focus, a new category has been added to Exxaro's internal awards to recognise achievements in addressing the challenges of energy and climate change. It has become a strategic imperative to address the cost and impact of Exxaro's energy consumption – pricing, supply security and the impact of our consumption on climate change all need to be considered, and we want to recognise the contributions our people make in addressing these. The first Evergreen awards in this category will recognise the individual, projects and business units that have shown achievements in addressing energy and climate change issues in their work.

Areas where we missed our targets include our disappointing safety performance, albeit an improvement of 15% on 2008 LTIFR levels. We deeply regret the deaths of three contractors at Zincor during the year, and the loss of a colleague in a non-reportable incident, and extend our condolences to their families and friends. Our renewed commitment to safety and the incremental progress made during the year is detailed on page 91.

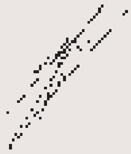
In 2009, four operations obtained both international heath and safety accreditation (OHSAS 18001) and environmental accreditation (ISO 14001) - Matla, North Block Complex, Inyanda and AlloyStream. In particular, AlloyStream scored so highly in the ISO 14001 audit that in February 2010 it received an award for best performance worldwide.

This takes the total to 13 of 17 operations accredited to date. The final four operations have been scheduled for accreditation in 2010.

Our 2008 sustainable development report was ranked among the leaders in several industry surveys (page 88). While this is encouraging, it reinforces our resolve to report on sustainability issues as well as we do on the financial aspects of our business, because we believe our stakeholders deserve no less.

In our quest to be a truly responsible business in all respects, Exxaro reports against the guidelines of the Global Reporting Initiative 2006 (GRI G3, at externally assured B+ level), as a signatory of the United Nations' (page 135) Global Compact, and a constituent of the JSE Socially Responsible Investment (SRI) Index.

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

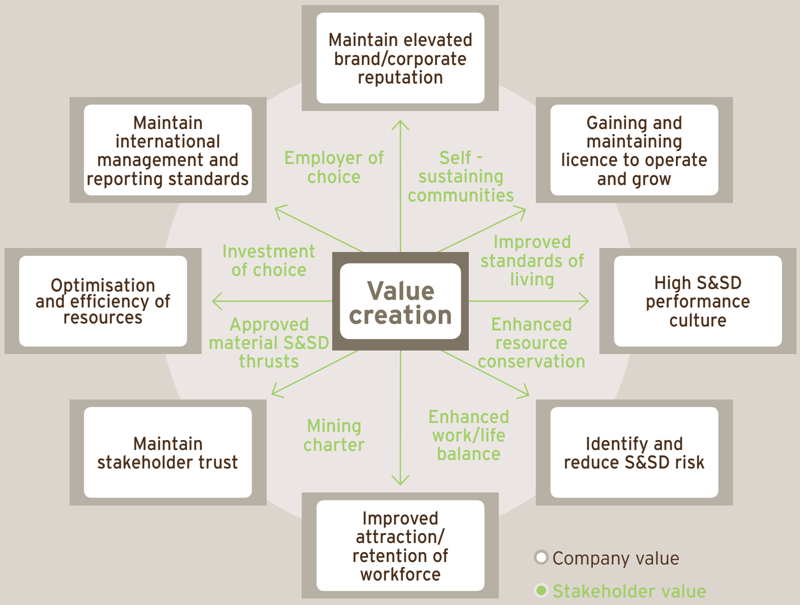


Sipho Nkosi
Chief executive officer

16 March 2010

APPROACH TO SAFETY AND SUSTAINABLE DEVELOPMENT

Business case for integrated safety and sustainable development



During the year, Exxaro's approach to sustainable development was crystallised after a thorough review of the group's strategy, business drivers and structures. This review highlighted that the group has, in recent years, moved up the safety and sustainability ladder from being:

- Reactive – focused on cost management, simpler and fewer standards, key processes and systems informed by compliance to legal requirements
- Risk-based approach – focused on statutory and non-statutory compliance
- To beyond compliance – establishing local industry leadership in safety and sustainable development.

Our approach is based on specific principles:

- Visible felt leadership with strong commitment from group executives
- Safety and sustainable development as an integral value of our business
- Resource optimisation
- Performance measured against set targets
- Reporting and transparency
- A caring culture that transcends the mine gate
- Living up to our promises
- Legal compliance as one of the steps towards a sustainable business.

Driven by an integrated safety and sustainable development (S&SD) business, our target now moves to the final rung of this ladder – entrenching the Exxaro brand as one that includes a strong sustainable development element. This is a position of industry leadership that encompasses:

- Integrating sustainability objectives in the design, planning and operating of our business to make S&SD an integral part of strategy, business systems and processes
- International sustainability standards and reporting
- Stakeholder focus and improved relations with stakeholders.

Various independent audits and ratings[1] have confirmed either this progress or its outcomes. In line with our strategy, sustainable development is an integral part of our value proposition to stakeholders. However, we acknowledge that achieving and maintaining industry leadership is a journey of continuous improvement.

To entrench Exxaro as a long-term sustainable business, our focus is on ensuring our group is recognised for:

- Good corporate governance
- Good environmental stewardship
- Cleaner production
  - Mitigating climate change impacts
  - Greenhouse gas management and disclosure
  - Clean Development Mechanism
  - Water management
  - Waste management
- Effective stakeholder management
- Motivated workforce, committed to continuous improvement
- Investment of choice
- Unqualified external assurance reports
- Safe and healthy operation.

This strategic choice – entrenching sustainable development as part of the Exxaro brand – dictates both our mandate and outcomes. Implementation is being built on three reinforcing and inter-dependent sustainability pillars, shown on the following page.

[1] *Department of Minerals and Energy Presidential audit 2007, Ernst & Young external assurance (2008), ACCA sustainability reporting award (2007) and JSE SRI best-performer category (2008).*

Underpinned by the business case for sustainable development and the triple bottom-line drivers in each area, our approach is determined by a formal charter that defines our goals and our commitment to stakeholders.

The business case and charter are, in turn, guided by the need to earn our legal, social and market "licences to operate", as shown below. To achieve these licences, we focus on identifying and reducing risk in five strategic sub-divisions – safety, health and hygiene, socio-economic development, environment and compliance – while remaining cognisant of the inter-linked nature of these divisions.

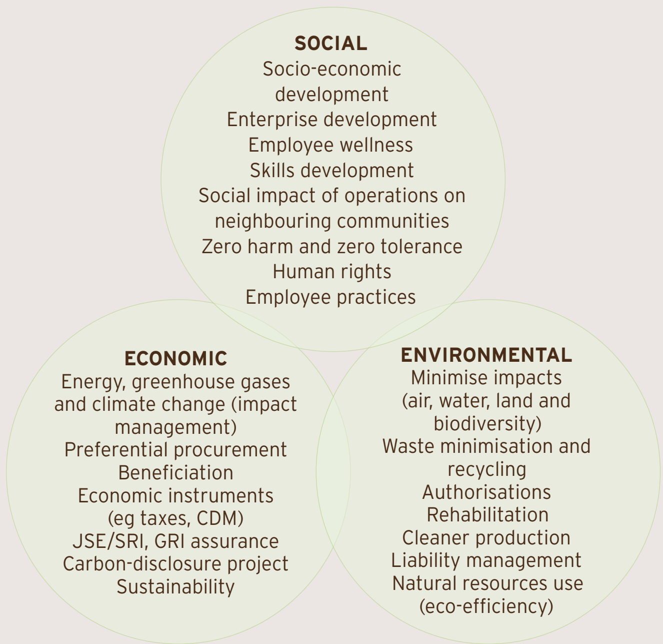
Simultaneously, we need to balance the group's economic interests and risks with the social and environmental concerns of our stakeholders. Accordingly, Exxaro implements specific interventions and developmental projects guided by the social needs of the community, interested and affected parties, and 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 and awareness programmes
- Infrastructure development.

This comprehensive process resulted in short- and long-term focus areas for Exxaro, which are continually assessed against the group's changing risk profile. These are detailed in their respective sections and summarised below:

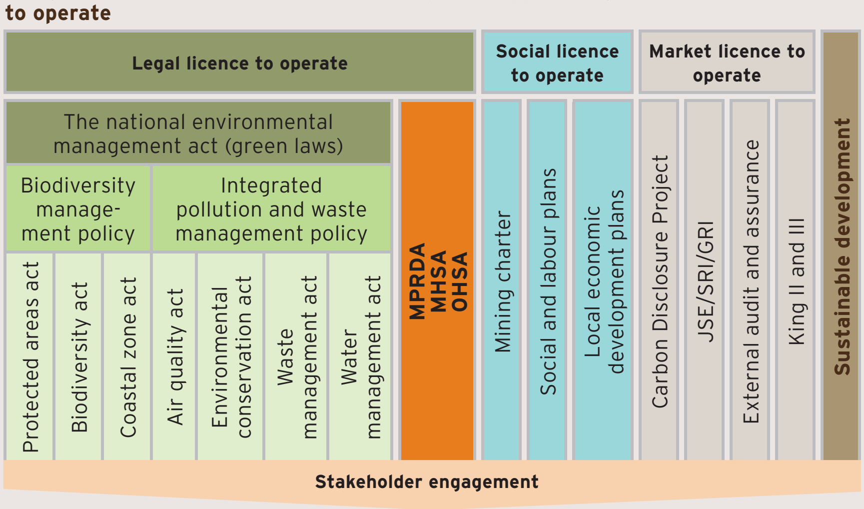
- Safety (page 91)
  - CEO Safety Summit – top five issues
  - Contractor management

Pillars of sustainable development



- Health performance tracking (page 93)
  - Sector targets
  - Corporate health and hygiene targets
  - Statistics and reporting
  - HIV/Aids strategy
- Environment (page 95)
  - Corporate targets
  - Key performance indicators, statistics and reporting
- Compliance (page 125)
  - Assurance standard
  - JSE/SRI standards
  - Resource optimisation
- Socio-economic development (page 121)
  - Mining charter/codes of good practice for the minerals industry
  - Social and labour plans
  - Stakeholder engagement

Integrated safety and sustainable development approach guarantees our licences to operate



All elements managed in an integrated manner

APPROACH TO SAFETY AND SUSTAINABLE DEVELOPMENT

CONTINUED

Stakeholder engagement

Engaging with our stakeholders is fundamental to creating value for all our investors as well as building solid relationships with authorities and interested and affected parties. Good progress has been made in effectively and strategically aligning stakeholder engagement across the group.

To further strengthen stakeholder engagement, Exxaro applies the AA1000SES standard which is based on the processes tabled below, and supported by a new integrated software system to manage stakeholder engagement more effectively.

Exxaro communicates with each stakeholder group in a number of ways:

- **Employees** are invited to provide views and comments on any aspects 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 ongoing through external perception surveys, forums and other initiatives
- **Trade unions** – regular consultation with all recognised unions by the group's employee relations management unit
- **Authorities** – consultation at national, provincial, district and local level
- **Regulators** – senior Exxaro members meet with officials from relevant government departments
- **Industry bodies** – Exxaro's chief executive officer has just begun his third term as president of the Chamber of Mines, and the group actively participates in chamber issues
- **Investors** – regular interaction between management and investor community includes financial results presentations, roadshows, site visits and individual meetings. Investors have complete access to group operations and management
- **Media** – regular interaction between management and media representatives
- **Communities** – in addition to the stakeholder engagement process, business units' 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.

Awards

While being recognised by our peers and industry bodies is encouraging, we value independent validation of the efforts and achievements of our people even more highly. Awards received during the review period included:

- Namakwa Sands achieved NOSCAR status for the fourth consecutive year. This is the National Occupational Safety Association's (NOSA) highest award in safety, health and environment risk management – and most prized because it takes years to achieve and a minute to lose
- Namakwa Sands was also recognised by NOSA for its successful implementation and maintenance of SHEQ management systems. Competing against 126 companies worldwide, Namakwa Sands won the international mining award for mines using the integrated NOSA SHE system – for the second consecutive year. The company's environmental and radiation manager received the international environmental coordinator award for the second consecutive year, while the SHEQ manager at Namakwa's smelter was named international SHE risk manager – mining. These awards are based on the 2009 NOSA grading audit results
- In 2009 Exxaro moved up to 12th place in the Carbon Disclosure Project of South Africa. This is a commendable achievement and a significant improvement on the group's first submission in 2008

Progress on stakeholder engagement

Process	Progress in 2009
› Develop a database with all stakeholders › Engage with stakeholders in developing a proactive approach › Determine material issues › Respond on all issues › Ensure completeness (ie ensure that materiality issues are appropriately addressed and that a risk management plan is in place)	› In-house software programme for socio-economic development, which includes stakeholder management, has been rolled out › Twelve of 13 business units have been trained and are implementing this module › The system will be fully operational by end 2010 › Namakwa Sands will implement the new system during 2010

- Exxaro's internal newsletter was named best internal newsletter for the second consecutive year by the South African Publication Forum
- Exxaro's 2008 annual report was ranked among 16 considered excellent in the prestigious annual Ernst & Young Excellence in Sustainability Reporting awards
- Exxaro was ranked seventh in the Publisher's Choice Top 10 in SA's Leading Managers 2009/10, an annual survey spearheaded by CRF South Africa to strengthen business leadership in the country, assist in sustaining stakeholder confidence in the economy and develop the next generation of business leaders
- Exxaro again qualified for the 2009 JSE SRI index, and was ranked among the 30 best performers
- Zincor was recognised for its outstanding social commitment to the community by the Eastern Gauteng Chamber of Commerce and Industry
- AlloyStream received top international honours in the 2009 ISO 14001 audit when it received the highest score of all companies from 27 countries.

Report scope and boundary

Exxaro's 2009 annual report includes the group's sustainable development performance. This integrates our economic, social and environmental results for a group-wide understanding, and sets out the challenges and opportunities ahead. The sustainable development report is also available at www.exxaro.com.

The methodologies for determining specific indicators are described in the text, eg injuries (page 93), carbon footprint (page 102) and air quality management (page 99).

Exxaro was formed in November 2006 by merging the former Kumba Resources and Eyesizwe operations. While this process is largely complete, consolidation of the Namakwa Sands business only started towards the end of 2008. This has made data comparability challenging in some areas. Throughout these processes, however, Exxaro'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 safety and sustainable development best practices in all operations. Exxaro therefore reports against the 2006 guidelines of the Global Reporting Initiative (G3), and the content of the 2009 report has again been prepared in line with GRI intermediate application level B+.

As a signatory to the United Nations Global Compact, Exxaro also reports annually on progress in upholding the 10 universally accepted principles of human rights, labour, the environment and anti-corruption.

Sustainability performance in this report spans the 12 months from 1 January to 31 December 2009. In addition to this printed report and the web site, the full report is also available on CD (contact details on page 275).

This report excludes operations where we do not have management control:

- Australia Sands – principal asset is its 50% ownership in the Tiwest joint venture
- Chifeng Refinery – Exxaro has an effective 22% economic interest in an existing refinery facility in Inner Mongolia, China
- Mafube coal mine – joint venture in Mpumalanga, South Africa.

In determining material issues to include in this report, Exxaro uses 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 a number of material issues pertinent to business sustainability. These are disclosed in the risk management section (page 81). Issues that directly affect sustainable development include:

- Safety – fatalities
- Retrenchments
- Legislated targets such as those in the mining charter or for black economic empowerment
- Health – HIV/Aids
- Climate change and energy use
- Environment – water use, biodiversity, rehabilitation, waste and air quality
- SHE management systems, eg ISO 14001
- Diversity of our people
- Human rights
- Socio-economic development.

These issues are detailed and quantified in the respective sections of this report.

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 the completed feedback form included in this report should be directed to:

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Manager: corporate communications
Email: Hilton.atkinson@exxaro.com
Telephone: +27 12 307 4843
Fax: +27 12 307 4760
Mobile: +27 83 609 1452
www.exxaro.com

JSE Socially Responsible Investment (SRI) index compliance

Exxaro was again ranked among the 30 best performers on the JSE's revised SRI index in 2009. This index identifies best practice in corporate social responsibility and corporate governance in a benchmark index. Exxaro is classified as having a high environmental impact because it is involved in mining and metals.

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

Assurance – broad-based verification

Exxaro's internal systems record and monitor the quality (accuracy, completeness 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 having the quality of our disclosure independently assured. Each year, the safety and sustainable development performance indicators and physical sites selected for external assurance are assessed to ensure this process adds maximum value to stakeholders. Ernst & Young's report appears on page 135.

SAFETY AND SUSTAINABLE DEVELOPMENT PERFORMANCE

Our safety and sustainable development governance model begins with meeting legislative requirements as a minimum standard. Sophisticated 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 in the group to ensure ongoing progress towards and beyond legal compliance.

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

ISO/OHSAS certification

In 2009, four operations obtained both international health and safety accreditation (OHSAS 18001) and environmental accreditation (ISO 14001) – Matla, North Block Complex, Inyanda and AlloyStream. This takes the total to 13 of 17 operations accredited to date. Another four operations have been scheduled for accreditation in 2010.

Notably, AlloyStream was certified for the occupational health and safety management system according to the BS OHSAS 18001:2007 standard, for environmental management systems according to the ISO 14001:2004 standard and recertified for the updated quality management systems according to the ISO 9001:2008 standard. In the ISO 14001 audit, AlloyStream received the highest score of all companies from 27 countries included in the 2009 audit.

see www.exxaro.com/case_studies
ALLOYSTREAM IS WORLD CLASS

Notably, Namakwa Sands achieved OHSAS 18001:2004 certification, and was the first operation in the Western Cape to achieve OHSAS 18001:2007 certification. Namakwa Sands has also consistently retained ISO 14001, ISO 9001 and ISO 17025 certifications.

Safety

Highlights

- Exxaro ended the year with an LTIFR of 0,33, a 15% improvement on the 0,39 recorded in 2008 but disappointingly higher than the target of 0,21.
- Tshikondeni improved its safety performance in 2009, recording only seven LTIs and 24 minor injuries. This is a 60% improvement in LTIFR and 27% improvement in minor injuries on 2008.

see www.exxaro.com/case_studies
SMALL MINE, BIG HEART

Safety always, all the way

In October 2009, Exxaro held its second CEO Safety Summit under the theme *Safety always, all the way* to report back on issues highlighted at the inaugural summit in March when the group identified challenges that presented barriers to sound safety practices. The summits involved a range of stakeholders to identify key areas that will make a tangible difference to safety performance, including consequence management, safety training, culture (the Exxaro safety way of life), mini-HIRA (hazard identification and risk assessment) and communication. Task teams are driving a broad spectrum of action plans in these areas.

Exxaro has had the support of government, the Chamber of Mines and its recognised unions in implementing its safety improvement plan, which includes:

- **Leadership in making safety a way of life**
  Exxaro's leaders will set the example for safe behaviour (visible felt leadership) by being directly involved in safety visits, and ensuring compliance to safe work practices.
- **Zero-tolerance approach**
  Exxaro introduced the 13 zero-tolerance safety rules that will become part of every employee's conditions of service. Employees who violate or ignore these rules will be investigated and disciplinary action taken where necessary. Only by adopting a consistent zero-tolerance approach to safety violations, with consistent consequences, can Exxaro effectively protect the lives of employees.
- **Knowledge – training for life**
  Exxaro will establish a standard safety training programme across the group, for all job categories. Training will become an ongoing sustainable process to ensure every employee can identify and respond to a dangerous situation.
- **Identifying risks – formal process**
  Reinforcing the need to take two minutes to conduct a mini-HIRA – a task that could prevent injury or save a life by becoming a conscious action, not just a thoughtless habit. The mini-HIRA standard will be revised and training material developed to ensure all employees understand how to conduct one.
- **Communication – daily**
  Talking about safety and having the tools to keep safety at top-of-mind awareness are key to ensuring safety practices become a way of life for group employees.

The 13 zero-tolerance safety rules relate to:

- Being under the influence of drugs or alcohol at the workplace
- Lifting heavy equipment
- Roof support in underground mines
- Confined spaces
- Working at heights
- Energy and machine isolation
- Vehicle safety and operating a vehicle, equipment or machinery without authorisation
- Explosives
- Working with electricity
- Gas explosion and gas areas
- Safety devices
- Permit work
- Site-specific rules.

Safety pledge

Signed by Exxaro stakeholders in March 2009

We, at the Exxaro Resources group of companies, and all our stakeholders, in a relationship of mutual trust and respect, will further evolve our safety culture of zero harm in which we, while consciously learning from our own and others' mistakes and caring for each other, lead with safety excellence, benchmarked against industry best practices.

Timeline to desirable state

2009	2010 — 2011	2012 — 2015
CEO Safety Summit outcomes: 1 Set up task teams to address focus areas 2 Develop safety communication strategy 3 Consistent disciplinary code applied equally across all levels 4 Revised HIRA standard to be understood and applied by all 5 Revised visible felt leadership standard consistently applied across Exxaro 6 Safety improvement plans as a result of first summit 7 Standardised incident investigation process	Review priorities 1 Review safety improvement plans (SIPs) 2 Set up and train peer review teams 3 Conduct group-wide peer reviews to promote implementation of SIPs 4 SIP progress reports every quarter 5 CEO safety summit 2010 to discuss progress and challenges 6 Continue benchmarking and sourcing best practices	Review priorities 1 Annual CEO safety summit to challenge safety performance 2 Annual revision of SIPs 3 Periodic peer reviews

Keeping our people safe

Our ultimate target remains zero injuries and, therefore, zero fatalities. To reach this goal, we have an incremental target of a 30% improvement in safety performance each year. We aim 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 our targets.

The strategic review of our safety practices highlighted key risks facing our group, particularly limited hazard awareness, varied safety competency and non-adherence to corporate safety standards. Collectively, these may result in the perception of Exxaro being an unsafe business — a perception that carries material risk to our sustainability.

Accordingly, we have developed a timeline to Exxaro's desirable state that includes:

- Zero fatalities
- Zero lost-time injuries
- Visible, felt leadership as a key driver of safety excellence in Exxaro
- Zero repeat incidents.

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 continue to magnify these challenges and, accordingly, ensuring the group has sufficient trained people remains a priority.

Improving safety performance extends to contractors at all Exxaro operations as part of a formal programme:

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

Exxaro has a policy in place that details the group'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. A good example is the intervention to address risks associated with the outbreak of H1N1 – as a result, the outbreak had no impact on any of Exxaro's operations.

All lost-time injuries are investigated by the relevant business unit manager, while 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 set a target of zero fatalities, and an LTIFR (lost-time injury frequency rate per 200 000 hours worked) of 0,21 for 2009. Despite a steady reduction in the LTIFR from 0,52 in 2005 to 0,36 in 2007, actual performance was 0,33 in 2009. This is a 15% improvement on the LTIFR of 0,39 recorded in 2008. In risk-specific terms, the leading cause of injury was lifting and material handling. 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 2009 was 0,07, compared to 0,13 in 2008. Our target remains zero, as no death is acceptable. Despite excellent safety performances at several mines, we regrettably lost three contractors during the year in an explosion at a contractor's site at Zincor, and a colleague in a non-reportable vehicle fatality at Arnot. This case was thoroughly investigated, and the lessons learned incorporated into our safety programmes to create an injury-free work environment.

Health and hygiene

Highlights

- Major HIV/Aids training, counselling and testing drive at 11 business units – with 83% of employees who attended training sessions electing to be tested. This represents 58% of the Exxaro workforce, against the group target of 50%
- Of 6 684 employees tested (half had not tested before), 12% were HIV positive
- 299 HIV-positive people are enrolled on the company's HIV management programme
- 161 people are on ART (anti-retroviral treatment)
- 224 peer educators were trained (against group target of 200)
- New holistic occupational TB standard
- New standard on managing hazardous chemical substances.

Reducing employee exposure to health risks remains a priority for Exxaro. Our risks are typical of a mining group. Business units identify, rank and quantify their risks, and then implement programmes to mitigate the impact. Workplace exposures are linked to individuals and this forms the basis of the medical surveillance programme.

The occupational health risks to which most Exxaro employees are exposed are noise and dust, and this is reflected in the occupational disease profile. Newly diagnosed cases are submitted to the compensation authorities for confirmation that they are work-related, and serve as an early indicator of the possible occupational disease burden. Accepted cases are awarded compensation.

Our targets are to:

- Reduce NIHL (noise-induced hearing loss) to less than 10% loss of hearing (shift from baseline) per individual by 2013
- Reduce compensation costs for occupational diseases
- Reduce incidence of HIV
- Raise awareness of health and hygiene programme.

Timeline to desirable state

2009	2010 — 2011	2012 — 2015
1 Status report on noise and dust-control programmes 2 50% VCT 3 A total of 200 peer educators trained 4 Implement TB standard at three business units	Review priorities 1 Track cases with >5% loss of hearing (shift from baseline) 2 Reduce percentage of employees exposed to OEL dust and fumes 3 70% VCT and 50% retention on treatment programme 4 TB treatment provided at 50% of business units 5 Occupational risk and exposure profiling standard 6 Baseline study of indirect costs of HIV/Aids 7 Awareness campaign on noise, dust and thermal stress at all business units	Review priorities 1 No cases >10% NIHL 2 >80% VCT; >70% retention on treatment programme 3 >85% TB cases complete treatment 4 Reduce new HIV infections by 5% 5 Reduce indirect costs due to HIV/Aids by 5% from baseline

Key: OEL – occupational exposure limit; VCT – voluntary counselling and testing

Meeting mining sector targets

Dust and noise-reduction targets set by the mining industry aim to reduce the number of NIHL and silicosis cases. This depends on:

- Minimising noise and dust exposure to below occupational exposure levels (OEL)
- Reducing the time spent by employees in noisy and dusty areas
- Proper use of personal protective equipment.

Initiatives to reduce **noise** include:

- Enclosing machines with open cabins
- Boxing work benches
- Installing silencers on auxiliary fans
- Training.

Initiatives to reduce **dust** include:

- Removal of coal crusher at one of our sites
- Extraction fans at primary and secondary crushers
- Use of water in stockpile areas
- Dust suppression on opencast surface roads
- Increased ventilation in underground sections
- Wet plants
- Training.

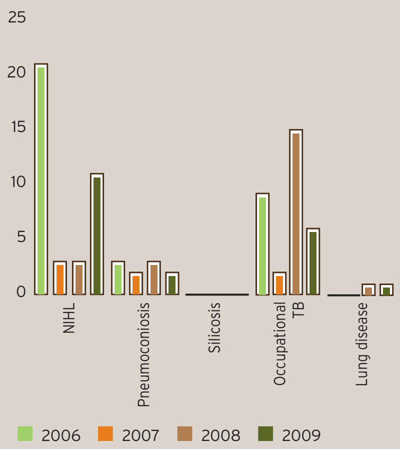
Occupational diseases

Reported cases are those newly diagnosed and submitted to the compensation authorities to confirm that they are work related and eligible for compensation. In 2009 Exxaro reported 90 occupational diseases: this is an early indicator of the possible occupational disease burden. Tracking this data indicates potential cases that could be compensated and provides an opportunity to reinforce preventive programmes.

In 2009, Exxaro had 20 occupational disease cases accepted for compensation: 11 cases of NIHL, two cases of pneumoconiosis, one of occupational lung disease and six of occupational TB.

There has been a general decrease in occupational diseases, except for NIHL

Cumulative compensated occupational diseases: 2006-2009



and occupational TB. Efforts to reduce employees' high noise exposure continue. There is also increased susceptibility to TB possibly fuelled by individuals with compromised immune systems. There have been no cases of silicosis.

Tuberculosis

New cases of non-occupational TB increased from 2008 (63) to 2009 (83 out of 11 180 employees). A new TB standard was issued for the group to ensure uniform and comprehensive management of employees with TB. The risks of TB include:

- Spread of TB in the communities where employees and contractors live
- Significant risk of co-worker infection (10 to 18 people are infected by one active TB patient)
- The high prevalence rate of HIV (which compromises individual immune systems) is a known risk factor for developing TB, therefore TB and HIV/Aids programmes need to be reinforced
- Workplace exposure to mining dust is a contributing factor to TB.

Given the dramatic increase in TB rates in South Africa and in the mining industry in recent years (below), it is important to manage TB and HIV holistically through better surveillance, diagnosis, treatment and monitoring. At each business unit, TB education initiatives reach employees at least once a year. These include information on symptoms and the importance of early diagnosis for effective treatment. Adhering

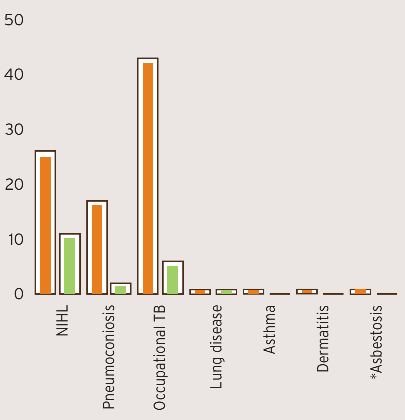
Tuberculosis in the mining industry

TB is a growing health problem globally and in South Africa, as reflected in the 80% increase in case notification of this disease in the local population over the last five years. This indicates the rising burden of disease in the community, inability of the public health system to fully control it, and high incidence of HIV/Aids given that over 60% of TB patients are also HIV-positive. As such, a successful HIV/Aids programme is critical to the management and success of a TB programme.

The high rate of occupational TB in the mining industry is largely due to exposure to airborne pollutants – especially silica dust – as well as poorly ventilated working and living conditions. The relatively long treatment period (six months) can lead to interrupted treatment with a defaulter rate of over 10%, which in turn can cause multiple drug-resistant TB strains.

TB is curable. It needs to be proactively managed using wetting methods to reduce dust levels, and wearing respirators. In addition, infection control, good diagnostic capacity, education on the disease, a good health infrastructure and resources are required. In the mining industry, periodic medical surveillance provides an opportunity for routine TB screening.

Reported and accepted occupational disease cases for 2009



Reported (90) Accepted (20)

** Previously worked in an asbestos company.*

to this new standard is expected to reduce the risk of developing, contracting and spreading multiple- and extensively drug-resistant TB in Exxaro.

Hazardous chemical substances

A new hazardous chemicals standard was issued to the group in 2009 in compliance with legislative (Hazardous Substances Act 15 of 1973) and international requirements (such as OHSAS 18001; ISO 14001; SANS 10232, 10234 and 10238). In terms of this standard, each business unit has to develop a site-specific procedure, database and training programme to eliminate and reduce the possibility of harm to Exxaro employees and contractors by the end of 2010.

H1N1 (swine flu)

There was minimal impact of H1N1 on Exxaro, with only three cases reported across the group and the individuals recovered fully. Exxaro will continue to monitor and manage potential risks as the flu season approaches.

HIV/Aids

The prevalence of HIV/Aids across Exxaro is currently estimated at 12%. At the end of 2009, 58% of our employees had participated in voluntary counselling and testing. This compares very favourably with our target to get at least 50% of all employees at each site to test for HIV.

A major awareness campaign during the year helped group employees understand the importance of their HIV status and provided information to help them make appropriate lifestyle choices such as joining a treatment programme or keeping their status negative. Exxaro's HIV/Aids service offers employees support focused on four key areas:

Prevention:

- Employees are trained and offered the opportunity to test for HIV
- Peer educators are trained and supervised in conducting prevention programmes and providing information to colleagues
- Condoms are distributed.

Detection:

- Voluntary HIV testing.

Treatment:

- Employees who test positive for HIV can enrol on a treatment programme through their own medical aid, or through Exxaro's outsourced service provider.

Care and support:

- A service provider call centre stays in touch with people registered on the programme
- Trained peer educators provide information about HIV/Aids to colleagues
- Health professionals are available on site to provide technical support to peer educators.

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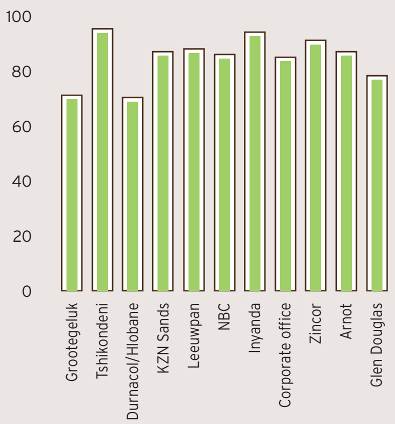
MAKING A DIFFERENCE IN THE HIV/AIDS PANDEMIC

Percentage of trained employees who have completed HIV testing



Environmental management

Highlights

- Exxaro ranks among the leaders in carbon disclosure standards in South Africa
- Water efficiency investigation under way
- Electricity usage baseline established for all operations.

Exxaro's core focus is on conserving natural resources and reducing the burden of pollutants on the environment by:

- Complying with all applicable environmental legislation – as a starting point. Our aim is to exceed compliance
- Developing innovative policies and programmes for addressing environmental impacts.

All South African operations have environmental management programmes (EMPs) as required under the Mineral and Petroleum Resources Development Act (MPRDA) and the National Environmental Management Act (NEMA). North Block Complex's EMP expired and is being updated, while the EMP amendment to Arnot's Mooifontein is also under way. All EMPs are key indicators in ensuring that Exxaro becomes a sustainable business. Exxaro also adopts the precautionary approach recommended by NEMA in evaluating the environmental impacts of business opportunities.

To enhance implementation of these legal requirements and the sustainable use of natural resources, standards for air quality management, water management, biodiversity management and rehabilitation management have been completed and will be implemented in 2010.

The in-house environmental specialist unit has increased its scope of services by dedicating a resource to oversee the environmental authorisation process.

Key risks and management activities

A strategic review of key environmental risks from Exxaro's mining activities during the year highlighted:

- Air pollution, water pollution, water-supply security and surface disturbance
- Cost of, and provision for, environmental liabilities
- Compliance to statutory and non-statutory environmental requirements.

As such, we have developed a timeline to Exxaro's desirable state that includes:

- Sustainable ecological systems at all Exxaro operations
- Stable rehabilitation fund with a gradual decline in environmental liabilities as these liabilities are addressed during active operation
- Full environmental compliance to sustainable development requirements
- No asset risk and reduction in land-holding costs.

Timeline to desirable state

2009	2010 — 2011	2012 — 2015
1 Develop and implement air quality management plans – Inyanda, KZN Sands and Zincor 2 EIA-EMP amendments (14)* 3 Eight site-closure reviews 4 Ferroland divestment (Gravelotte and Hlobane) 5 Approval of closure EMPR for Hlobane 6 Develop and implement integrated water-use licence (Glen Douglas, Tshikondeni opencast and Eerstelingsfontein project)* 7 Assurance preparedness – all findings 8 Biodiversity action plans	Review priorities 1 Review performance on air-quality management plans for Grootegeluk, New Clydesdale, Matla 2 Review performance on integrated water-use licence for Namakwa Sands, Arnot, North Block Complex, Glisa, Grootegeluk and selected projects 3 EIA-EMP amendments 4 Ferroland divestment from Durnacol, Manketti 5 Biodiversity action plans – Arnot-Matla, North Block Complex, Grootegeluk, KZN Sands, Namakwa Sands, Rosh Pinah 6 Water business case investigation 7 Implementation of closure activities at Northfields and KZN Sands according to plan	Review priorities 1 Exxaro-wide strategic environmental risk assessment 2 Water business case implementation 3 Review implementation of closure activities at mines in closure 4 Environmental liability management process (EERF, Arnot-Matla)

** Most of these have at least a 12-month cycle*

Key: EIA – environmental impact assessment; EMP – environmental management plan; EMPR – environmental management plan report; EERF – Exxaro environmental rehabilitation fund

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, reviewed and updated for Glen Douglas, Tshikondeni, Leeuwpan and Grootegeluk water treatment plant
- Water balances were developed, revised and updated for Tshikondeni, Grootegeluk, Leeuwpan, North Block Complex Eerstelingsfontein project, Glen Douglas, Matla and KZN Sands central processing complex (CPC).

Integrated water management

Exxaro is committed to best-practice guidelines developed by the Department of Water Affairs in 2008/9 and the following measures, among others, are constantly implemented at all business units:

- Dirty water areas are identified and demarcated
- Dirty water is captured from dedicated areas and stored in suitable holding facilities
- Concurrent rehabilitation efforts ensure maximum clean water run-off
- Dirty water areas are kept to a minimum
- Erosion protection on water conveyance systems
- Re-use and reclamation of water in the dirty-water system.

Water-use definitions have been standardised across business units via the Exxaro water management standard. This group-wide standard guides business units in tracking compliance against legal and reporting requirements for water.

Water efficiency projects at Exxaro

These projects have been integrated into the new Exxaro water-efficiency project scheduled for completion in 2010.

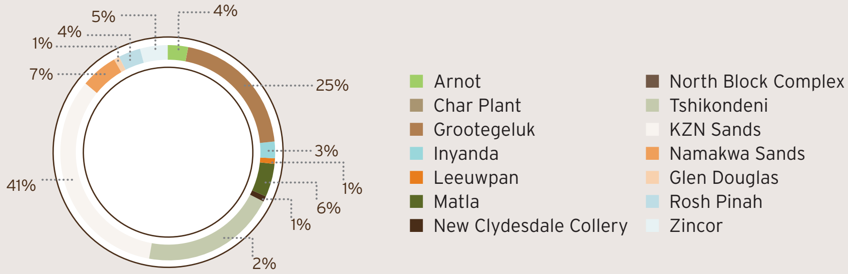
Business unit	Description
Grootegeluk	› In pit storage of stormwater run-off for plant utilisation (after pH neutralisation plant to avoid corrosion) › Dewatering of the Basalt aquifer and re-use as process water › The Basalt aquifer is fed mainly by seepage from the unlined pollution control dams, stockpile areas and slimes facility › Water recovery from the slimes disposal facility is re-used as process water
Matla	› Excess water from underground is being considered for distribution to Eskom as process water
Arnot	› No formal water reclamation used in plant plan in place
Leeuwpan	› Water recovery from the slimes disposal facility › Storm water run-off recycled and re-used via the process water dams
Inyanda	› Water reclamation from the slimes facility is used as process water › Stormwater run-off from the plant area is captured and returned to the plant for re-use › Pit water from groundwater flow and run-off is pumped back to the dirty-water facilities for re-use
Tshikondeni	› Co-disposal facility with water reclamation which is re-used in the plant › Stormwater run-off collected in lined pollution control dams at shaft areas and re-used as process water
New Clydesdale	› Slimes disposal with percolated water recovery for re-use in the plant area › Stormwater run-off at the plant area is recycled back as process water › Pit stormwater run-off is used for dust suppression
North Block Complex	› Excess water from pit and stormwater run-off is collected in pollution control dams for dust suppression
Zincor	› Rainwater collection from roofs is used to augment process water › Borehole abstraction used to draw back pollution plume and augment process water
Glen Douglas	› Stormwater run-off into opencast areas used as process water in the plant area
KZN Sands	› Reclamation of rainwater to augment water from Umgeni Water › Seepage and run-off at CPC is collected and used as process water
Namakwa Sands	› Seawater is used as process water › Process water is recycled from the disposal facilities and re-used in the plant

Total water withdrawal by source

	North Block Complex	Tshikondeni	Glen Douglas	Rosh Pinah	Zincor	KZN Sands	Namakwa Sands
Source	Municipal	Unwa Dam, boreholes	Municipal	NAM-Water	Municipal, boreholes, rainwater harvest	Municipal	Olifants River (Western Cape), seawater

	Arnot	Glisa	Grootegeluk	Inyanda	Leeuwpan	Matla	New Clydesdale
Source	Eskom	Mokolo Dam, boreholes, pit water	Mokolo Dam boreholes	Olifants River (Mpumalanga), boreholes	Boreholes	Eskom	Olifants River (Mpumalanga)

Water use consumption per BU (group total 2,71 Mm³)



Percentages have been rounded

The business case for water management

Exxaro has embarked on a three-phased process to develop a strategic water management plan for all business units, spanning water efficiency, water reclamation and water re-use initiatives. In finding a solution that benefits our group, government and communities alike, the strategic drivers behind this project include:

- The limited water resources available in certain parts of South Africa to support new or expanding mining and mineral projects
- High cost of inter-basin transfer of water to support development projects (R5-10/m^3 and increasing)
- Compliance requirements – water-use licensing requires re-use as per the Department of Water Affairs' hierarchy of water management on mining and industrial facilities
- Avoiding negative environmental impact or damage
- Manage, minimise or eliminate post-closure liability: proactive positioning to make water available to other water users
- Offset against anticipated waste discharge changes
- Profile of water being elevated in feasibility assessments as a sensitive parameter.

Phase 1 began in November 2009 and was rolled forward to 2010. Data listed below is being gathered as part of the phase 1 investigation:

- Geographical and water-related location of each operation
- Water efficiency, both in terms of use and development as a resource
- Water infrastructure and related investment
- Legal and regulatory requirements and compliance for operational and closure phases
- Financial resources allocated to water management:
  - Purchase of water
  - Water management
  - Water release/discharge
- Water-related financial liabilities for operational and closure phases.

Although this process is still in its infancy, the outcome from the first phase of data analysis will assist in identifying gaps, risks and assessing different business units' water-use patterns, available water resources, and potential for developing water reclamation schemes. Phase 1 will be completed in July 2010.

see www.exxaro.com/case_studies
MAKING REHABILITATION WORK FOR WATER CONSERVATION

Waste management

A group-wide policy on waste management that will address material issues related to waste streams, such as disposal of hazardous as well as general waste generated from Exxaro operations, has been prioritised for 2010.

Developing a strategic water management plan

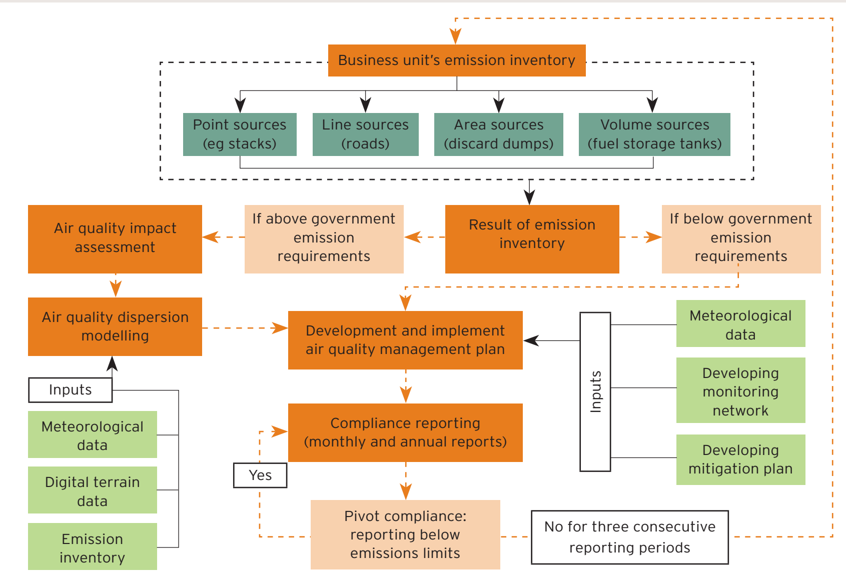
Phase 1	Phase 2	Phase 3
Company-wide assessment of water supply, water management and water liabilities to establish the size of the water resource that may be available to the water business.	Water market and business opportunities. Learning from worldwide trends. This will establish local and regional demand for water by users able to purchase the water.	Business case for Exxaro entering the water market as a viable enterprise development.

Air quality management

Exxaro has implemented an air quality management framework for quantifying and determining the impact of our ambient emissions, and managing non-compliance and continuous improvement (below). This approach, which is aligned to the requirements of the 2007 national framework for air quality management in South Africa, provides a standardised methodology across the group for quantifying emissions and determines the appropriate action in mitigating their impact.

In applying this framework, particularly the emission inventory step, across our operations, it is evident that most of our ambient pollution impacts associated with emissions are particulate matter or dust from mining activities. In addition, Exxaro also operates smelting operations in its mineral sands and base metals commodity businesses. Emissions from these smelters are regulated by a registration certificate issued by the chief air pollution control officer in the Department of Water and Environmental Affairs (DWEA). Emissions of concern from these smelters are particulate matter (represented as PM_{10}), sulphur dioxide (SO_2) and nitrogen oxide (NO_x).

Air quality management framework



Emissions from mining operations

Dust-generating activities (ie blasting, vehicle entrainment and wind erosion of exposed operational areas) are challenges the group addresses daily through environmental management measures such as dust-suppressant agents (eg Dust-A-Side) on haul roads, applying water to secondary unpaved operational roads and vegetating topsoil and overburden material.

All our mining operations monitor daily fallout dust rates and results are assessed against the national standards (SANS) set out in figure 1.

Figure 1: National standards (SANS)

Level	Dust fallout rate (mg/m²/day)	Permitted frequency
Target	300	
Action residential	600	Three in any year, no sequential months
Action industrial	1 200	Three in any year, no sequential months
Alert threshold	2 400	None. First exceedance requires remediation and compulsory report to authorities

Figure 2: Results from Exxaro's monitoring points

	Points monitored with single-unit fallout dust bucket	Average number of exceedances – 2009	
Operation		600mg/m²/day	As % of total
Coal	60	9	13
Mineral sands and base metals	36	3	8

Exxaro has implemented a management key performance indicator that tracks compliance against the "action residential limit". Even though our operations are classified under industrial targets, we recognise that some operations are close to densely populated areas. Tracking compliance against the residential limit provides a standardised management approach that aims to move our operation into the long-term target of 300mg/m^2/day (figure 2, page 99).

On average, the operations in the coal commodity business exceeded the 600mg/m^2/day limit 13% of the time in 2009. Most of these exceedances were recorded in the winter and spring months. The mineral sands and base metals commodity business exceeded the limit 8% of the time.

Emissions from smelting operations

All our smelters have registration certificates issued in terms of section 10 of the Atmospheric Pollution Prevention Act, 1965 (Act 45 of 1965). These stipulate acceptable stack emissions for particulate matter at KZN Sands smelters; particulate matter, NO_x and SO_2 at Namakwa Sands; and SO_2 at the zinc smelter. The table below shows the performance of our smelters against permit conditions (figure 3).

Biodiversity management

Global biodiversity is threatened by human development – including mining. Climate change is expected to exacerbate this effect. As such, conservation is becoming increasingly important. Exxaro-owned and -managed land has significant biodiversity given the wide geographical spread of the group's operations.

As part of the process of developing biodiversity management plans for each business unit, a comprehensive study was undertaken to determine vegetation types on all land held by Exxaro and quantify greenhouse gas reduction as a result of vegetation.

The boundaries and vegetative mapping were completed in 2009 and preliminary tier 1 carbon values determined. Agriculture, forestry and other land-use practices were included to provide for a more accurate and complete carbon footprint, accounting for the various business units and the group as a whole. Based on aerial photographs and GIS land use and vegetation maps, a carbon vegetation type map for each operation (mines and smelters) was compiled.

The carbon quantities captured within the 32 types of vegetation in land under operational control are estimated to be around 30 million tonnes. The data on vegetative carbon stocks within various land use practices assists Exxaro's environmental practitioners in executing their environmental and rehabilitation activities. A summary of biodiversity management is shown overleaf.

see www.exxaro.com/case_studies
MANKETTI'S FABULOUS FROGS

see www.exxaro.com/case_studies
NATURE'S BALANCE RESTORED

Figure 3: Performance of smelters

Business unit	No of points	Pollutant	Permitted emission rate	Units	Assessment frequency	Exceedance of permitted emission rate (2009)
Namakwa Sands	2	PM	30	mg/m^3 (24hr average)	Bi-annually	0
	2	SO_2	500	mg/m^3 (1hr average)	Bi-annually	0
	2	NO_x	700	mg/m^3 (1hr average)	Bi-annually	0
KZN Sands	15	PM	50	mg/m^3	Quarterly	5
Zincor	2	SO_2	24	mg/m^3	Continuous	1

Formal biodiversity management policy in place

In terms of a policy approved in September 2008, Exxaro's intention on biodiversity is to be a mining company that leads by example in protecting, enhancing and conserving South Africa's biodiversity to ensure that the right of future generations to a healthy, complete and rich biodiversity is entrenched, and to ensure sustainability in terms of biodiversity through biodiversity management and/or offset areas that reflect duty-to-care principles.

Group operations are mandated to ensure that biodiversity conservation and the use of natural resources through mining co-exist through proper planning, decision-making, conservation and offsets.

The objectives of this policy are focused on the protection and conservation of biodiversity-rich areas of undisturbed areas, preventing or limiting destruction of Red Data faunal and floral species and eradication and control of alien invasive species by means of practical and cost-effective management skills, programmes and action plans.

Biodiversity management

Description		Inyanda	Tshikodeni							
		Coal		Sands and base metals						
Description		Inyanda	Tshikodeni	KZN Sands		Rosh Pinah	Zincor	Namakwa Sands		
				KZN - Hillendale & Port Durnford	CPC			BSB	CPS	Smelter
Location/size of land owned, leased, managed or adjacent to protected areas of high biodiversity value	Land adjacent to protected areas	X	√ Adjacent to Kruger National Park, within Gariep Centre of Plant Endemism	√	√	√ Adjacent to Sperr Gebied/ Richtersveld National Park/ endemic hotspot area	√ Adjacent to RAMSAR Site	√	√	√
	Size of land assessed (hectares)	1748	22 386	5 419	66	1 251	296	0	0	0
Significant impacts of activities, product and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Buildings (farm buildings, mine buildings, etc)	12	72	181	1	23	38	Area not assessed 2009		
	Cultivation	249	709	342	25	0	0			
	Grassland/dune scrub	18	0	526	2	0	0			
	Mine tailings/pits/bare soil/airfields		132	391	3	121	107			
	Open water	4	197	0	0	0	0			
	Plantations/woodland	57	103	25	16	0	9			
	Grassland (natural)	1 372	0	0	0	0	24			
	Grassland secondary/ transformed grassland	35	0	157	5	0	113			
	Open bushveld	0	663	0	0	0	0			
	Riparian forest	0	473	0	0	0	0			
	Sand banks	0	177	0	0	616	0			
	Stream vegetation (bushveld)	0	412	23	0	0	0			
	Thicket and encroached bushveld	0	4 469	0	0	0	0			
	Transformed/degraded bushveld	0	590	0	0	0	0			
	Wetland grassland	0	40	4	8	0	3			
	Bushveld	0	4 457	0	0	0	0			
	Floodplain bushveld	0	27	0	0	0	0			
	Inland forest	0	235	0	0	0	0			
	Mopani bushveld	0	5 710	0	0	0	0			
	Mountain bushveld	0	3 921	0	0	455	0			
	Coastal forest	0	0	679	0	0	0			
	Sugar cane	0	0	3 091	5	0	0			
	Desert wash	0	0	0	0	35	0			
Habitats protected/restored	Protected	X	√ Kruger National Park	X	X	√	√ RAMSAR site	√	√	√
	Restored	Red data species relocated to offset area under MTPBA management	Adjacent to protected area - impacts of mining limited due to under-ground activities	X	X	X	√ Wetland with red data species	X	X	X
Strategies, actions and plans for managing impacts on biodiversity	Exxaro biodiversity strategy (draft)	√	√	√	√	√	√	√	√	√
	Management plan (EMPR)	√	√	√ Only Hillendale — Port Durnford no mining activities	√	√	√	√	√	√
	Biodiversity action plans (BAP)	√ First BAP draft under way Relocation strategy of *Frithia humilis* with SANBI and MTPBA	√ Draft update of certain sections in 2010	√ BAP draft under way — Hillendale only	√ BAP draft under way	X	√ BAP draft in compi-lation	X	X	X
IUCN red list and national conservation lists species affected by operations		√ Recorded *Frithia humilis* — Relocated in conjunction with SANBI and MTPBA	√ Various species recorded but not currently affected by underground mining operations. Potential that future opencast operations may impact on red data listed species	√ Recorded and currently affected (Hillendale – habitat transfor-mation)	X None recorded to date	√ Recorded various IUCN red data plant species – affected during previous exploration activities. High number of endemic species present and recorded.	√ Recorded but not currently affected – population of *Kniphofia typhoides* stable and healthy	√ Recorded and affected by mining activity	√ Recorded and affected by mining activity	√ Recorded and affected by mining activity

Note: Figures have been rounded

Mine rehabilitation

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 from the feasibility stage of any mining operation through all operational phases and, ultimately, to prepare for efficient mine closure. This framework informs physical processes and financial provisions, including rehabilitation performance indicators.

Business units are already reporting on these indicators each quarter. By closely monitoring this data, rehabilitation backlogs are 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 R38 million in 2009 and had R422 million in its trust fund at 31 December 2009 for mine closure activities. Updating rehabilitation provisions annually also informs potential rehabilitation optimisation alternatives that will decrease the closure liabilities of mines in the long term.

During the year, closure-cost reviews were completed at eight operations. Five inactive sites have been included in this review process. Performance assessments against EMPR (environmental management plan report) objectives were completed for four operations and submitted to DMR. Others are scheduled for 2010.

see www.exxaro.com/case_studies
MINE CLOSURE PLAN IN ACTION

Energy and climate change

The Exxaro brand is built on a strong vision: everything we do and deliver today will allow others to realise their vision tomorrow. At Exxaro, we look beyond the current commodities and operations and see the impact we have on people and the planet.

Exxaro recognises that to remain competitive and sustainable, it is critical that potential energy shortages; the rising costs of energy; climate change and its related environmental concerns are dealt with as a strategic imperative.

Exxaro's carbon footprint represents almost 1% of South Africa's total emissions. This is depicted in figure 1 for 2006 to 2009, divided by the source of the emissions.

Figure 2 shows the updated baseline for 2006, the first year for which a detailed carbon footprint was calculated. In line with the international carbon reporting protocol, the baseline is updated to show data (accuracy), the inclusion of additional sources of greenhouse gas or GHG emissions, and the inclusion of a new business unit purchased after 2006.

Figure 1: Estimated total footprint by contributor (Mt CO_2e)

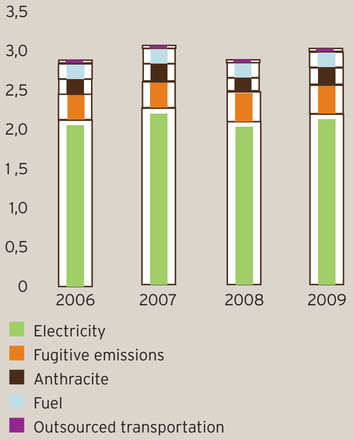
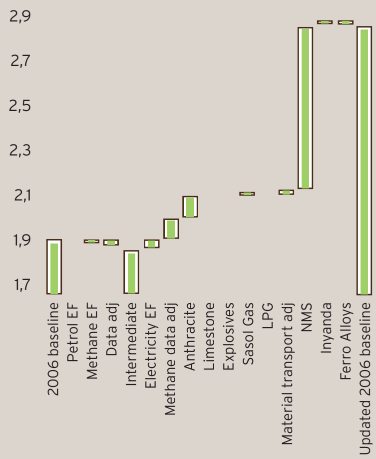
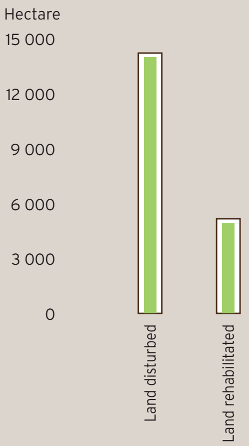


Figure 2: Updated 2006 baseline total footprint by contributor (Mt CO_2e)



Exxaro 2009 rehabilitation performance status

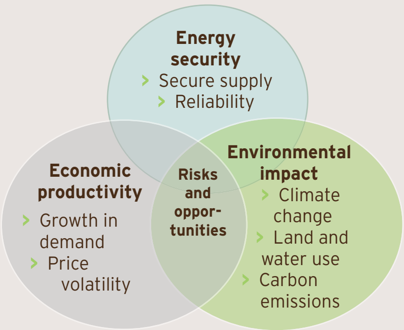


South Africa's approach

South Africa has developed long-term mitigation scenarios, the basis of which was accepted by cabinet in July 2008 as a framework to manage the country's greenhouse gas emissions. The mitigation policy adopted by cabinet includes:

- Increasing the price on carbon through an escalating CO_2 tax, or an alternative market mechanism
- Setting targets for electricity generated from both renewable and nuclear energy sources by the end of the next two decades
- Laying the basis for a net zero-carbon electricity sector in the long term
- Incentivising renewable energy through feed-in tariffs
- Exploring and developing carbon capture and storage for coal-fired power stations, and not approving new coal-fired power stations without carbon-capture readiness.

Energy and climate challenges are broad; solutions are enormously challenging, and Exxaro recognises the need to address all three imperatives, namely energy security, economic productivity and environmental impact.



These issues are increasingly being incorporated as part of Exxaro's long-term business strategy. A dual approach is currently being implemented:

- Firstly, an energy and carbon management programme has been implemented, dealing with both mitigation and adaptation issues
- Secondly, as noted by the CEO (page 15), after careful consideration, Exxaro is evaluating and developing a growth pipeline of environmentally friendly energy projects. Some of these initiatives are outlined in the growth section on page 49.

These two programmes are linked by Exxaro's drive to become carbon neutral and the need to thrive in a low-carbon economy.

The energy and carbon management programme

Purpose: to be recognised as a leader in energy management by minimising energy intensity while working towards becoming a carbon-neutral business.

In recent years, Exxaro has consolidated its approach to clean energy at group level. The formation of a strategic map in 2007 included initiatives around the regulatory environment, energy efficiency, the implementation of cleaner technologies and reputational issues to thrive in a low-carbon economy. In 2009, this map was further refined and now includes a strong supporting programme. The programme focuses on operational management and energy project development and implementation.

Exxaro's green timeline

2010	Exxaro is developing renewable energy projects, one solar and two wind Exxaro's budget for the energy and carbon management programme is approximately R9 million This programme is broadened to focus on climate change and associated risks Exxaro becomes involved in industry engagement on future policies
2009	Exxaro pays a large amount for electricity (more than R600 million) and forecasts electricity costs for 2011 to be some R1,3 billion Exco approves energy and carbon strategy framework Exxaro participates in SA Research Centre for Carbon Capture and Storage with local and international partners Exxaro score in CDP leadership index improves by 9 percentage points Special budget approved to enable comprehensive response to energy, carbon and climate change management to enable and achieve the group's vision
2008	South Africa realises the extent of its energy crisis Exxaro starts energy efficiency forum with champions at each business unit Dedicated manager appointed to focus on energy projects and opportunities Exxaro placed fifth in South Africa's CDP leadership index chapter for the energy-intensive sector Exxaro sponsors UNISA Chair in Business and Climate Change for three years Exxaro spends R460 million on electricity
2007	Exxaro forms clean energy forum Group reports on carbon emissions for the first time (1,9 million tonnes of CO_2e) Exxaro spends R358 million on electricity
2006	Electricity is highlighted as a major cost to the group At inception, Exxaro chooses green as a corporate colour as a symbol of sustainability and growth Exxaro adopts the Energy Efficiency Accord signed by Kumba Resources

We elaborate on the most advanced of these focus areas below:

Focus area: Energy and carbon footprint data

Purpose: to enable the production of consistently auditable and verifiable energy and carbon footprint report for Exxaro by:

- Implementing effective energy-management processes and systems
- Developing effective organisational roles and responsibilities.

A more effective reporting system for energy data has been developed and implemented at all business units. This will become the basis of reporting on carbon disclosure and carbon footprint statistics. Phase 1, electricity and fuel data, will be extended to include other energy sources in future phases.

Focus area: Energy consumption management

Purpose:

- To enable efficient and timely control of energy consumption at the operational, commodity business and Exxaro level
- To optimise energy consumption at current operations by applying sound operational principles.

Updated metering equipment is being installed at our business units to facilitate:

- Consumption management (including managing Eskom's power conservation programme allocations)
- Tracking and verifying electrical efficiency initiatives
- Verification of electricity accounts.

A centralised view of business unit consumption is a future requirement.

Focus area: energy efficiency improvement projects

Purpose: to co-ordinate the identification, assessment and implementation of projects to improve energy efficiency at current operations.

Improvements in energy efficiency are needed to remain competitive while dealing with climate change and its related environmental concerns.

In particular, Exxaro commits to:

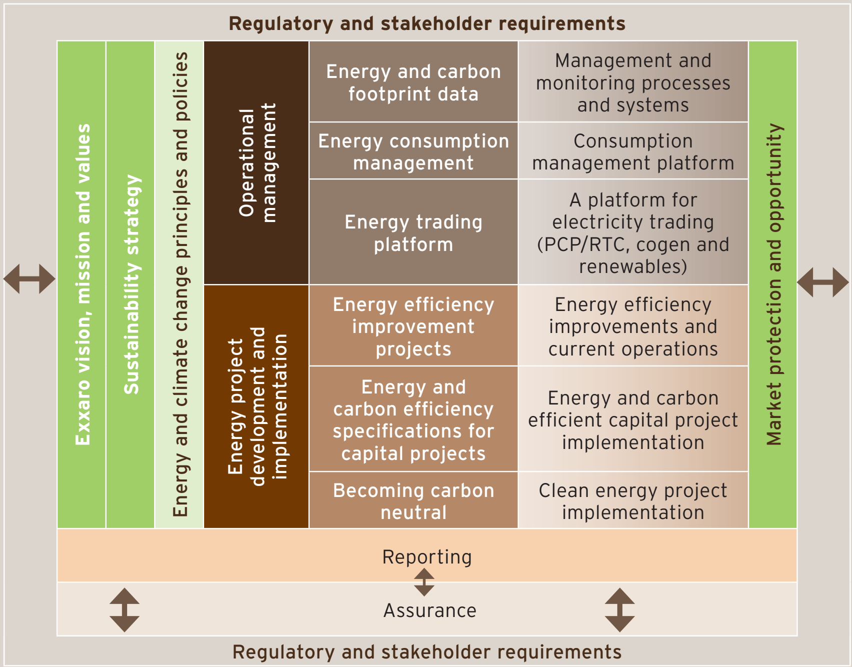
- Reducing costs by reducing energy consumption from 2006 baseline by 10% by 2012
- Increasing energy efficiency
- Promoting the use of sustainable and renewable energy
- Promoting the use of clean technologies.

During the year, the electricity baseline was established for all business units in preparation for Eskom's power conservation programme (PCP). The consequences of PCP and recent electricity price increase forecasts have added impetus to the group's drive to achieve energy-efficient production.

Modelling the impact of electricity price increases over the next three years is an exercise absorbing much corporate time across South Africa, especially given the quantum of approved increases and the impact on most companies' bottom lines. Exxaro has invested in this exercise, which forms the business case for much of the strategy.

The energy and carbon management strategy drives the programme

It deals with both operational management and energy project development and implementation, and has six focus areas.



Focus area: energy and carbon management guidelines for capital projects

Purpose: to develop guidelines:

- To govern the Exxaro process in the asset life cycle for optimal energy use
- To ensure energy optimisation is aligned with the project management process.

To reach our goal of leadership in energy management, we are further developing synergies between Exxaro Technology, the project management office and individual business units, focusing on:

- Guidelines, responsibility matrices, procedures and checklists for the project office to establish and maintain an energy focus during all phases of a project life cycle, from concept phase, through the feasibility process to detail design and implementation
- Guidelines to ensure project specifications and quality assurance plans have specific energy-related content
- Maintaining energy benchmarks for all operations
- Identifying and maintaining energy comparison tables of major equipment
- Guidelines to ensure energy considerations are included in planning and executing maintenance
- Guidelines to ensure all relevant training is available so that staff are aware of the risks and opportunities related to energy
- Guidelines to ensure business improvement considers all energy-related issues when evaluating projects, PCP, carbon credits, tax incentives.

These guidelines were tested on a comprehensive evaluation of energy-efficient alternatives and renewable energy types versus equivalent conventional products. Results are now included in the financial model for further pre-feasibility studies.

Focus area: becoming carbon neutral

Purpose: to develop the roadmap to becoming carbon neutral by:

- *Determining carbon footprint – determine baseline, restate and update annually (footprint calculated since 2006 – ISO 14064)*
- *Reducing carbon footprint – becoming more energy efficient, buying renewable electricity, bio-diesel, reducing consumption, and using the carbon market*
- *Offsetting remaining emissions – carbon market transactions, social responsibility investment*
- *Developing renewable energy projects, eg solar and wind.*

Exxaro is making progress with a feasibility study on co-generation to produce some 15MW of electricity from waste energy at our Namakwa Sands operation. This project has a potential saving of almost 150 000 tonnes of CO_2e per annum and offers significant financial benefits via carbon credits.

Further co-generation studies are under way for projects at our own and other organisations' operations with a potential 150MW generation capacity, equating to a potential 1,5Mt CO_2e per annum.

The objective is to minimise energy waste, thus increasing energy efficiency. The carbon footprint of electricity from these sources is virtually zero. Such co-generation projects would also qualify under the Clean Development Mechanism project under the Kyoto protocol.

While the global economic slowdown has delayed the implementation of co-generation, Exxaro remains committed to reducing its carbon footprint by implementing these projects as well as renewable energy initiatives which are subject to the roll-out of an enabling policy environment.

The group is also committed to participating in carbon capture and storage developments through:

- Playing an active role in the establishment of the South African Centre for Carbon Capture and Storage (SA Centre for CCS)
- Co-sponsoring the 2009 CCS Conference, organised by the SA Centre for CCS at which world experts were the leading speakers
- Preparing for its coal bed methane project.

Vegetation of Namakwa Sands site

Globally, soils are estimated to contain approximately 1 500 gigatonnes of organic carbon, more than the total carbon in vegetation and the atmosphere.

Modified agricultural practices with increased biodiversity is a recognised method of carbon sequestration as soil can act as an effective carbon sink, offsetting as much as 20% of carbon dioxide emissions annually.

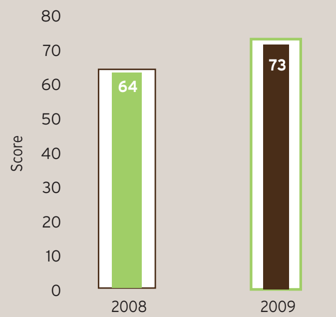
In tandem with the CDP reporting process, a vegetative study was conducted during the year (page 100). The study revealed a baseline for the impact of the Exxaro group of 29Mt carbon (enhanced 32Mt carbon). Given that 2,6Mt carbon enhancement equates to 10Mt CO_2e, a ten-year rehabilitation plan could potentially yield 1Mt CO_2e per annum. Further investigation and planning is under way.

Governance

The various working groups tasked with energy initiatives report to a steering committee headed by the executive general manager, business growth, who is also a member of the executive committee.

Shortly after year end, the executive committee confirmed its support for the energy and carbon management programme and recommitted to saving 10% on energy efficiency and carbon emissions by 2012. This pledge was formalised and communicated to each business unit, with energy savings targets becoming a measurable indicator in senior management performance contracts, and part of the annual business planning process.

Exxaro's performance in the CDP



Carbon disclosure project reporting

Exxaro again participated in the Carbon Disclosure Project (CDP). The CDP is the leading proponent of climate change and carbon disclosure, with a strong and growing history of corporate disclosure through its annual questionnaires and database of corporate responses. In 2009 the CDP represented more than 475 investors with US$55 trillion of assets under management; a total of 1 800 companies participated worldwide, including 77% of the FTSE Global 500. Companies listed on the JSE have participated for the last three years; in 2009 68% of the top 100 companies (by market capitalisation) on the JSE responded, compared with a global average response rate of 55%.

As a stakeholder in the mining industry, Exxaro actively participates in shaping appropriate policies in South Africa through many channels, including:

- The Chamber of Mines
- NERSA (National Energy Regulator of South Africa)
- EIUG (Energy Intensive Users Group)
- NERT (national electricity response team)
- Energy efficiency accord through the technical committee facilitated by the National Business Institute (NBI)
- Industry energy policy-influence workshops
- World Wildlife Fund (WWF) round table event
- South African Chamber of Commerce and Industry's (SACCI) electricity dialogue
- National trade delegation to the UK in March 2010.

Exxaro is also involved in the initiatives of:

- South African Independent Power Producers Association (SAIPPA)
- Coaltech 2020
- Fossil Fuel Foundation
- Peace Parks Foundation
- SA Centre for Carbon Capture and Storage with international and local partners
- Clinton Foundation.

see www.exxaro.com/case_studies SUPPORTING BIODIVERSITY BEYOND EXXARO

Three years ago, Exxaro began sponsoring the Chair in Business and Climate Change at Unisa. The vision is to create a centre of excellence in business and climate change research, education and advocacy. In practice. One of the early landmarks of this project was the publication of *Climate Change: A Guide for Corporates* by Unisa Press in 2009.

The research includes a review of the impact of the Copenhagen meeting, delineating green economies, and quantifying the opportunities for green jobs as well as critically evaluating the relationship between business and climate change.

Risks and opportunities of climate change

Exxaro is exposed to physical risks from climate change. These include excessive rain, droughts, disrupted transport infrastructure and increased vulnerability of local communities and workforces.

An independent physical climate-risk assessment of Exxaro's operations in southern Africa was carried out in early 2009.

The report details preliminary work to assess the risks climate change pose to Exxaro's operations. In doing so, a standard risk approach was taken, ie risk is a function of both the natural climate hazard and vulnerability of the underlying infrastructure, population and socio-economic activities to these hazards. Consequently, it sources information on both hazards and vulnerability to assess which combinations of these could pose the greatest risks.

The next steps in addressing these challenges have been initiated by prioritising the impacts in conjunction with the group's risk manager. A roadshow to all business units by the second quarter of 2010 will highlight these risks, raise awareness and start the process of developing and implementing appropriate action plans.

Climate variables and their potential impacts

Variable	Derived variable	Potential impacts
Day-time temperature	Average temperature	> Increased evaporation impacts on mine water balance > Increased cost of cooling and chilling > Dust control impacts – scrubbing, sensitive equipment
	Number of days per year exceeding 30,2°C	> Worker fatigue > Load on chilling plants too high
Rainfall	Annual rainfall	> Water availability to mine
	Seasonal timing of rainfall	> Need for increased dam storage
	Average storm size	> Operational interruptions > Erosion of roads and slimes dams
	Frequency of traditional 100-year storm	> Mine flooding > Infrastructure damage > Slimes dam breakage
	True size of 100-year storm	> Mine design, plant protection and drainage
Wind speed	Frequency of high wind speeds	> Structure design
	Average wind speed	> Dust control impacts — scrubbing, sensitive equipment

Environmental performance

To enhance environmental incidents management and reporting, Exxaro has introduced a standardised incident management system in all business units to ensure the effective management of all incidents, leading to a safer and more sustainable work environment. The system provides an integrated platform to track and manage incidents; identifies the root causes of incidents and ensures proper incident reporting and management. Environmental incidents are categorised as level 1, 2 and 3.

- Level 3 – Environmental incidents with irreversible on-site, immediate and remote-area impacts, will involve long-term clean-up activities and a negative impact on shareholder value (eg over R500 000 in damage has definitely occurred)
- Level 2 – Environmental incidents with reversible on-site and immediate surrounding impacts, will involve more than 48 hours in clean-up activities and a negative impact on shareholder value (eg R50 000–500 000 in damage has definitely occurred)
- Level 1 – Environmental incidents with reversible on-site impacts, will involve immediate clean-up and a negative impact on shareholder value (eg under R50 000).

The table opposite sets out reportable environmental incidents across the group. A total of 20 level 2 incidents were reported during 2009. All level 2 incidents were reported to the relevant regulatory authorities. Corrective actions to remedy the incidents and prevent them from recurring were approved by authorities prior to implementation. There were no significant (level 3) incidents reported in 2009.

Case study – Carbon offset project

Exxaro undertook to offset the environmental impact of this annual report and the internal group newsletter. Accordingly, the carbon footprint of the paper, printing and distribution was quantified under the international greenhouse gas reporting protocol

To ensure the integrity of an offset project, five criteria as set by the World Bank must be followed:

1. The project must be additional (making sure the project is not claiming reductions that would already occur)
2. It must result in real emission reductions (making sure project activity is monitored and emission reductions claimed are verified)
3. Emission reductions from the offset project must not be double-counted (making sure the same emission reductions are not sold to several buyers at the same time)
4. Emission reductions must be permanent (making sure the emission reductions are not temporary)
5. The offset project should result in community benefits.

Exxaro's annual report and newsletter emissions were offset by installing a 300-litre solar geyser and additional monitoring and verification equipment at a cost of over R40 000. In line with our commitment to socio-economic development, we looked for an organisation, such as an old-age home, hospice or children's home, that could benefit most from this initiative. Olievenhoutbosch is a low-cost housing area close to Exxaro's Pretoria head office and Badimorogo is a home in the area offering full-time care to eight elderly residents. The solar geyser will reduce the home's monthly running costs.

Environmental incidents – level 2

Business unit	Level	Description	Receiving environment
Inyanda	2	Overflow of contaminated water into a clean water area	Water
KZN Sands	2	Stacks exceeded APPA permit requirements	Air
Grootegeluk	2	Pollution control dam not functioning well — spilling into clean areas	Water
KZN Sands	2	Excessive visual smoke and particulate matter in atmosphere	Air
Namakwa Sands	2	Contaminated water spillage into clean areas	Soil
KZN Sands	2	Contaminated water overflow to a river due to blocked drainage trench	Water
Grootegeluk	2	Pollution control dam overflow to clean areas	Water
Inyanda	2	Soil pollution from coal spillage	Soil
KZN Sands	2	Clogging of dewatering cyclones systems resulting in water pollution	Water
KZN Sands	2	Stacks exceeded APPA permit requirements	Air
KZN Sands	2	Overflow of contaminated water into surrounding community properties	Water/soil
Namakwa Sands	2	Water and soil pollution caused by flooding of sewage treatment plant	Water/soil
Namakwa Sands	2	Water from the mine damaged farm road on neighbouring farm	Soil
KZN Sands	2	Stacks exceeded APPA permit requirements	Air
KZN Sands	2	Leaching of run-of-mine pipeline — in situ material from the operation into a neighbour's property	Water/soil
KZN Sands	2	Water from the mine damaged neighbouring property	Water/soil
Namakwa Sands	2	Erosion of sensitive area due to high rainfall	Soil
KZN Sands	2	Release of rainwater in controlled manner into a river to prevent dam wall failure	Water
Inyanda	2	Coal and hydrocarbon spillage	Soil
Inyanda	2	Overflow of water from the dam to neighbouring properties	Water/soil

Environmental incidents – group

	Level 1		Level 2		Level 3	
Business unit	**2009**	2008	**2009**	2008	**2009**	2008
Coal	**495**	458	**6**	5	**0**	0
Arnot	75	88	0	0	0	0
Char Plant	23	n/a	0	n/a	0	n/a
Grootegeluk	135	208	2	3	0	0
Inyanda	37	n/a	4	n/a	0	n/a
Leeuwpan	28	27	0	0	0	0
Matla	51	26	0	0	0	0
New Clydesdale Colliery	72	99	0	0	0	0
North Block Complex	26	0	0	0	0	0
Tshikondeni	48	10	0	2	0	0
Mineral sands	**339**	201	**14**	10	**0**	0
KZN Sands	79	130	10	10	0	0
Namakwa Sands	260	71	4	0	0	0
Base metals and industrial minerals	**527**	338	**0**	12	**0**	0
Glen Douglas	47	36	0	0	0	0
Rosh Pinah	0	0	0	0	0	0
Zincor	141	101	0	2	0	0
Total	**1 361**	997	**20**	27	**0**	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

Consumption per business unit 1 January – 31 December 2009

	Electricity (GJ)		Diesel (GJ)		Sasol Gas (GJ)	
Business unit	**2009**	2008	**2009**	2008	**2009**	2008
Coal	**1 835 131**	1 789 423	**2 199 610**	2 258 568	**0**	0
Arnot	**201 082**	197 946	**341 106**	496 510	**0**	0
Char Plant	**9 266**	n/a	**5 272**	n/a	**0**	n/a
Grootegeluk	**904 342**	895 540	**727 756**	714 827	**0**	0
Inyanda	**22 997**	n/a	**134 678**	n/a	**0**	n/a
Leeuwpan	**76 144**	78 656	**427 349**	555 532	**0**	0
Matla	**463 723**	468 587	**64 618**	68 061	**0**	0
New Clydesdale Colliery	**37 566**	35 406	**158 273**	85 873	**0**	0
North Block Complex	**5 184**	4 993	**307 630**	300 515	**0**	0
Tshikondeni[2]	**114 828**	108 295	**32 929**	37 252	**0**	0
Mineral Sands	**4 214 567**	2 051 525	**481 817**	173 422	**307 040**	319 020
KZN Sands[3]	**2 298 182**	1 464 023	**71 067**	79 854	**307 040**	319 020
Namakwa Sands[4]	**1 916 384**	587 502	**410 750**	93 567	**0**	0
Base metals and industrial minerals	**1 697 593**	1 795 828	**153 602**	143 596	**0**	18
Glen Douglas	**44 809**	131 483	**61 296**	54 351	**0**	0
Rosh Pinah	**161 225**	146 383	**61 169**	61 579	**0**	0
Zincor	**1 491 559**	1 517 962	**31 137**	27 666	**0**	18
Total	**7 747 291**	5 636 776	**2 835 029**	2 575 586	**307 040**	319 038

[1] *Total energy figures comprise electricity, diesel, petrol and sasol gas; figures are based on invoices from suppliers.*
[2] *2008 electricity consumption has been restated due to a calculation error.*
[3] *Recommissioned furnace in 2009 ramping up to production.*
[4] *Only four months' data presented for 2008.*

Eco-efficiency

		2009	2008
Coal	Energy (GJ/t)	**0,11**	0,09
	Water (m^3/t)	**0,31**	0,27
Mineral Sands	Energy (GJ/t)	**5,09**	4,65
	Water (m^3/t)	**13,24**	27,00
Base Metals and Industrial Minerals	Energy (GJ/t)	**1,29**	1,28
	Water (m^3/t)	**1,90**	2,11

Petrol used (GJ)		Total energy use (GJ)[1]		Water (m^3)		Saleable product (Kt)	
2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
14 899	18 223	**4 049 640**	4 066 214	**11 345 080**	11 623 896	**37 195**	43 721
3 307	5 134	**545 494**	699 589	**1 045 197**	770 720	**5 211**	4 967
0	n/a	**14 538**	n/a	**62 165**	n/a	**37**	n/a
4 623	5 448	**1 636 721**	1 615 815	**6 673 009**	6 484 680	**13 521**	18 215
	n/a	**157 675**	n/a	**778 205**	n/a	**746**	n/a
0	0	**503 492**	634 188	**414 856**	808 636	**2 585**	2 778
5 035	4 705	**533 377**	541 352	**1 573 593**	1 581 907	**11 254**	13 199
0	0	**195 839**	121 279	**274 493**	302 244	**785**	1034
0	0	**312 814**	305 508	**1 103**	1 029 049	**2788**	3187
1 933	2 936	**149 690**	148 483	**522 459**	646 660	**268**	341
3 888	1 087	**5 007 312**	2 545 053	**13 029 937**	14 771 649	**984**	547
0	0	**2 676 289**	1 862 897	**11 115 338**	14 238 349	**659**	438
3 888	1 087	**2 331 023**	682 156	**1 914 599**	533 300	**325**	110
395	414	**1 851 591**	1 939 855	**2 731 962**	3 206 356	**1 440**	1 519
395	414	**106 501**	186 247	**289 315**	1 051 324	**1 228**	1 312
0	0	**222 394**	207 963	**1 149 524**	968 039	**121**	115
0	0	**1 522 696**	1 545 645	**1 293 123**	1 186 993	**91**	91
19 183	19 724	**10 908 543**	8 551 122	**27 106 979**	29 601 901	**39 619**	45 787

Business unit	CO_2 from electricity purchased (Kt)* 2009	CO_2 from electricity purchased (Kt)* 2008	CO_2 from diesel (Kt)** 2009	CO_2 from diesel (Kt)** 2008
Coal	**509,7**	**517,1**	**163,1**	**167,2**
Arnot	**55,9**	57,2	**25,3**	36,8
Char	**2,6**	n/a	**0,4**	n/a
Grootegeluk	**251,2**	259,0	**54,0**	52,9
Inyanda	**6,4**	n/a	**10,0**	n/a
Leeuwpan	**21,0**	22,7	**31,7**	41,1
Matla	**128,8**	135,4	**4,8**	5,0
New Clydesdale Colliery	**10,4**	10,2	**11,7**	6,4
North Block Complex	**1,4**	1,3	**22,8**	22,3
Tshikondeni	**32,0**	31,3	**2,4**	2,8
Mineral Sands	**1 170,7**	**592,7**	**35,7**	**12,8**
KZN Sands	**638,4**	422,9	**5,3**	5,9
Namakwa Sands	**532,3**	169,7	**30,5**	6,9
Base Metals & Industrial Minerals	**471,4**	**518,8**	**11,4**	**10,6**
Glen Douglas	**12,4**	38,0	**4,5**	4,0
Rosh Pinah	**45,0**	42,3	**4,5**	4,6
Zincor	**414,0**	438,5	**2,3**	2,0
Total	**2 151,9**	1 628,5	**210,2**	190,7

* *Electricity purchased 1/1 000*
** *Diesel purchases 0,0027096/1 000*

ECONOMIC PERFORMANCE

Economic value generated and distributed

Component	Comment	2009
Direct economic value generated		
› Revenues	Revenue as defined per the accounting policy on page 174	R15 009 million (page 180)
Economic value distributed		
› Operating costs	Payments to suppliers, non-strategic investments, royalties, and facilitation payments	R14 705 million (page 180)
› Employee wages and benefits	Total monetary outflows for employees (current payments, not future commitments)	R3 253 million (see note 3 to AFS* on page 180)
› Payments to providers of capital	All financial payments made to the providers of the organisation's capital.	Interest expense and loan costs of R460 million (note 5 to AFS* on page 183)
› Payments to government (by country)	Gross taxes	Note 7 and 25.3 to AFS* on page 184 and 203
› Community investments	Voluntary contributions and investment of funds in the broader community (includes donations)	R31,4 million contributed to socio-economic development, corporate and other initiatives (page 122)
Economic value retained (calculated as economic value generated less economic value distributed)	Investments, equity release, etc	Value-added statement on page 137

** AFS = annual financial statements*

Retirement and medical plans

All permanent employees must belong to a defined-contribution retirement fund. By definition, contributions are fully funded with no employer funding liability, and all recognised funds are registered in terms of the Pension Funds Act. Retirement funds are adequately funded as per the actuarial valuations on 31 December 2008, available from the funds. The actuarial valuations as at 31 December 2009 are being completed.

At 31 December 2009, the rand value of all employer subsidies of retirement funds was R197 million (2008: R166 million).

Pending legislative amendments that aim to make membership of a national basic retirement fund and medical aid compulsory continue to present a challenge to corporate South Africa. Draft legislation was expected in mid-2009 and the group will prepare an appropriate action plan once this is published.

In terms of agreements with labour unions, medical aid membership is voluntary 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 2009, Exxaro had 8 706 employees (78% of the workforce) who belonged to medical aids with stipulated employer subsidies, representing R70 million (2008: R51 million).

Accredited medical aid funds have been structured to exclude any employer liability for post-retirement medical benefits for either existing or past employees. However, there are post-retirement medical liabilities for certain employees of Matla, a division within the coal business, as well as at Namakwa Sands.

Market presence

Approximately 83% of all employees' remuneration is based on collective agreements with trade unions determining minimum wages for each grade. Other employees' (management and specialist category) 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 receive substantially more 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.

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.

Preferential procurement practices

During the year, Exxaro reviewed and implemented a policy that aligns the business to the recently promulgated Department of Mineral Resources (DMR) codes of good practice and broad-based socio-economic empowerment charter for the South African mining industry. This preferential procurement policy tasks the group to use its purchasing power to

ECONOMIC PERFORMANCE CONTINUED

ensure that external suppliers are engaged and every effort is made to contract with suppliers that have strong empowerment credentials or are making a tangible effort to transform their businesses to comply with BEE legislation.

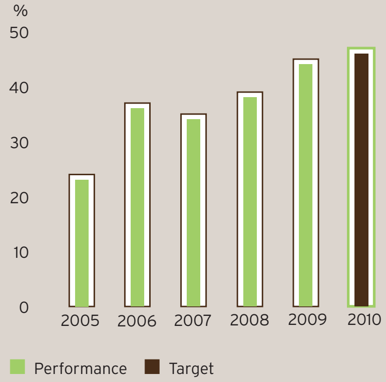
Our commitment to procuring from historically disadvantaged South African (HDSA) companies is reflected in solid progress since 2005 when the level of discretionary spending with these companies was 24%, compared to 39% in 2008. With the promulgation of the DMR codes of good practice, our policy review now incorporates BEE expenditure targets specified in terms of capital goods, operational goods, services, black women ownership and SMMEs. For the review period, the target of 45% was marginally exceeded (45,03%), representing R3 billion spent with HDSA-owned companies. The target for 2010 is 47%, rising incrementally to 56% by 2014.

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 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 SMMEs in areas of group operations.

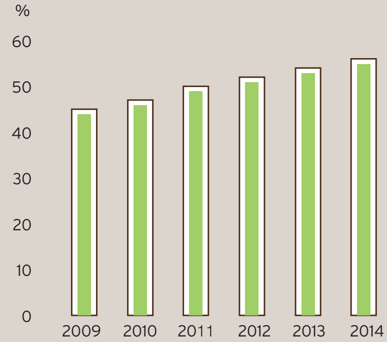
Categorising expenditure as required by the DMR codes of good practice remains an industry-wide challenge. The targets shown graphically are annual percentages and reporting is in line with prevailing mining legislation.

As a group, we continue to give preference to companies that demonstrate HDSA involvement, development and support in ownership, management and skills development.

Procurement from HDSA companies



Preferential procurement targets



see www.exxaro.com/case_studies
ENTERPRISE DEVELOPMENT THROUGH PREFERENTIAL PROCUREMENT

SOCIAL PERFORMANCE

Our people

Exxaro's current staff complement was 11 180 at 31 December 2009. Supported by the leading practices developed in recent years, we concentrate on exceeding compliance targets in South Africa by training and development to maximise individual potential, equality and safety in the workplace, meeting our employment equity targets and improving standards of living in our stakeholder communities. Collectively, our initiatives are also contributing to reducing the shortage of skills in our industry.

After nearly two years of planning, process design, system development, testing and training, the new integrated HR management system went live in March. This gives the group a consolidated and standard process and systems landscape that is integrated with Exxaro e-learning, medical surveillance and access control systems, ensuring end-to-end business process integration. This advanced environment supersedes all legacy systems and enhances Exxaro's ability to monitor, control, enforce compliance (medical and induction expiries, overtime and leave liability), ensures accurate and timely business information, and effective forecasting of people-related information (employees and contracting workforce).

This sophisticated system gives managers immediate access to a "single view" of all essential employee information, and enables employees to manage much of their own routine HR information.

At Exxaro, we follow a total remuneration approach that has guaranteed and variable components. The group's vision, mission, business strategy and culture drive this remuneration philosophy and strategy as do governance structures and external statutory regulations (SA Revenue Services, King III and IFRS II). The components include guaranteed pay, short-term incentives and long-term incentives such as share schemes and benefits. All components are benchmarked against the external market to ensure Exxaro remains competitive.

This approach was studied by an international authority on remuneration who rated it in line with global best practices, and with the top 40 companies listed on the JSE.

Wage agreements governing remuneration are in place at all group employers, while formal processes determine remuneration for 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 again 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 9 288 employees, with 1 892 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, 16 employees in the management and specialist category are expatriates. Two are based in China, one in Australia, one in The Netherlands, 11 in Namibia and one in Switzerland. The regional distribution is as follows:

Region	Bargaining unit	Management and specialist category	Total
Gauteng	1 045	645	1 690
KwaZulu-Natal	617	183	800
Limpopo	2 715	450	3 165
Mpumalanga	3 697	266	3 963
Western Cape	736	248	984
Namibia	478	100	578
Total	**9 288**	**1 887**	**11 180**

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

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.

	Bargaining unit		Management and specialist category		
Region	**Male**	**Female**	**Male**	**Female**	**Total**
Gauteng	823	222	444	201	1 690
KwaZulu-Natal	534	83	141	42	800
Limpopo	2 450	265	389	61	3 165
Mpumalanga	3 252	445	224	42	3 963
Western Cape	642	94	202	46	984
Namibia	442	36	71	29	578
Total	**8 143**	**1 145**	**1 471**	**421**	**11 180**

Employment equity

Exxaro's employment equity reports for the period 1 August 2008 to 31 July 2009, 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 the mining charter definition) and split between permanent and temporary employees:

	Male				Female				Foreign nationals		
Level	**A**	**I**	**C**	**W**	**A**	**I**	**C**	**W**	**M**	**F**	**Total**
Top management	3	0	0	13	1	0	0	1	0	0	18
Senior management	22	8	2	145	3	1	2	24	1	0	208
Professional, specialists and middle management	201	31	10	356	66	21	2	85	1	0	773
Temporary employment service labour	4	0	0	9	0	0	0	0	0	0	13
Skilled technical, academically qualified and junior management											
– general managers	77	10	1	150	7	1	1	11	0	0	258
– temporary employment service labour	3	0	0	2	0	0	0	0	0	0	5
– other	947	38	18	996	191	21	24	306	3	0	2 544
– temporary employment service labour	49	1	0	44	16	1	0	19	0	0	130
Semi-skilled staff	3 328	16	4	119	228	9	7	64	74	0	3 849
– temporary employment service labour	65	0	1	21	12	0	0	7	0	0	106
Unskilled staff	1 003	0	1	29	124	1	2	5	6	0	1 171
– temporary employment service labour	278	0	0	7	9	0	0	2	0	0	296
Total permanent employees	5 581	103	36	1 808	620	54	38	496	85	0	8 821
Total temporary employment service labour	399	1	1	83	37	1	0	28	0	0	550
Total staff complement	5 980	104	37	1 891	657	55	38	524	85	0	9 371
Bursars	72	5	1	35	33	4	0	11	0	0	161
Learners	387	7	3	112	105	0	2	1	0	0	617
Contract workers	70	1	1	72	17	1	1	25	0	0	188
Total non-permanent	529	13	5	219	155	5	3	37	0	0	966
Total employees	6 509	117	42	2 110	812	60	41	561	85	0	10 337

B – black *I – Indian* *C – coloured* *W – white*

Literacy and numeracy

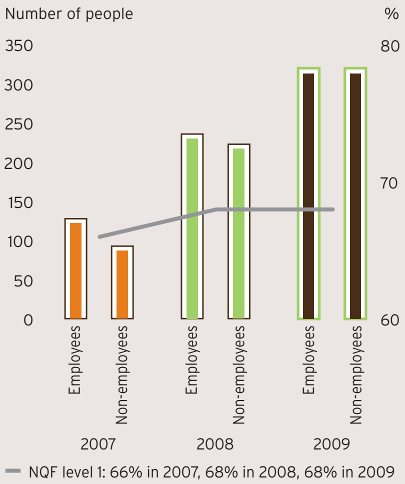
Exxaro continues to offer sponsored, voluntary adult basic education and training (ABET) programmes at all commodity businesses. Exxaro carries the full cost of these programmes, some R1,3 million in 2009.

The expenditure is lower than 2008 without a significant decrease in the number of employees trained, due to the computerisation and optimisation of facilities and more effective deployment of facilitators.

Candidates are screened and counselled to ensure they can 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 levels since the inception of this programme.

In 2009, Exxaro again made good progress towards the target of offering every one the opportunity to become functionally literate and to participate in ABET classes. During the year, 311 employees completed various ABET levels successfully, a 32% increase on the prior year. Of these, 24 passed ABET level 4, 78 passed level 3, 57 level 2, 113 level 1 and 39 pre-ABET. Equally, the number of non-employees completing different ABET levels continues to rise, with 320 completing an ABET level during the year. Across the group, 68% of employees had NQF level 1 or above qualification in December 2009 (68% in September 2008).

ABET levels completed



Exxaro has 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.

The group has some 93% of employees with at least NQF level 1.

Specific ABET successes in 2009 include:

- KZN Sands started the ABET programme in 2007 at its Hillendale mine operation with 31 permanent employees participating. Twenty-four went on to ABET level 2 English literacy and, in 2008, 13 ABET learners from ECMP started English literacy level 1. In September, 23 permanent employees received English literacy level-2 certificates.

Functionally literate and numerate	Yes/no
What percentage of staff has been given the opportunity to be functionally literate and numerate?	All staff
Do you have classrooms for literacy and numeracy training?	Yes
Do you have full-time employed staff to conduct training?	Yes
Do you provide training during work hours?	Yes
What incentives are there for employees to participate in these learning programmes	Learner grant

Functionally literate and numerate	Number of people
Total staff count	11 180
Number of employees below ABET Level 3	2 236
Number of employees on ABET Level 3	345
Number of employees above ABET Level 3	8 599

Training and education

At Exxaro, we believe in empowering all staff with the knowledge and skills they need to help us grow the company, but also to develop personally. In 2009, Exxaro employees have successfully completed more than 8 200 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 2009, this was 5% (excluding the 1% skills levy) or an investment of R125,6 million.

Through Exxaro's human resource development policy, we aim to:

- Develop and sustain core competencies and maximise human resources to meet the group's strategic objectives and improve operational performance
- Create a learning culture by assisting and facilitating the process in 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 by leveraging technologies
- Support and reinforce our values 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 2009, Exxaro continued its broader focus on skills development. Where our primary focus was traditionally on engineering learnerships, our skills development objective has broadened to include other learnerships and especially skills programmes, while steadily increasing the number of engineering learnerships.

During the year, e-learning was implemented at Arnot, Matla, North Block Complex, New Clydesdale, Inyanda and Namakwa Sands, while existing systems were upgraded at remaining Exxaro business units.

In 2009, on average, 519 engineering learners were registered and trained at the Colliery Training Centre in Witbank and Grootegeluk's Grovos training centre. Grovos has become a national trade test centre, where members of the public can complete any trade test.

To put this contribution into perspective, Exxaro alone constitutes more than 25% 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 in recent years, peaking towards the end of 2009. By then, there were 33 people registered in mining learnerships, 51 in plant learnerships/bursars and 88 in administrative/services learnerships. When combined with engineering learnerships, this brought the total number of learners in learnerships/skills programmes to 691.

Exxaro's human resources development professionals continue to contribute 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 part of the social and labour plan for each mine, submitted to and monitored by the Department of Mineral Resources as part of the process of renewing mining licences for each mine. In these plans, Exxaro 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.

The impact of skills retention and availability on current production and future growth is one we keenly understand. To retain technical and engineering competence in the group, aggressive retention and succession-planning strategies are in place for technical categories, among others. We also regularly benchmark remuneration, provide comprehensive training and identify growth opportunities at every level. This includes continuously rotating and exposing our own talent to 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 as the basis for individual succession programmes and talent management. These assessments are also linked to reward and remuneration.

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 progress, and the relevant employment equity plans.

Personal development emphasises the joint responsibility of employees to manage their career growth. Accordingly, Exxaro provides financial assistance to permanent employees with potential to further their education through part-time studies of certain recognised, approved courses and programmes. Employees 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 occupation-based skills
- Adult basic education
- Life skills programmes
- Learnerships.

Skills development

Skills development spend

Description	Spent
Total leviable amount (payroll)	R2 553 904 649
Total training spend	R125 659 658
Total training spend on black people	R89 154 622
Total training spend on black women	R11 320 652
Total training spend on white women	R9 211 650

Description	Number of learners on programmes
Black people	312
Black women	45
White women	1
Black disabled people	2
Black disabled women	1

Career development

Exxaro's strategy is to ensure 80% of all new appointments are made internally. We therefore have an integrated process that is aligned with both our strategy and industry needs to provide a steady flow of qualified talent to tackle our growth and expansion projects. In 2009, there were some 252 trainees involved in programmes supporting internal advancement. The overarching objective is to ensure that trainees entering the group are empowered, challenged and appropriately rewarded:

- Exxaro People Development Initiative:

  The Exxaro Foundation sponsors 25 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 granted around 30 bursaries in 2009 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 145 bursars studying at South African institutions at a cost of R10 million: more than two-thirds are historically disadvantaged South Africans and 26% 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 2009, there were 81 professionals in training throughout Exxaro in a R30-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

Exxaro has ongoing formal leadership development initiatives, mentorship programmes and succession-planning workshops involving senior management and employees. Building and retaining a pool of current and future leaders is a priority for the group and appropriate initiatives include a comprehensive succession-planning process and enhancing strategic leadership competencies.

Employee turnover

Between 1 January and 31 December 2009, Exxaro recorded an average employee turnover rate of 4% (2008: 7%), primarily because of death, resignation, dismissal and disability. The turnover rate by employee group is show below:

	Terminations January – December 2009	
Employment equity – occupational categories	% of work-force	Number
Senior officials, managers, legislators	6	39
Professionals	6	30
Technicians/associated professionals	4	41
Clerks and administrative workers	2	29
Service and sales workers	0	0
Craft and related trades	6	92
Plant and machine operators	2	99
Labourers and elementary occupations	3	34

Labour relations

Almost 70% of Exxaro's employees are represented by affiliated unions, predominantly National Union of Mineworkers (NUM) (55%), and Solidarity (9,8%). 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 improved wages and conditions of employment are conducted in various in-house forums 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.

Employees in the bargaining unit receive several benefits beyond minimum legislative requirements (below).

Employee benefits

Through collective bargaining, 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 holiday bonuses/13th cheque for bargaining unit employees
- Travel allowances
- Annual leave, sick leave, maternity leave, family responsibility leave
- On-target bonuses, share appreciation rights schemes, standby and call outs, 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 occurs. All retirement funds are governed by the South African Pension Funds Act (1956), with no members on defined-benefit plans.

In October 2009, employees participating in Exxaro's Mpower (empowerment participation scheme holding around 3% of Exxaro's shares to broaden share participation among workers) received their fifth dividend payment. Since inception in November 2006, each of the beneficiaries of the Mpower scheme (9 289 at 31 December 2009) received over R3 900 in dividends. After group-wide elections, the first representative board of trustees took office in May 2009.

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 was developed in 2008.

During the year, the group introduced a five-year subsidy for first-time home-buyers who are permanent employees. This was particularly welcome given the unprecedented scarcity of bank mortgage finance in 2009. Linked to the bank lending rate, the subsidy reduces each year as bond repayments become more affordable. To date, 194 employees have benefited from this subsidy to make home-ownership more affordable.

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 three years.

	Number of employees 2009	2008
Home owners (bought company property)	**929**	822
Hostels	**594**	389
Single quarters	**1 343**	1 336
Rental and other	**8 314**	7 588
Total	**11 180**	10 135

Exxaro provides meals at two operations where the quality and nutritional value are determined by a dietician. Qualified staff continually monitor adherence to 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.

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 could and should be run. We made a commitment to our people to ensure their progress and to build up the skills base we needed 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 lie detailed plans developed by each business unit in consultation with its employees and unions. These are updated and progress reported to the board quarterly and government annually.

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 ongoing shortage of skills, Exxaro exceeded 2009 mining charter targets well 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 revised targets appears on page 126.

Women in mining initiatives

Attracting women to work in the group's core business remains a focus area, despite Exxaro already exceeding mining charter targets. A committee representing all the group's business units is mandated to implement these initiatives.

Exxaro operations introduced 220 girls to the world of mining in 2009 as part of the *Take a Girl Child to Work* initiative.

Human rights

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

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

Socio-economic development

Socio-economic development projects refer to the application of funds, goods and labour to provide sustainable services for the local community, which can be owned, managed and maintained by that community. Unlike a donation, Exxaro's role in these projects extends beyond providing funds. This includes active involvement in applying funds, as well as a project management role. A "local" community is defined as one in the immediate area of Exxaro's operations.

During the year, a strategic review of Exxaro's socio-economic development strategy highlighted the following key risks:

- Delayed approval to close any mine because of non-compliance with social and labour plans
- Reputational risk (ineffective stakeholder engagement)
- Loss of investment opportunities
- Adversarial relationship with neighbours.

Accordingly, we have developed a timeline to Exxaro's desirable state that includes:

- Sustainable communities as a result of social and labour plans and other investment
- Our stakeholders become our ambassadors
- Measurable improvement in quality of life and poverty eradication
- Clear strategic objectives for investment
- Successful mine closure where Exxaro exits.

Timeline to desirable state

2009	2010 – 2011	2012 – 2015
1. Measurable SED indicators in place 2. Clear SED governance in place	Review priorities 1. SIA conducted at all business units 2. Investment objectives developed and aligned 3. Measurable outcomes of stakeholder engagement	Review priorities 1. SLPs implemented and aligned to Dept of Mineral Resources requirements 2. Strategy/plan developed for SLPs 3. SLPs for all business units approved 4. SED adheres to JSE/SRI, GRI indicators and ICMM principles 5. Investment ensures real and sustained economic growth

Key: SED – socio-economic development; SIA – social impact assessment; SLP – social and labour plan.

Our social development initiatives are determined by the Exxaro Chairman's Fund and Exxaro Foundation Trust. Under the overarching framework of Exxaro's sustainable development strategy and policies, trustees are mandated to ensure resources are allocated to projects and donations that both meet the objectives of the trusts and are inherently sustainable.

Focus areas

All Exxaro's sustainable development activities, including social development projects and donations, are focused on areas deemed relevant and strategic to South Africa's socio-economic development. These focus areas are reviewed from time to time with attention currently on:

- Formal education
- Skills development and capacity building
- Enterprise development
- Health and welfare
- Environment
- Infrastructure (related to socio-economic projects)
- Agriculture
- Tourism
- Sport and recreation.

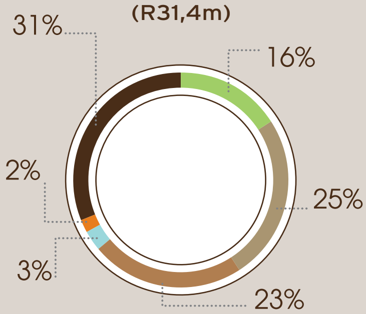
To ensure we achieve our strategy, we believe it is important to create public-private partnerships (PPPs) on all our projects.

Although not all our social and labour plans have been approved by the Department of Mineral Resources, those already in place are mainly implemented according to set targets. These plans focus on communities close to our operations, the source of some 70% of our workforce, to ensure they benefit from the mine's presence in multiple ways.

Exxaro's policy is to actively recruit labour from local communities wherever possible, and training initiatives focus on developing the skills of community members to fulfil the group's requirements.

In 2009, Exxaro contributed over R31,4 million to socio-economic development projects, corporate projects and other initiatives. At 1,8% of 2008 net profit after tax and 3,29% of a normalised net profit after tax for 2009, this compares well to the compliance target of 1% in the codes of good practice for the minerals industry.

2009 allocated by Exxaro Chairman's Fund and Exxaro Foundation (R31,4m)



- Education
- Skills development and capacity building
- Enterprise development
- Health and welfare
- Environmental stewardship
- Infrastructural development

Socio-economic focus areas

Project implementation

Socio-economic development projects in the group's social and labour plans focus on enterprise development, infrastructure development and poverty alleviation as requested by the Department of Mineral Resources. Each project is being implemented over a five-year period. After projects are approved by the trustees, the business units begin implementing each project according to milestones determined by the social and labour plans.

Over the next four years, the number of jobs to be created according to social and labour plan projects that started in 2008 will exceed 670. Indirectly, these projects will benefit over 11 400 people.

see www.exxaro.com/case_studies
PLANNING FOR EXPANSION

see www.exxaro.com/case_studies
HOUSING PROJECT IN MARAPONG

see www.exxaro.com/case_studies
KZN SANDS CHANGES LIVES

see www.exxaro.com/case_studies
ZIKULISE SME DEVELOPMENT AND SKILLS CENTRE

see www.exxaro.com/case_studies
INCUBATOR HATCHES

see www.exxaro.com/case_studies
CLEAN START AT NAMAKWA SANDS

see www.exxaro.com/case_studies
THREE STEPS TO BETTER SCHOOLING

see www.exxaro.com/case_studies
SPINNING FOR CHARITY

Selection of projects and donations: 2009

Mine	Project/donation	Beneficiaries
Tshikondeni	Alternative energy (zinc-air fuel cells) project in Guyuni	Three direct jobs, 990 indirect project beneficiaries
	Sanari Entrepreneurial Centre established in Sanari, near the mine. Exxaro partnered with National Development Agency and Department of Labour to develop a business and training centre for this community.	32 direct jobs, 81 indirect project beneficiaries
	Musunda Citrus Farm – the Musunda community near Tshikondeni Mine has been given a sustainable alternative to its high rates of poverty and unemployment – a 20-hectare farming project supported by the operation that will see the village benefit from tomato, mango and orange farming. The community has already harvested its first crop of tomatoes.	13 direct jobs, 120 indirect project beneficiaries
	Makuya farmers' cooperative – Exxaro is partnering with Department of Agriculture, Forestry and Fisheries.	25 direct jobs, 400 indirect project beneficiaries
Corporate commitment	Exxaro assists the University of Pretoria's community project for the maintenance engineering department.	n/a
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. Skills offered include welder/planter, ABET, maintenance operator and civil skills.	1 710 learners over a five-year period. In 2009, 121 learners enrolled for ABET courses, and 102 for civil skills
	Support to Abbotspoort drop-in-centre near Grootegeluk Mine to care for the growing number of orphans in the area.	18 direct jobs, 65 orphans
	Eco-friendly housing, roadbuilding and enterprise development project (see case study – Housing project in Marapong).	24 direct jobs, 5 home owners, 101 indirect project beneficiaries
KZN Sands	SME development and support centre (in partnership with the European Union, Absa and uThungulu District Municipality) was constructed last year and is now fully operational. The centre offers community members the opportunity to learn skills such as art and decoration, furniture-making, sewing and beading, etc (see case study – Zikulise SME development).	224 direct jobs, 1 120 indirect project beneficiaries
	In Ezingeni, a hydroponics tunnel project was started to produce tomatoes for local retailers. The project was recently expanded to four tunnels in partnership with BHP Billiton, and an upmarket packing and cooling facility built.	Seven direct jobs, 35 indirect project beneficiaries
	Vusani agricultural integrated farming where local youth have been trained to operate a successful piggery producing pigs for the local market, and a well-developed nursery.	Nine direct jobs and 45 indirect beneficiaries
Namakwa Sands	Koekenaap water-pumping facilities to pump fresh water from the existing reservoir to households.	827 beneficiaries

Mine	Project/donation	Beneficiaries
Namakwa Sands	Pholla Park project – providing electricity to informal households. Main infrastructure completed. As informal households are moved to a designated area, these will be connected to electricity infrastructure. To date, over 100 houses have been connected.	400 households, benefiting approximately 1 600 people
	West Coast College – skills development project. Following the establishment of a computer laboratory in 2007, training facilities for electrical and fitting learnerships were enhanced in 2008 and 2009. The welding workshop was upgraded in 2009. A formal community bursary trust was established with the first bursaries awarded in 2009.	These facilities benefit almost 200 students per annum currently, with a potential increase to 300. Nine community bursaries were allocated in 2009
	Lutzville West – a freshwater dam was built to provide the community with water-storage facilities. With all preparatory work completed, construction began in 2010.	4 280 people living in the Lutzville West community
	Hydroponics farming – project to develop skills and create jobs. The site has been identified and water rights secured. The project will begin in 2010.	Estimated 20 permanent jobs for unemployed members of local communities and up to 40 seasonal jobs
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 standard education started. The improved school will make Rosh Pinah town a better place to raise children and Rosh Pinah Zinc Corporation an ideal employer.	23 teachers, 650 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 in the near future.	All inhabitants of Vukuzenzele
Arnot	A hydroponics garden was started near Arnot Mine which will expand into a commercial farm over five years.	25 jobs in year 1, 95 direct jobs over five years, 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
North Block Complex	A Saturday school for matriculants was established.	328 learners
	A coal-yard project has been started near Siyathuthuka township to meet demand for coal (98% of community members use coal stoves to heat their houses).	40 temporary jobs (erect infrastructure), 10 permanent jobs
	Support to Emakhazeni Municipality to electrify 30 houses.	Two direct jobs created
	Upgraded Khayalami High School laboratory and library, and supplied library with books.	One job created
	Additional educator employed for Belfast Academy to assist the school with the shortage of educators.	One direct job created

SOCIETY

Monitoring and evaluation

We are currently implementing a monitoring and evaluation system to measure progress and identify challenges. This system is aligned with Exxaro's internal socio-economic development technology platform. Scheduled to be fully operational by mid-2009, implementation was delayed by prevailing economic conditions. However, it will be fully operational by March 2010 with 12 of 13 business units already trained in its use.

Beneficiation technology department

In November 2009, Exxaro launched its first downstream coal beneficiation venture when the char plant alongside Grootegeluk mine was officially opened. The char plant is Exxaro Reductants' first business unit, supplying a key ingredient to the fast-growing ferroalloys manufacturing industry. It is also the first step in the group's strategy of supplying a full range of reductants to South Africa's metals industry by using its coal reserves in the Waterberg to their full potential.

The char plant has created 1 500 direct and indirect jobs for people from the Lephalale community – and access to an improved way of life.

Compliance

While Exxaro exceeds legislative standards in several areas, we recognise that ongoing compliance is an essential element of our statutory licence to operate. Accordingly, we have established a dedicated unit to monitor and maintain our compliance levels and reduce the significant risks of non-compliance. Part of this unit's responsibility is meeting the timeline towards Exxaro's desirable future state that includes:

- Full compliance to legislation (no liabilities)
- ISO/OHSAS certification for all business units
- Diminishing compensation for environmental impacts
- Standard for reporting on JSE SRI/UN Global Compact/GRI implemented.

Timeline to desirable state

2009	2010 – 2011	2012 – 2015
1 Legal registers for all business units updated in terms of amended laws 2 Reporting standard to comply with JSE SRI /GRI B+/UN Global Compact/ external assurance 3 SHE integrated audits and reports 4 80% of business units using common information management system	Review priorities for the year 1 Review management standards against amended legislation 2 Improve best-practice guide based on 2009 assurance report 3 Business processes aligned to GRI A+ 4 Integrated audits (including social and labour plans) 5 Single information management system for reporting	Review priorities for the year 1 Risk model for effective resourcing 2 Audits and maintenance of systems 3 Electronic compliance registers (based on GRI A+) 4 Compliance audit (ongoing)

LEGISLATIVE COMPLIANCE/ MINING CHARTER SCORECARD

In 2009, the Department of Mineral Resources promulgated codes of good practice for the mining industry. Simultaneously, industry progress against targets in the existing mining charter has been reviewed, and the accompanying scorecard refined where necessary. The table below reflects progress to date and new targets.

In the past five years, Exxaro has made steady progress to exceed many of the charter's targets, most notably those for transformation at management level, women in mining and building the pool of industry skills.

	2010 mining charter scorecard	Met	Progress 2009
Human resources development			
Functional literacy and numeracy for employees	Target 2005: › Skills development expenditure 100% › Learning programmes 100% › Functional literacy and numeracy 100%	Yes	Exxaro's policy is to invest an appropriate amount of total payroll each year on human resources development. In 2009, this was 6% (excluding 1% skills levy) or an investment of R114 million. Fully company sponsored, voluntary ABET programmes running at all mines. Good progress made in 2009 towards our target of offering everybody the opportunity to become functionally literate and to participate in ABET classes. In 2009: › 311 employees and 320 non-employees enrolled on various ABET levels › Financial incentive scheme for all identified ABET learners implemented › Skills development expenditure 6% › Learning programmes 97% as per employment equity report › Functional literacy and numeracy rate of group: 78%
Are there career paths for HDSA employees	Not applicable	Yes	HRD policy in place dealing with accelerated development. Formal succession planning and individual development plans rigorously used for all management and professional categories. HDSA employees receive special career planning consideration and mentor support
Are empowerment groups being mentored	Not applicable	Yes	Formal plans in place
Employment equity			
Has the company published its employment equity plan and achievements	Targets by 2009 › Top management 40% › Senior management 40% › Middle management 40% › Junior management 40% › Women in mining 10%	Yes	Employees have been consulted and plans are available for reference at each business unit
Is there a plan to achieve a set target for HDSA participation in management		Yes	Exxaro is legally required to comply with the management target of 40% as set in the Mining Charter. Targets and goals have been set and discussed with employee representatives. Management representation at 31 December 2009 was 48%.

	2010 mining charter scorecard	Met	Progress 2009
Is this plan being implemented	Not applicable	Yes	Plans are implemented and progress monitored regularly
Has a talent pool been identified	Not applicable	Yes	
Is there a plan to achieve a set target for women participation in management		Yes	Exxaro has a succession plan system in place to fast-track women and women in mining. › Actual women participation in management 13,77%
Migrant labour			
Is the company not discriminating against migrant labourers	Not applicable	Yes	Exxaro complies with government and industry policies of non-discrimination against foreign labourers
Mine community and rural development			
Did the company participate in the formation of integrated development plans	Not applicable	Yes	All interventions being implemented by Exxaro are part of the integrated development plans of involved authorities, required legislation of the Department of Mineral Resources and indicated community needs
Are these plans for local mining community and major labour-sending areas	Not applicable	Yes	All interventions are undertaken in the communities near our mines or as indicated by local government
What has been the process of consultation with local community	Not applicable	Yes	To identify real needs of involved communities, the integrated development plans of local and district government are being used as social impact assessments to identify socio-economic needs in the community
How much has been spent on integration development	Compliance target 1% of net profit after tax	Yes	Socio-economic development investment in 2009: Total investment of R31 444 178. Measured against Exxaro's 2008 net profit after tax (excluding equity contributions), this represents 1,8%, well above the compliance target. The split per focus area at operation level is: education 17%, skills development and capacity building 25%, enterprise development 23%, health and welfare 3%, environmental stewardship 1% and infrastructural development 31%. Exxaro also implements projects at corporate level, split among focus areas: health and welfare 17%, environment 13%, enterprise development 2%, skills development 57% and education 11%

	2010 mining charter scorecard	Met	Progress 2009
Housing and living conditions			
Has the company provided housing for miners	Compliance target 2014: 100% conversion of hostels to single accommodation apartments/housing units	Yes	The housing policy for the Exxaro group in South Africa is focused on home ownership. An additional subsidy policy to assist first-time home owners at business units has been implemented. Bargaining unit employees receive either a housing allowance or living-out allowance for accommodation. At some subsidiaries, bargaining unit employees receive an all-inclusive package (housing allowance consolidated in salary). These allowances are determined through collective bargaining. Management and specialist category employees receive an all-inclusive package. The split of accommodation is: › 594 employees live in hostels. Hostels are being converted into single quarters or family housing or closed down › 1 343 employees reside in single quarters › 420 employees live in family housing › 1 002 employees rent company houses › 7 821 employees provide their own accommodation Plans are being developed to convert hostels at Tshikondeni and Arnot to single accommodation.
Is the company improving the standards of housing		Yes	
Are hostels being upgraded		Yes	
Are hostels converted to family units		No	
Has the company offered the option of home ownership to miners		Yes	
Is there a plan in place to improve housing and living conditions		Yes	
Does the company currently have measures in place to improve nutrition provided to miners	Not applicable	Yes	Exxaro provides meals at two operations where the quality and nutritional value are determined by a dietician. Qualified staff continually monitor adherence to contractual obligations. Employees have accessible mechanisms to engage both management and suppliers on food issues. Nutritional plans are continually updated
Are there plans in place to further improve nutrition in future	Not applicable	Yes	

	2010 mining charter scorecard	Met	Progress 2009
Procurement			
Are HDSAs given preferred supplier status	Compliance **Years — 0-5 — 6-10** › Local suppliers (goods) 20% 30% › Local suppliers (services) 50% 70% › Local suppliers (consumables) 15% 30% › Local SMMEs 10% 20% › BEE suppliers: 50% black-owned 15% 20% 30% black women owned 15% 20%	Yes	In 2009, Exxaro reviewed and implemented a policy aligned to the recently promulgated Department of Mineral Resources codes of good practice and broad-based socio economic empowerment charter for the South African mining industry. The group's preferential procurement policy tasks the business to use its purchasing power to ensure that external suppliers are engaged and every effort made to contract with suppliers that have strong BEE credentials or are making a tangible effort to transform their businesses to be BEE compliant.
Has the current level of procurement from HDSA companies been identified in terms of capital goods, consumables and services		Yes	The target for 2009 was set at 45% procurement from HDSA companies and marginally exceeded at 45,03%. With the promulgation of the DMR codes, our policy now incorporates BEE spend targets specified in terms of capital goods, operational goods, services, black women ownership and SMMEs. Our performance tracking system has been aligned to the policy.
Is there commitment to progress procurement from HDSAs of capital goods, consumables and services		Yes	Through its preferential procurement policy, Exxaro has affirmed its commitment to accelerating procurement from HDSAs by requiring every business to contribute towards achieving specific percentage spend targets on capital goods, services and consumables.
Ownership and joint ventures			
Is there HDSA participation in terms of ownership equity	Demonstrable HDSA fiduciary participation at board level: › 40% target on executive committee	Yes	After the Kumba empowerment transaction, a new company was formed and listed on the JSE as Exxaro Resources Limited. In terms of the empowerment transaction, Exxaro's only major shareholder is Main Street 333 (Pty) Limited, commonly referred to as BEE Holdco. This BEE entity holds 53% of the shares in Exxaro. The entities that in turn hold shares in BEE Holdco are Eyesizwe SPV (54,1%); Eyabantu SPV (9,7%); Tiso SPV (9,7%); Women's Group SPV (11,2%) and IDC (15,3%). A structure for shareholder development is in place.
Has the company managed to have attributable units of production of 15% over five years	Ownership scorecard › Target 26% by 2014	Yes	
Has the company managed to have attributable units of production of 26% over 10 years		Yes	

LEGISLATIVE COMPLIANCE/ MINING CHARTER SCORECARD CONTINUED

	2010 mining charter scorecard	Met	Progress 2009
Beneficiation			
Has the current level of beneficiation been identified	Compliance target 42% annual production from refine stage	Yes	The mineral sands business is investigating downstream beneficiation opportunities for titania slag and zircon. A number of new production technologies were investigated with the aim of establishing a local titanium metal-production facility. Investigations and studies are ongoing
Has the baseline level of beneficiation been identified		Yes	In coal, the market coke project is another example of downstream beneficiation. Exxaro is investigating the feasibility of producing market coke as a reductant to the chrome industry. Certain technology evaluation accompanies this initiative
Is there an indication how the baseline can be grown to qualify for an offset			
Reporting			
Is the company reporting progress on its commitment annually in its annual report	Not applicable	Yes	

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

Scope of our engagement

The Sustainability Section (the Report) of Exxaro Resources Limited's (Exxaro) 2009 Annual Report for the period ending 31 December 2009, 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 Management's request, was to carry out a reasonable assurance engagement over two key performance indicators and a limited assurance engagement over twelve key performance indicators; the self-declared GRI G3 B+ application level; assertions in terms of mining charter requirements; legal compliance of operations in terms of environmental management programme reports (EMPRs); and the Report's adherence to the AccountAbility's 1000 Principle Standards (AA1000PS) 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 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 using the following criteria: the principles of Materiality, Responsiveness and Inclusivity as set out in AA1000PS; as well as against the application of the Global Reporting Initiative G3 Sustainability Reporting Guidelines (the Guidelines).

Work performed

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

- Interviewed a selection of Exxaro's management responsible for functional and divisional area as well as sustainable development issues to understand the current status of sustainable development activities and progress made during the reporting period.
- Performed 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 documents relating to aspects of Exxaro's performance linked to sustainable development, to test 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.
- Tested the processes used to record, collect, consolidate and report the fourteen key performance indicators listed below, by testing the indicators at Group level and at selected business units, as well as random samples of data related to these key performance indicators.
  - Reasonable assurance - audited the following two performance indicators
    - Fatalities indicator
    - Socio-economic development (SED) project spend
  - Limited assurance - reviewed the following twelve key performance indicators
    - Health and safety data (Lost Time Injuries (LTI); LTI Frequency Rate (LTIFR); Noise Induced Hearing Loss (NIHL); Occupational Tuberculosis (TB); and Pneumoconiosis)
    - Environmental data (Electricity; Diesel Hazardous waste disposed of; Indirect CO_2 emissions (limited to electricity and diesel use); Level 2 and 3 incidents; Water use; and Land Disturbed vs. rehabilitated)
- Mining Charter commitments
- Legal compliance of operations in terms of Environmental Management Programme Reports (EMPRs)
- Reviewed whether Exxaro's reporting has applied the GRI G3 Guidelines to a level described on page 133.
- We have sought to answer the following questions, 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?

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 twelve key performance indicators; the self-declared GRI G3 B+ application level; assertions in terms of mining charter requirements; legal compliance of operations in terms of environmental management programme reports (EMPRs); 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

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

procedures relating to the two key performance indicators for which we provided reasonable assurance indicated within the work performed discussion 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

- The review of the key performance indicators was conducted at Grootegeluk (Coal, Limpopo); Matla (Coal, Mpumalanga; and Namakwa Sands (Mineral sands; Western Cape), while additional data points which contributed significantly to the key performance indicators were selected among the remaining sites
- We have not reviewed and consequently do not provide any assurance on historical data, except if assured in our prior year assurance engagement (2008).
- 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

Indicators:

Based on the work performed:

- The indicators Fatalities and SED spend reported by Management are 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 following indicators - (LTI, LTIFR, NIHL, Occupational TB, Pneumoconiosis, Electricity, Diesel, Hazardous waste, indirect CO_2 emissions, Water use, level 2 and 3 incidents and land disturbed vs. rehabilitated) reported by 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 the internal reporting mechanisms.

The report:

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.

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.

Mining Charter Commitments

Based on our work performed, nothing has come to our attention that causes us to believe that Management's assertions relating to Mining Charter commitments are not fairly stated.

Legal compliance of operations in terms of EMPRs

Based on our work performed, nothing has come to our attention that causes us to believe that Management's assertions relating to legal compliance of operations in terms of EMPRs are not fairly stated.

GRI

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 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:

- Exxaro has formalised and communicated its sustainability strategy, and is in process of implementing across all Business Units which is reflected in improved recording, monitoring and management of sustainability indicators at the Business Unit level.
- Controls should be improved at Group level, however, to improve processes to collate data provided by site for reporting purposes
- Effective internal communication strategies and initiatives have been instrumental in facilitating the embedment of sustainability within the corporate culture.

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 Inc
17 March 2010

GRI INDICATOR INDEX

Index to Global Reporting Initiative G3 indicators

GRI	Topic	Page
	Economic	
EC1	Economic value generated and distributed	113
EC2	Financial implications, risks and opportunities due to climate change	107
EC3	Coverage of defined benefit plan obligations	113, 120
EC4	Significant financial assistance from government	zero
EC5	Standard entry-level wage compared to local minimum wage	120
EC6	Policy, practices, and spending on local suppliers	113, 114
EC7	Procedures for local hiring, proportion of senior management hired from local community	122
EC8	Development and impact of infrastructure investments and services for public benefit	n/a
EC9	Significant indirect economic impacts	122
	Environmental	
	Materials	
EN1	Materials used by weight or volume, % products from secondary materials	110, 111
EN2	Percentage recycled input materials	n/m
	Energy	
EN3	Direct consumption by primary energy source	110
EN4	Indirect consumption by primary source	n/a
EN5	Energy saved from conservation and efficiency improvements	102 – 107
EN6	Reductions from energy-efficient or renewable energy-based products and services	102 – 107
EN7	Initiatives to reduce indirect energy consumption, reductions achieved	102 – 107
	Water	
EN8	Total water withdrawal by source	97
EN9	Sources significantly affected by withdrawal	n/m
EN10	Percentage and volume recycled and reused	97
	Biodiversity	
EN11	Location/size land owned/leased/managed/adjacent to protected areas, areas of high biodiversity value	101
EN12	Significant impacts of activities.	101
EN13	Habitats protected or restored	101, 102
EN14	Strategies, actions and plans for managing impacts on biodiversity	100 – 102
EN15	IUCN Red List species and national conservation list species in areas affected by operations	101

Key: n/m – not measured
n/r – not reported
n/a – not applicable

GRI INDICATOR INDEX

GRI	Topic	Page
	Emissions, effluents, and waste	
EN16	Total direct and indirect greenhouse gas emissions	102, 112
EN17	Other relevant indirect greenhouse gas emissions	n/a
EN18	Initiatives to reduce greenhouse gas emissions, reductions achieved	n/r
EN19	Emissions of ozone-depleting substances	n/a
EN20	NOx, SOx, and other significant air emissions by type and weight	99 – 100
EN21	Total water discharge by quality and destination	n/r
EN22	Total weight of waste by type and disposal method	n/r
EN23	Total number and volume of significant spills	109
EN24	Waste transported under terms of Basel Convention (Annex I, II, III, VIII)	n/r
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by discharges of water and runoff	n/r
	Products and services	
EN26	Initiatives to mitigate environmental impacts of products, extent of mitigation	95 – 112
EN27	Percentage of products sold and packaging materials reclaimed by category	n/a
	Compliance	
EN28	Significant fines, sanctions for non-compliance with environmental laws and regulations	zero 91
	Transport	
EN29	Significant impacts of transporting products, and members of workforce	n/r
EN30	Total environmental protection expenditures and investments by type	n/r
	Social performance: labour practices and decent work	
	Employment	
LA1	Workforce by employment type, employment contract, and region	115
LA2	Number and rate of employee turnover by age group, gender, and region	119
LA3	Benefits for full-time employees not provided to temporary/part-time employees	120
	Labour/management relations	
LA4	Percentage employees covered by collective bargaining agreements	115, 120
LA5	Minimum notice period on significant changes, including specified in collective agreements	120
	Occupational health and safety	
LA6	Percentage workforce represented in formal joint health and safety committees	92
LA7	Rates of injury, occupational diseases, work-related fatalities	93, 94
LA8	Education, training, counselling, prevention, and risk-control programmes to assist workforce members, their families or community members with serious diseases	93 – 95
LA9	Health and safety topics covered in formal agreements with trade unions	115, 120
	Training and education	
LA10	Average hours of training per year per employee by employee category	n/r
LA11	Programmes for skills management and lifelong learning that support continued employability	117 – 118
LA12	Percentage of employees receiving regular performance and career development reviews	118

Key: n/m – not measured
n/r – not reported
n/a – not applicable

GRI INDICATOR INDEX

GRI	Topic	Page
	Diversity and equal opportunity	
LA13	Composition of governance bodies and breakdown of employees per category: gender, age group, minority group membership, and other indicators of diversity	116
LA14	Ratio of basic salary of men to women by employee category	115
	Social performance: human rights	
	Investment and procurement practices	
HR1	Percentage and number of significant investment agreements with human rights clauses or screening	n/r
HR2	Percentage significant suppliers and contractors screened on human rights and actions taken	n/r
HR3	Total hours and percentage employee training on aspects of human rights relevant to operations	121
	Non-discrimination	
HR4	Total number of incidents of discrimination and actions taken	115
	Freedom of association and collective bargaining	
HR5	Operations where right to freedom of association and collective bargaining is at significant risk, actions taken to support rights	n/m
HR6	Operations with significant risk for incidents of child labour, measures to eliminate	n/m
HR7	Operations with significant risk of forced or compulsory labour, measures to eliminate	n/m
	Security practices	
HR8	Percentage security personnel trained in policies/procedures on human rights relevant to operations	121
	Indigenous rights	
HR9	Number of violations involving rights of indigenous people and actions taken	n/r
	Social performance: society	
	Community	
SO1	Programmes/practices to manage impacts on communities, including entering, operating, and exiting	122 – 124
	Significant incidents affecting communities, grievance mechanisms to resolve, outcomes	n/r
	Programmes that address artisanal and small-scale mining	n/a
	Resettlement policies and activities:	n/r
	– Number households resettled	
	– Practices on resettlement/compensation, alignment with World Bank directive	
	Operations with closure plans. Policy, stakeholder engagement processes, frequency of review, financial provisions for closure	102
	Process for identifying local communities' land and customary rights, including indigenous peoples, grievance mechanisms to resolve disputes	n/r
	Approach to identifying, preparing for and responding to emergency situations affecting employees, communities, environment	92
	Corruption	
SO2	Percentage and number of business units analysed for risks related to corruption	n/r
SO3	Percentage of employees trained in anti-corruption policies and procedures	n/r
SO4	Actions taken in response to incidents of corruption	89

Key: n/m – not measured
n/r – not reported
n/a – not applicable

GRI INDICATOR INDEX CONTINUED

GRI	Topic	Page
	Public policy	
SO5	Public policy positions and participation in public policy development and lobbying	n/r
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions	zero
	Anti-competitive behaviour	
SO7	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices, outcomes	zero, 72
	Compliance	
SO8	Significant fines, sanctions for non-compliance with laws and regulations	zero
	Social performance: product responsibility	
	Customer health and safety	
PR1	Life cycle stages in which impacts of products and services are assessed for improvement, percentage of significant products and services categories subject to such procedures	n/r
PR2	Number non-compliances with regulations and voluntary codes on health and safety impacts of products and services during life cycle, by types of outcomes	n/a
	Products and service labelling	
PR3	Type of information required, percentage of significant products concerned	n/a
PR4	Incidents of non-compliance with regulations and voluntary codes on labelling	n/a
PR5	Practices related to customer satisfaction	n/a
	Marketing communications	
PR6	Programmes for adherence to laws, standards, and voluntary codes	77
PR7	Incidents of non-compliance	zero, 77
	Customer privacy	
PR8	Substantiated complaints on breaches of customer privacy and losses of customer data	n/a
	Compliance	
PR9	Significant fines for non-compliance concerning provision and use of products and services.	n/a

Key: n/m – not measured
n/r – not reported
n/a – not applicable

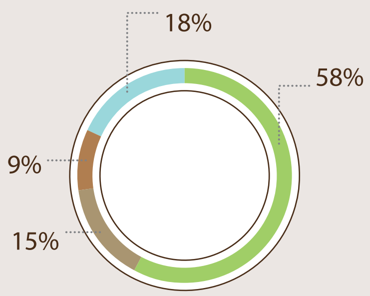
GROUP CASH VALUE ADDED STATEMENTS

for the year ended 31 December 2009 (unaudited)

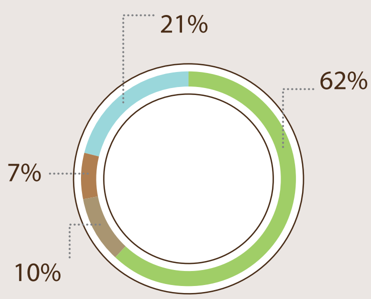
The value added statement shows the wealth the group has created through mining, beneficiation, trading and investing operations. The statement below summarises the total cash wealth created and how it was disbursed among the group's stakeholders, leaving a retained amount which was reinvested in the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

	31 December 2009 Rm	**Wealth created %**	31 December 2008 Rm	Wealth created %
Cash generated				
Cash derived from sales and services	**14 812**		12 789	
Income from investments and interest received	**1 754**		1 044	
Paid to suppliers for materials and services	**(10 802)**		(7 235)	
Cash value added	**5 764**	**100**	6 598	100
Cash utilised to:				
Remunerate employees for services	**3 502**	**61**	2 871	44
Pay direct taxes to the state	**892**	**15**	487	7
Provide lenders with a return on borrowings	**526**	**9**	346	5
Provide shareholders with cash dividends	**1 050**	**18**	984	15
Cash disbursed among stakeholders	**5 970**	**103**	4 688	71
Cash retained in the group to maintain and develop operations	**(206)**	**(4)**	1 910	29
Notes to the group value added statement				
1. Taxation contribution				
Direct taxes (as above)	**892**		487	
Value added taxes levied on purchases of goods and services	**1 915**		1 541	
Gross contributions	**2 807**		2 028	
2. Additional amounts collected by the group on behalf of government				
Value added tax and other duties charged on turnover	**1 976**		1 861	
Employees' tax deducted from remuneration paid	**652**		613	
Unemployment Insurance Fund	**32**		21	
Withholding tax			16	
	2 660		2 511	
3. Levies paid to government				
Rates and taxes paid to local authorities	**35**		22	
Royalties paid to government	**80**		71	
Workers' Compensation Fund	**6**		4	
Unemployment Insurance Fund	**32**		21	
Skills Development Levy	**30**		19	
	183		137	

Cash disbursed among stakeholders 2009



Cash disbursed among stakeholders 2008



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

SELECTED GROUP FINANCIAL DATA TRANSLATED INTO US DOLLARS

for the year ended 31 December 2009 (unaudited)

The group statutory 2009 financial statements have been expressed in US dollars for information purposes.

The average US dollar/rand of US$1:R8,35 (2008: US$1:R8,25) has been used to translate the income and statement of cash flows, while the statement of financial position has been translated at the closing rate on the last day of the reporting period US$1:R7,3973 (2008: US$1:R9,3560).

	2009 USD million	2008 USD million
INCOME STATEMENTS		
Revenue	**1 797**	1 678
Operating expenses	**(1 761)**	(1 379)
NET OPERATING PROFIT	**36**	299
Net financing costs	**(50)**	(29)
Income from equity accounted investments	**228**	202
PROFIT BEFORE TAX	**214**	472
Income tax expense	**(92)**	(62)
PROFIT FOR THE YEAR	**122**	410
Profit attributable to:		
Owners of the parent	**122**	413
Non-controlling interests		(3)
	122	410
ATTRIBUTABLE EARNINGS PER SHARE (CENTS)	**36**	120
HEADLINE EARNINGS	**301**	440
HEADLINE EARNINGS PER SHARE (CENTS)	**87**	128
STATEMENTS OF FINANCIAL POSITION at 31 December 2009		
ASSETS		
Non-current assets		
Property, plant and equipment	**1 605**	1 209
Biological assets	**6**	4
Intangible assets	**12**	8
Investments in associates and joint ventures	**266**	198
Deferred tax	**85**	116
Financial assets	**164**	169
Current assets		
Cash and cash equivalents	**138**	189
Other	**853**	577
Non-current assets classified as held for sale	**12**	8
TOTAL ASSETS	**3 141**	2 478
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent	**1 745**	1 389
Non-controlling interests		14
Non-current liabilities		
Interest-bearing borrowings	**588**	390
Deferred tax, provisions and financial liabilities	**395**	324
Current liabilities		
Interest-bearing borrowings	**55**	53
Other	**351**	303
Non-current liabilities classified as held for sale	**7**	5
TOTAL EQUITY AND LIABILITIES	**3 141**	2 478
NET DEBT (refer definitions on page 139)	**504**	254
STATEMENTS OF CASH FLOWS for the year ended 31 December 2009		
Cash flows from operating activities	**(25)**	232
Cash flows from investing activities	**(169)**	(455)
Cash flows from financing activities	**105**	335
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(89)**	112

DEFINITIONS

ATTRIBUTABLE CASH FLOW PER ORDINARY SHARE
Cash flow from operating activities after adjusting for participation of non-controlling interests 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 non-controlling interests 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 cost
- 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 cost.

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 non-controlling interests which equates to equity of 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.

EXXARO REVIEWED ITS PORTFOLIO AND GROWTH PIPELINE AGAINST THE BACKGROUND OF THE PREVAILING ECONOMIC CLIMATE TO ALIGN RESOURCES WITH A COMMODITY STRATEGY BEST POSITIONED TO RELEASE OPTIMAL VALUE FOR ALL STAKEHOLDERS.

Group annual financial statements

for the year ended 31 December 2009

Financials

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 annual 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 its underlying business plans for the period to 31 December 2010. 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 24 February 2010 and are signed on its behalf by:

SA Nkosi
Chief executive officer

WA de Klerk
Finance director

The external auditors have audited the annual financial statements of the company and group and their unmodified report appears on page 143.

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 2009, 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

24 February 2010

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 directors' report, the statement of financial position and the consolidated statement of financial position as at 31 December 2009, 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 144 to 258.

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 2009, 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

24 February 2010

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 Legal and Risk Advisory), L Geeringh (Consulting), L Bam (Corporate Finance), CR Beukman (Finance), TJ Brown (Clients and Markets), NT Mtoba (Chairman of the Board), CR Qually (Deputy Chairman of the Board)

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

REPORT OF THE DIRECTORS

The directors have pleasure in presenting the annual financial statements of Exxaro Resources Limited (Exxaro) and the group for the year ended 31 December 2009.

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 III Report on Corporate Governance and has satisfied itself that Exxaro has complied throughout the period in all material aspects with the King III Code. A detailed report appears on page 72.

REGISTRATION DETAILS

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

ACTIVITIES AND FINANCIAL RESULTS

Detailed reports on the activities and performance of the group and the various divisions of the group are contained in the reports on pages 4 and 5 and pages 8 and 9 and in the business operations review on pages 38 to 48. These reports are unaudited.

CAPITAL MANAGEMENT

As a diversified mining company Exxaro is exposed to the cyclical price movements associated with its suite of commodities. The group's policy is therefore to ensure that it maintains a robust capital structure with strong financial metrics underpinned by adequate borrowing facilities to 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:

	2009	2008
Net debt/equity ratio (%)	**29**	18
Net financing cost cover – EBITDA (times)	**7**	14
Return on capital employed (%) (refer definitions on page 139)	**15**	36

The capital base consists of total shareholders' equity as disclosed, as well as interest-bearing borrowings. As a new generation empowerment company with a 55% 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 purchase its own shares in the open market. These share purchases are primarily intended to settle the group's various employee share incentive schemes. 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.

There were no changes in the group's approach to capital management during the year, however, the impact on demand and prices for Exxaro's commodities brought about by the global financial crisis, has reinforced the need for cash flow preservation and judicious capital management.

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 982 million (2008: R1 617 million).

SHAREHOLDERS' RESOLUTIONS

At the eighth annual general meeting of shareholders, held on 8 May 2009, 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 356 940 200. The increase can be summarised as follows:

	Date of issue	Number of shares
Opening balance		355 036 600
Issued in terms of the Kumba Management Share Option Scheme due to options exercised at prices ranging from R61,40 to R104,50	7 January 2009 to 29 December 2009	1 903 600
Closing balance		356 940 200

SHAREHOLDERS

An analysis of shareholders and shareholdings appears on page 79 of the annual report.

DIVIDEND PAYMENTS

Dividend number 13

Interim dividend number 13 of 100 cents per share was declared in South African currency in respect of the period ended 30 June 2009. The dividend was paid on Monday, 28 September 2009 to shareholders recorded in the books of the company at the close of business on Friday, 25 September 2009. To comply with the requirements of Strate, the last day to trade cum dividend was Thursday, 17 September 2009. The shares commenced trading ex dividend on Friday, 18 September 2009 and the record date was Friday, 25 September 2009.

Dividend number 14

Final dividend number 14 of 100 cents per share was declared in South African currency in respect of the period ended 31 December 2009. The dividend payment date is Monday, 19 April 2010 to shareholders recorded in the books of the company at the close of business on Friday, 16 April 2010. To comply with the requirements of Strate, the last day to trade cum dividend is Friday, 9 April 2010. The shares will commence trading ex dividend on Monday, 12 April 2010 and the record date is Friday, 16 April 2010.

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 July 2009 the group invested R1 082 million in Mafube Coal Mining (Pty) Limited, its joint venture with Anglo South Africa Capital (Pty) 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 152.

The following non-executive directors resigned during 2009:

- 15 July 2009 – Mr PM Baum
- 21 December 2009 – Ms SEA Mngomezulu.

Mr CI Griffith was appointed as a non-executive director to the board on 16 July 2009.

Ms N Langeni was appointed as a non-executive director to the board on 23 February 2010.

The acting chairman, Dr D Konar, was elected as chairman of the board with effect from 23 February 2010.

On 28 February 2009, Mr DJ van Staden retired as finance director and Mr WA de Klerk was appointed as finance 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 16 July 2009 and 23 February 2010, respectively, will retire and, being eligible, offer themselves for re-election:

- Mr CI Griffith
- Ms N Langeni

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:

- Mr JJ Geldenhuys
- Mr U Khumalo
- Mr RP Mohring

COMPANY SECRETARY

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

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

AUDIT COMMITTEE

The audit committee has reviewed the scope as well as the independence and objectivity of the external auditors. The committee has satisfied itself that the external auditor is independent as defined by the Companies Act and the committee has approved the audit fees for the period. The audit committee has nominated Deloitte & Touche as external auditor for the 2010 financial year, and BW Smith as the designated partner, for approval at the annual general meeting. Refer to the section on corporate governance on page 74 for further details on the composition, role, purpose and principal functions of the audit committee.

INDEPENDENT AUDITORS

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

ACCOUNTING POLICIES

The accounting policies are consistent with those applied in the annual financial statements for the year ended 31 December 2008.

IFRS 8 *Operating Segments* and the amendments to IAS 1 *Presentation of Financial Statements*, issued in September 2008, were early adopted during 2008.

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; and
- 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

All executive directors' normal contracts are subject to six calendar months' notice. Non-executive directors are not bound by service contracts.

There are no restraints of trade associated with the contracts of executive directors.

The service contract of Mr DJ van Staden terminated on 28 February 2009.

DIRECTORS' REMUNERATION CONTINUED

SUMMARY OF REMUNERATION for the year ended 31 December 2009

	Basic salary R	Fees for services R	Performance bonuses[1] R
Executive directors			
SA Nkosi	4 051 228		2 373 637
WA de Klerk[3]	2 232 764		1 708 603
DJ van Staden[4]	489 511		308 427
	6 773 503		4 390 667
Less: gains on share scheme			
Add: share-based payment expense			
Total remuneration paid by Exxaro			
Non-executive directors			
PM Baum[5,6]		123 720	
JJ Geldenhuys		379 440	
CI Griffith[5,7]		76 850	
U Khumalo		184 440	
Dr D Konar (chairman)		570 000	
VZ Mntambo		247 440	
RP Mohring		469 440	
SEA Mngomezulu[8]		184 440	
NL Sowazi		240 737	
J van Rooyen		274 440	
D Zihlangu		247 440	
		2 998 387	

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 *Appointed on 1 March 2009.*
4 *Retired on 28 February 2009.*
5 *Fees paid to the respective employer and not the individual.*
6 *Resigned on 15 July 2009.*
7 *Appointed on 16 July 2009.*
8 *Resigned on 21 December 2009.*

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

Benefits and allowances[2] R	Retirement fund contributions R	Gains on management share option scheme R	Other R	Total R
135 713	368 187		4 728	6 933 493
215 838	217 551	1 644 031	2 843	6 021 630
426 980	51 117		529	1 276 564
778 531	636 855	1 644 031	8 100	14 231 687
				(1 644 031)
				3 288 279
				15 875 935
				123 720
35 241				414 681
				76 850
				184 440
				570 000
				247 440
19 693				489 133
				184 440
				240 737
				274 440
11 696				259 136
66 630				3 065 017

DIRECTORS' REMUNERATION CONTINUED

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

Directors' beneficial interest in Exxaro shares at 31 December 2009

Director	Direct	Indirect
SA Nkosi		8 016 068
WA de Klerk	1 462	
JJ Geldenhuys		
CI Griffith		
U Khumalo		
Dr D Konar (chairman)	168	
VZ Mntambo		5 529 881
RP Mohring		
NL Sowazi		2 181 590
J van Rooyen		
D Zihlangu		2 818 552

Directors' non-beneficial interest in Exxaro shares at 31 December 2009

Director	Direct	Indirect
SA Nkosi		
WA de Klerk		54 950
JJ Geldenhuys		
CI Griffith		
U Khumalo		
Dr D Konar (chairman)		
VZ Mntambo		
RP Mohring		
NL Sowazi		
J van Rooyen		
D Zihlangu		

Directors' beneficial interest in Exxaro shares at 31 December 2008

Director	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

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

On 31 December 2009 Mr SA Nkosi held 2,3% (2008: 2,3%) and Mr MZ Mntambo held 1,6% (2008: 1,6%) directly or indirectly in the share capital of the company.

No director held any non-beneficial interest in Exxaro shares at 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 2009

	Options held at 31 December 2009	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2009 R
Executive director				
WA de Klerk	**3 230**	**13,62**	**16/03/2011**	**337 535**
	29 130	**12,90**	**16/03/2011**	**3 044 085**
	8 750	**19,62**	**22/04/2012**	**914 375**
Total	**41 110**			**4 295 995**

[1] *Based on a share price of R104,50 which prevailed on 31 December 2009.*

Management share option scheme 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
Executive director				
DJ van Staden	12 440	12,90	16/03/2011	894 436
Total	12 440			894 436

[1] *Based on a share price of R71,90 which prevailed on 31 December 2008.*

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 issued when exercised.

	Options held at 31 December 2009	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2009 R
Executive director				
DJ van Staden				

[1] *Based on a share price of R71,90 which prevailed on 31 December 2008.*

Pre-tax gain if exercisable at 31 December 2009[1] R	Options exercised during the year	Exercise price R	Sale price/market price R	Pre-tax gain R	Date exercised
293 542					
2 668 308					
742 700					
	2 140	**11,48**	**92,11**	**172 548**	**26/10/2009**
	4 000	**11,48**	**91,20**	**318 880**	**26/10/2009**
	2 840	**10,76**	**91,51**	**229 330**	**26/10/2009**
	1 710	**10,76**	**91,30**	**137 723**	**26/10/2009**
	9 790	**10,76**	**91,00**	**785 550**	**26/10/2009**
3 704 550	**20 480**			**1 644 031**	

Pre-tax gain if exercisable at 31 December 2008[1] R	Options exercised during the year	Exercise price R	Sale price/market price R	Pre-tax gain R	Date exercised
733 960					
733 960					

Pre-tax gain if exercisable at 31 December 2009[1] R	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

Management share appreciation right scheme for the year ended December 2009

	Rights held at 31 December 2009	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2009 R
Executive director				
SA Nkosi	**38 680**	**60,60**	**01/03/2014**	**4 042 060**
	41 780	**112,35**	**01/04/2015**	
	67 430	**67,07**	**01/04/2016**	**7 046 435**
	147 890			**11 088 495**
WA de Klerk	**19 330**	**60,60**	**01/03/2014**	**2 019 985**
	16 410	**112,35**	**01/04/2015**	
	37 760	**67,07**	**01/04/2016**	**3 945 920**
	73 500			**5 965 905**

[1] *Based on a share price of R104,50 which prevailed on 31 December 2009.*

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 2008

	Rights held at 31 December 2009	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2009 R
Executive director				
SA Nkosi	38 680	60,60	01/03/2014	2 781 092
	41 780	112,35	01/04/2015	
	80 460			2 781 092

[1] *Based on a share price of R71,90 which prevailed on 31 December 2008.*

It is assumed that directors will not exercise rights which are out of the money.

Management share scheme – long-term incentive plan for the year ended December 2009

	Rights held at 31 December 2009	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2009 R
Executive director				
SA Nkosi	**38 682**		**01/03/2010**	**4 042 269**
	41 782		**01/04/2011**	**4 366 219**
	67 438		**01/04/2012**	**7 047 271**
	147 902			**15 455 759**
WA de Klerk	**19 334**		**01/03/2010**	**2 020 403**
	16 418		**01/04/2011**	**1 715 681**
	37 764		**01/04/2012**	**3 946 338**
	73 516			**7 682 422**

[1] *Based on a share price of R104,50 which prevailed on 31 December 2009.*

Pre-tax gain if exercisable at 31 December 2009[1] R	Options exercised during the year	Exercise price R	Sale price/market price R	Pre-tax gain R	Date exercised
1 698 052					
2 523 905					
4 221 957					
848 587					
1 413 357					
2 261 944					

Pre-tax gain if exercisable at 31 December 2009[1] R	Options exercised during the year	Exercise price R	Sale price/market price R	Pre-tax gain R	Date exercised
437 084					
437 084					

Pre-tax gain if exercisable at 31 December 2009[1] R	Options exercised during the year	Exercise price R	Sale price/market price R	Pre-tax gain R	Date exercised
4 042 269					
4 366 219					
7 047 271					
15 455 759					
2 020 403					
1 715 681					
3 946 338					
7 682 422					

DIRECTORS' REMUNERATION CONTINUED

Management share scheme – long-term incentive plan for the year ended December 2008

	Rights held at 31 December 2009	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2009 R
Executive director				
SA Nkosi	38 682		01/03/2010	2 781 236
	41 782		01/04/2011	3 004 126
	80 464			5 785 362

[1] *Based on a share price of R71,90 which prevailed on 31 December 2008.*

Management share scheme – deferred bonus plan for the year ended December 2009

	Rights held at 31 December 2009	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2009 R
Executive director				
SA Nkosi	361	86,45	01/10/2010	37 725
	718	111,88	01/04/2011	
	2 573	111,88	01/04/2011	
	213	89,61	01/10/2011	22 259
	2 315	68,63	01/04/2012	241 918
	6 620	65,58	04/05/2012	691 790
	466	91,08	01/10/2012	48 697
	13 266			1 042 389
WA de Klerk	212	86,45	01/10/2010	22 154
	542	111,88	01/04/2011	
	1 398	111,88	01/04/2011	
	182	89,61	01/10/2011	19 019
	1 644	68,63	01/04/2012	171 798
	3 000	65,58	04/05/2012	313 500
	326	91,08	01/10/2012	34 067
	7 304			560 538

[1] *Based on a share price of R104,50 which prevailed on 31 December 2009.*

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 2008

	Rights held at 31 December 2009	Exercise price R	Exercisable period	Proceeds if exercisable at 31 December 2009 R
Executive director				
SA Nkosi	361	86,45	01/10/2010	
	718	111,88	04/01/2011	
	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.*

It is assumed that directors will not exercise rights which are out of the money.

Pre-tax gain if exercisable at 31 December 2009[1] R	Options exercised during the year	Exercise price R	Sale price/market price R	Pre-tax gain R	Date exercised
2 781 236					
3 004 126					
5 785 362					

Pre-tax gain if exercisable at 31 December 2009[1] R	**Options exercised during the year**	**Exercise price R**	**Sale price/market price R**	**Pre-tax gain R**	**Date exercised**
6 515					
3 172					
83 044					
257 633					
6 252					
356 616					
3 826					
2 710					
58 974					
116 752					
4 374					
186 636					

Pre-tax gain if exercisable at 31 December 2009[1] R	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 2009

	Notes	GROUP 2009 Rm	GROUP 2008 Rm	COMPANY 2009 Rm	COMPANY 2008 Rm
Revenue	2	**15 009**	13 843	**1 009**	915
Operating (expenses)/income	3	**(14 705)**	(11 376)	**(4 320)**	758
NET OPERATING PROFIT/(LOSS)		**304**	2 467	**(3 311)**	1 673
Interest income	5	**145**	153	**51**	50
Interest expense	5	**(560)**	(394)	**(390)**	(169)
Income from investments	6	**2**	2	**6 731**	1 319
Income from equity-accounted investments	14	**1 898**	1 663		
PROFIT BEFORE TAX		**1 789**	3 891	**3 081**	2 873
Income tax expense	7	**(766)**	(510)	**(2)**	7
PROFIT FOR THE YEAR		**1 023**	3 381	**3 079**	2 880
Profit attributable to:					
Owners of the parent		**1 023**	3 405	**3 079**	2 880
Non-controlling interests			(24)		
		1 023	3 381	**3 079**	2 880

	Notes	GROUP 2009 Rm	GROUP 2008 Rm	COMPANY 2009 Rm	COMPANY 2008 Rm
STATEMENTS OF COMPREHENSIVE INCOME					
PROFIT FOR THE YEAR		**1 023**	3 381	**3 079**	2 880
OTHER COMPREHENSIVE INCOME:					
Exchange differences on translating foreign operations		**(35)**	193	**3**	(3)
Cash flow hedges		**(474)**	520		
Share of comprehensive income of associates		**8**	187		
Share-based payment movement		**118**	92	**83**	66
Income tax relating to components of other comprehensive income		**142**	(115)	**9**	
Net (loss)/gain recognised in other comprehensive income for the year, net of tax	26	**(241)**	877	**95**	63
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**782**	4 258	**3 174**	2 943
Total comprehensive income attributable to:					
Owners of the parent		**919**	4 117	**3 174**	2 943
Non-controlling interests		**(137)**	141		
		782	4 258	**3 174**	2 943
ATTRIBUTABLE EARNINGS PER SHARE (CENTS)	8				
– basic		**297**	993		
– diluted		**286**	943		

STATEMENTS OF FINANCIAL POSITION

for the year ended 31 December 2009

	Notes	GROUP 2009 Rm	GROUP 2008 Rm	COMPANY 2009 Rm	COMPANY 2008 Rm
ASSETS					
Non-current assets					
Property, plant and equipment	11	**11 869**	11 309	**240**	176
Biological assets	12	**41**	34		
Intangible assets	13	**87**	79	**10**	
Investments in associates and joint ventures	14	**1 966**	1 849		
Investments in subsidiaries	15			**6 668**	6 157
Deferred tax	23	**629**	1 083	**87**	104
Financial assets	16	**1 217**	1 577	**11**	41
Total non-current assets		**15 809**	15 931	**7 016**	6 478
Current assets					
Inventories	17	**3 133**	2 481		
Trade and other receivables	18	**3 121**	2 924	**7 090**	5 073
Current tax receivable		**57**	2	**14**	
Cash and cash equivalents		**1 023**	1 769	**343**	478
Total current assets		**7 334**	7 176	**7 447**	5 551
Non-current assets classified as held for sale	19	**86**	78	**18**	13
TOTAL ASSETS		**23 229**	23 185	**14 481**	12 042
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital and premium	20	**2 141**	2 098	**2 318**	2 276
Other components of equity		**2 046**	2 190	**1 041**	946
Retained earnings		**8 721**	8 708	**7 038**	5 025
Equity attributable to owners of the parent		**12 908**	12 996	**10 397**	8 247
Non-controlling interests		**1**	128		
Total equity		**12 909**	13 124	**10 397**	8 247
Non-current liabilities					
Interest-bearing borrowings	21	**4 347**	3 650	**3 335**	2 708
Non-current provisions	22	**1 853**	1 746	**28**	24
Financial liabilities	27	**75**	31		31
Deferred tax	23	**995**	1 257		
Total non-current liabilities		**7 270**	6 684	**3 363**	2 763
Current liabilities					
Trade and other payables	24	**2 510**	2 366	**359**	817
Interest-bearing borrowings	21	**407**	500	**362**	205
Current tax payable		**57**	440		10
Current provisions	22	**27**	21		
Total current liabilities		**3 001**	3 327	**721**	1 032
Non-current liabilities classified as held for sale	19	**49**	50		
TOTAL EQUITY AND LIABILITIES		**23 229**	23 185	**14 481**	12 042
NET DEBT		**3 731**	2 381	**3 354**	2 435

STATEMENT OF CASH FLOWS

for the year ended 31 December 2009

	Notes	GROUP 2009 Rm	GROUP 2008 Rm	COMPANY 2009 Rm	COMPANY 2008 Rm
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated by/(utilised in) operations	25.1	**2 117**	3 574	**(788)**	(140)
Net financing costs	25.2	**(381)**	(193)	**(337)**	(117)
Tax paid	25.3	**(892)**	(487)		18
Dividends paid	25.4	**(1 050)**	(984)	**(1 066)**	(973)
		(206)	1 910	**(2 191)**	(1 212)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investments to maintain operations	25.5	**(992)**	(1 147)	**(88)**	(61)
Investments to expand operations	25.6	**(990)**	(470)		(2)
Investment in intangible assets		**(19)**		**(19)**	
Proceeds from disposal of property, plant and equipment		**11**	29		
Investment in other non-current assets	25.7	**(1 090)**	(179)	**(795)**	(50)
Acquisition of joint ventures and associates			(221)		
Acquisition of subsidiaries and other business operations			(2 757)		
Income from equity-accounted investments	25.8	**1 752**	1 042		
Income from investments	25.9	**2**	2	**2 131**	1 319
Foreign currency translations	25.10	**(88)**	(55)	**1**	1
		(1 414)	(3 756)	**1 230**	1 207
NET CASH OUTFLOW		**(1 620)**	(1 846)	**(961)**	(5)
CASH FLOWS FROM FINANCING ACTIVITIES					
Non-current interest-bearing borrowings raised		**1 572**	2 725	**1 301**	2 463
Net movement of other non-current interest-bearing borrowings					(2 113)
Non-current interest-bearing borrowings repaid		**(658)**	(418)	**(674)**	(355)
Current interest-bearing borrowings (repaid)/raised		**(93)**	426	**157**	150
Proceeds from issuance of share capital		**43**	31	**42**	32
Increase in loans from non-controlling interests		**10**	1		
		874	2 765	**826**	177
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(746)**	919	**(135)**	172
Cash and cash equivalents at beginning of year		**1 769**	850	**478**	306
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1 023**	1 769	**343**	478
CALCULATION OF MOVEMENT IN NET DEBT:					
Net cash outflow as above		**(1 620)**	(1 846)		
Add:					
– shares issued		**43**	31		
– loans from non-controlling interests		**10**	1		
– non-cash flow movements in net debt applicable to currency translation differences of transactions denominated in foreign currency		**340**	(352)		
– non-cash flow movements in net debt applicable to currency translation differences of net debt items of foreign entities	25.10	**(123)**	282		
– hedging of share-base payment exposure			(14)		
INCREASE IN NET DEBT		**(1 350)**	(1 898)		

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

			Other components of equity						
	Share capital Rm	Share premium Rm	Foreign currency trans-lations Rm	Financial instru-ments re-valuation Rm	Equity-settled reserve Rm	Retained income Rm	Attribu-table to owners of the parent Rm	Non-con-trolling interests Rm	Total equity Rm
OPENING BALANCE AT 1 JANUARY 2008	4	2 063	527	7	968	6 235	9 804	19	9 823
Total comprehensive income			437	138	113	3 429	4 117	141	4 258
Issue of share capital		31					31		31
Non-controlling interests additional contributions								2	2
Liquidation dividend from subsidiary						1	1		1
Net profit on dilution of interest in a subsidiary								(7)	(7)
Dividends paid						(957)	(957)	(27)	(984)
BALANCE AT 31 DECEMBER 2008	4	2 094	964	145	1 081	8 708	12 996	128	13 124
Total comprehensive income			**(162)**	**(142)**	**160**	**1 063**	**919**	**(137)**	**782**
Issue of share capital[1]		**43**					**43**		**43**
Non-controlling interests additional contributions								**10**	**10**
Dividends paid[2]						**(1 050)**	**(1 050)**		**(1 050)**
BALANCE AT 31 DECEMBER 2009	**4**	**2 137**	**802**	**3**	**1 241**	**8 721**	**12 908**	**1**	**12 909**
Dividend paid per share (cents) in respect of the 2008 financial year	**375**								
Dividend paid per share (cents) in respect of the 2009 interim period	**100**								
Final dividend payable per share (cents) in respect of 2009 financial year	**100**								

[1] *Issued to the Kumba Resources Management Share Trust due to options exercised.*

[2] *The STC on these dividends amount to Rnil after taking into account STC credits (2008: 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.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

			Other components of equity			
	Share capital Rm	Share premium Rm	Foreign currency trans-lations Rm	Equity-settled reserve Rm	Retained income Rm	Total equity Rm
OPENING BALANCE AT 1 JANUARY 2008	4	2 240		883	3 118	6 245
Total comprehensive income			(3)	66	2 880	2 943
Cash dividends paid					(973)	(973)
Issue of share capital		32				32
BALANCE AT 31 DECEMBER 2008	4	2 272	(3)	949	5 025	8 247
Total comprehensive income			**3**	**92**	**3 079**	**3 174**
Cash dividends paid[1]					**(1 066)**	**(1 066)**
Issue of share capital[2]		**42**				**42**
BALANCE AT 31 DECEMBER 2009	**4**	**2 314**		**1 041**	**7 038**	**10 397**
Dividend paid per share (cents) in respect of the 2008 financial year			**375**			
Dividend paid per share (cents) in respect of the 2009 interim period			**100**			
Final dividend payable per share (cents) in respect of 2009 financial year			**100**			

[1] *The STC on these dividends amount to Rnil after taking into account STC credits (2008: Rnil).*

[2] *Issued to the Kumba Resources Management Share Trust due to options exercised.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2009

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 and interpretations

The following standards and interpretations have been applied, where relevant, to the financial statements for the period ended 31 December 2009:

- Amended IFRS 2 *Share-based Payments*, effective for annual periods beginning on or after 1 January 2009
- IFRS 7 *Financial Instruments: Disclosures*, effective for periods beginning on or after 1 January 2009
- Amended IAS 1 *Presentation of Financial Statements*, effective for annual periods beginning on or after 1 January 2009, amendments relating to disclosure of puttable instruments and obligations arising on liquidation
- Amended IAS 18 *Revenue*, effective for annual periods beginning on or after 1 January 2009
- Revised IAS 23 *Borrowing Costs*, effective for annual periods beginning on or after 1 January 2009
- IFRIC 13 *Customer Loyalty Programmes*, effective for annual periods beginning on or after 1 July 2008
- IFRIC 15 *Agreements for the Construction of Real Estate*, effective for annual periods beginning on or after 1 January 2009
- IFRIC 16 *Hedges of Net Investment in a Foreign Operation*, effective for annual periods beginning on or after 1 October 2008
- Circular 3/2009 *Headline Earnings*, effective for reports issued on or after 31 August 2009.

The adoption of the amendments to IFRS 7 resulted in additional disclosures regarding fair value measurements and liquidity risks. Adoption of the other new or revised standards did not have a significant impact on the measurement or disclosure and presentation of items included in the financial statements.

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. These standards have been applied, where relevant, to the financial statements for the period ended 31 December 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 Hyperinflationary 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
- 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.

These amendments did not have a significant impact on the measurement or disclosure and presentation of items included in the financial statements.

The following standards were early adopted during 2008 and have been applied, where relevant, to the financial statements for the years ended 31 December 2008 and 31 December 2009:

- IFRS 8 *Operating Segments*, effective for annual periods beginning on or after 1 January 2009.

1. **ACCOUNTING POLICIES** (continued)

Adoption of new and revised standards and interpretations (continued)

- 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 led to differences in the basis of segmentation compared to previous periods. As a result, new operating segments were 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 2008 or 2009.

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

- Amended IFRS 1 *First-time Adoption of International Financial Reporting*, effective for annual periods beginning on or after 1 July 2009
- Amended IFRS 2 *Share-based Payments* resulting from April 2009 Annual improvements to IFRS, effective for annual periods beginning on or after 1 July 2009
- Amended IFRS 2 *Share-based Payments*, effective for annual periods beginning on or after 1 January 2010
- Revised IFRS 3 *Business Combinations*, effective for annual periods beginning on or after 1 July 2009
- Amended IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, effective for annual periods beginning on or after 1 July 2009
- Amended IFRS 8 *Operating Segments*, effective for annual periods beginning on or after 1 January 2010
- IFRS 9 *Financial instruments – Classification and Measurement*, effective for annual periods beginning on or after 1 January 2013
- Amended IAS 1 *Presentation of Financial Statements*, effective for annual periods beginning on or after 1 January 2010
- Amended IAS 7 *Statement of Cash Flows*, effective for annual periods beginning on or after 1 January 2010
- Amended IAS 17 *Leases*, effective for annual periods beginning on or after 1 January 2010
- Amended IAS 24 *Related Party Disclosures,* effective for annual periods beginning on or after 1 January 2011
- 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
- Amended IAS 32 *Financial Instruments:* Presentation, effective for annual periods beginning on or after 1 February 2010
- Amended IAS 36 *Impairment of Assets*, effective for annual periods beginning on or after 1 January 2010
- Amended IAS 38 *Intangible Assets*, effective for annual periods beginning on or after 1 January 2010
- Amended IAS 39 *Financial Instruments: Recognition and Measurement*, effective from 1 July 2009
- Amended IAS 39 *Financial Instruments: Recognition and Measurement,* effective for annual periods ending on or after 30 June 2009
- Amended IAS 39 *Financial Instruments: Recognition and Measurement amendments resulting from 1 April 2009 Annual Improvements to IFRS,* effective for annual periods beginning on or after 1 January 2010
- Amended IFRIC 9 *Reassessment of Embedded Derivatives*, effective for annual periods beginning on or after 1 July 2009
- IFRIC 14 IAS 19 *The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, effective for annual periods beginning on or after 1 January 2011
- 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.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments,* effective for annual periods on or after 1 January 2011.

The 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 for the carrying value of investments on partial disposals of investments for transactions effected on or after the effective date. The adoption of the amended IFRS 2 will result in different treatment of share-based payment transactions in the accounts of the group's subsidiaries, but will have no impact on the group's treatment of share-based payments.

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 or losses between group companies are eliminated on consolidation.

1. ACCOUNTING POLICIES (continued)

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 tax thereon. The retained earnings of an associate, net of any dividends, are classified as distributable reserves.

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

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

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

The group's interest in associates 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:

2009	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**	**1 – 30 years**
Mobile equipment, built-in process computers, underground mining equipment and reconditionable spares	**13 000 – 40 000 hours or 1 – 14 years**	**3 – 25 years**
Loose tools and computer equipment	**1 – 5 years**	**3 – 15 years**
Development costs	**8 – 20 years**	**10 – 20 years**
Refractory relines	**n/a**	**4 – 6 years**
Site preparation, mining development and exploration	**0 – 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**	**2 – 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**

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

1. ACCOUNTING POLICIES (continued)

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

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

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

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

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

Leased assets

Leases involving plant and equipment whereby the lessor provides finance to the group with the asset as security and where the group assumes substantially all the benefits and risks of ownership, are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease and depreciated over the useful life of the asset. The capital element of future obligations under the leases is included as a liability in the 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 is 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.

1. ACCOUNTING POLICIES (continued)

Intangible assets (continued)

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.

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.

1. **ACCOUNTING POLICIES** (continued)

Financial instruments (continued)

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 fair valued through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

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

Financial instruments at fair value through profit or loss

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

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

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

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

Available-for-sale financial assets

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

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

- **Receivables**

  Long-term receivables and trade and other receivables are measured at amortised cost using the effective interest 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.

1. **ACCOUNTING POLICIES** (continued)

Financial instruments (continued)

Financial instruments not at fair value through profit or loss, and not available-for-sale (continued)

- **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 financial year-end 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 was 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 is 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 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.

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 is 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.

1. **ACCOUNTING POLICIES** (continued)

Financial instruments (continued)

Net finance costs

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

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

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

Fees and commission

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

Other fees and commission 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 rate used

The average US dollar to South African rand conversion rate, where applicable, of US$1: R8,35 (2008: US$1: R8,25) has been used to translate the income and statements of cash flows while the statement of financial position has been translated at the closing rate at the last day of the reporting period US$1: R7,40 (2008: US$1: R9,36).

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.

1. ACCOUNTING POLICIES (continued)

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 tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Provisions

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

Decommissioning and environmental rehabilitation

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

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

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

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

Deferred 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 reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

1. **ACCOUNTING POLICIES** (continued)

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.

Provision for severance benefits is made in accordance with the Namibian law for the Namibian operations. As the severance benefits are only payable on retirement or the involuntary termination of service from the side of the employer, this is accounted for as a post-retirement service. The plan is a defined benefit obligation. The cost of providing these benefits is determined based on the projected unit credit method and actuarial valuations are performed at every reporting date. The defined benefit obligation presented in the statement of financial position represents the sum of the present value of the obligation less the fair value of plan assets plus/minus any balance of unrecognised actuarial gains or losses, minus any balance of unrecognised past service costs.

Unrecognised actuarial gains or losses are recognised in profit or loss based on the corridor method. In other words, an excess of the balance of unrecognised gains or losses over 10% of the greater of the present value of the obligation or fair value of the plan assets is recognised in profit or loss over the expected remaining working lives of participating employees.

Past service cost is recognised immediately to the extent that the benefits are vested and recognised over the remaining period until vesting for benefits that are unvested.

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, is 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 financial year-end, 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 date, they are discounted to present value.

Equity compensation benefits

Senior management, including executive directors, have been granted share options and share appreciation rights (SARs). The share appreciation rights are subject to achievement of performance-related criteria before vesting. Grants are based on existing ordinary shares and can be purchased or the purchase can be deferred. The option or purchase price equals the market price on the date preceding the date of the grant.

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

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

1. ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Post-employment benefits (continued)

Equity compensation benefits (continued)

The fair value of the options or SARs granted to senior management, including executive directors, have been determined at grant date using a suitable option pricing model and are 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 financial year-end.

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 financial year-end, but are disclosed in the notes to the financial statements.

Secondary tax on companies

Tax 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 the 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.

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 cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the group unless otherwise stated. The carrying amount of these assets 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 28);
- 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 30).

1. ACCOUNTING POLICIES (continued)

Judgements made by management (continued)

- 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 a finance lease
- in applying IFRS 8, the identification of reportable operating segments of the group
- in applying IAS 19 *Employee Benefits*, the identification as to the nature of benefits provided by each scheme and thereby determine the classification of each scheme.

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 financial year-end, may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year if the assumption or estimation changes significantly:

Going concern

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

Share-based payments

For share-based payments estimates are made in determining the fair value of equity instruments granted. The assumptions are used in the Black-Scholes methodology and the Monte Carlo valuation methodology and includes assumptions regarding future dividend yield, risk-free rate, expected employee attrition rate, expected share volatility and expected option life. Refer note 30.

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.

Post-retirement obligations

For defined benefit schemes, management is required to make annual estimates and assumptions about future returns on classes of schemes assets, future remuneration changes, employee attrition rates, administration costs, changes in benefits, inflation rates, exchange rates, life expectancy and expected remaining periods of service of employees. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries. 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 bases cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the assets, based on publicly available information.

1. **ACCOUNTING POLICIES** (continued)

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

Impairments and impairment reversals (continued)

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 31.

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 their useful lives. In determining the depreciable amount management makes certain assumptions in respect of 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 lives 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 makes 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 2009 Rm	GROUP 2008 Rm	COMPANY 2009 Rm	COMPANY 2008 Rm
2. REVENUE					
Sale of goods		**15 009**	13 843		
Services				**1 009**	915
		15 009	13 843	**1 009**	915
3. OPERATING EXPENSES					
Cost by type					
– Raw materials and consumables		**3 538**	3 497	**35**	52
– Staff costs					
– salaries and wages		**3 253**	2 644	**508**	427
– share-based payments		**91**	84	**37**	42
– termination benefits		**4**	12		11
– pension and medical costs		**245**	215	**34**	35
– Income from sale of investment			(7)		(1 726)
– General charges		**2 837**	2 137	**389**	376
– Share-based payment: BEE credential expense			2		
– Railage and transport		**1 008**	677	**1**	1
– Repairs and maintenance		**1 585**	1 434	**5**	8
– Impairment charges and reversals of non-current assets	4	**1 435**	20		(1)
– Impairment charges, reversals and write-offs of trade and other receivables[1]		**217**	2	**3 273**	(2)
– Energy		**761**	481	**6**	4
– Depreciation of property, plant and equipment	11	**1 123**	894	**25**	15
– Amortisation of intangible assets	13	**13**	4	**9**	
– Movement in inventories		**(1 295)**	(612)		
– Own work capitalised		**(97)**	(100)	**(1)**	
– Sublease rentals received		**(13)**	(8)	**(1)**	
		14 705	11 376	**4 320**	(758)
Cost by function					
– Costs of goods sold/services rendered		**12 199**	10 744	**1 048**	971
– Selling and distribution costs		**867**	625		
– Sublease rentals received		**(13)**	(8)	**(1)**	
– Impairment charges and reversals of non-current assets	4	**1 435**	20		(1)
– Impairment charges, reversals and write-offs of trade and other receivables[1]		**217**	2	**3 273**	(2)
– Income from sale of investment			(7)		(1 726)
		14 705	11 376	**4 320**	(758)

[1] *Consequent to the impairment of the KZN Sands businesses, intergroup loans receivable by the company (included in trade and other receivables) were impaired to an amount of R3 273 million.*

	Notes	GROUP 2009 Rm	GROUP 2008 Rm	COMPANY 2009 Rm	COMPANY 2008 Rm
3. OPERATING EXPENSES (continued)					
Cost by function (continued)					
The above costs are stated after including:					
Auditors' remuneration					
– audit fees		**16**	15	**5**	5
– other services		**1**	3	**1**	1
Consultancy fees		**166**	149	**78**	74
Contingent rentals paid		**12**	10		
Contingent rentals received		**(37)**	(27)		
Currency exchange differences					
– net realised losses/(profits) on currency exchange differences		**576**	(476)	**8**	1
– net unrealised losses/(profits) on currency exchange differences		**45**	(39)	**8**	(6)
Depreciation and amortisation					
– buildings	11	**1**	3		
– mineral properties	11	**180**	165		
– residential buildings	11	**6**	5		
– buildings and infrastructure	11	**125**	99		
– machinery, plant and equipment	11	**767**	584	**25**	15
– leased assets under finance lease	11	**9**	10		
– site preparation, mining development, exploration and rehabilitation	11	**35**	28		
– amortisation of intangible assets	13	**13**	4	**9**	
Directors' emoluments (refer to the report of the directors, page 144)					
– executive directors					
– remuneration received by directors of the company				**11**	12
– bonuses and cash incentives				**4**	11
– compensation on retirement from executive office					9
– non-executive directors					
– remuneration received by directors of the company				**3**	2
Exploration expenditure		**115**	50		
Fair value (gains)/losses on financial assets at fair value through profit or loss:					
– designated upon initial recognition		**(19)**	11	**(1)**	
– held for trading		**(465)**	130	**(465)**	(1)
– ineffectiveness arising from cash flow hedges losses/(gains)		**60**	(54)		
Fair value (gains)/losses on financial liabilities at fair value through profit or loss:					
– designated upon initial recognition		**(7)**	55		
– held for trading		**26**	(7)	**3**	

	Notes	GROUP 2009 Rm	GROUP 2008 Rm	COMPANY 2009 Rm	COMPANY 2008 Rm
3. OPERATING EXPENSES (continued)					
Gains on held to maturity investments disclosed at amortised cost			(40)		(40)
Impairment charges and reversals of non-current assets	4	**1 435**	20		(1)
Inventories write-down to net realisable value		**2**	128		
Inventories previously written down reversed			(136)		
Movement in provisions	22	**23**	236	**4**	4
Net losses on disposal or scrapping of property, plant and equipment		**84**	65		5
Net profit on disposal of investment			(7)		(1 726)
Operating lease rentals expenses					
– property		**15**	46	**7**	41
– equipment		**71**	61	**14**	14
Operating sublease rentals received					
– property		**(13)**	(8)	**(1)**	
Reconditionable spares usage		**4**	1		
Research and development costs		**7**	5	**3**	2
Share-based payment: BEE credentials			2		
Impairment charges, reversals and write-offs of trade and other receivables[1]		**217**	2	**3 273**	(2)

[1] *Consequent to the impairment of the KZN Sands businesses, intergroup loans receivable by the company (included in trade and other receivables) were impaired to an amount of R3 273 million.*

Note:

Pensions

Retirement amounts paid or receivable 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 is 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	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
4. IMPAIRMENT CHARGES NON-CURRENT ASSETS				
Included in operating expenses are the following impairment losses:				
Impairment on property, plant and equipment[1]	**1 435**	21		
Total impairment charges	**1 435**	21		
Reversal of impairment of property, plant and equipment		(1)		(1)
Total impairment reversals		(1)		(1)
Total impairments and reversals before tax	**1 435**	20		(1)

[1] *The decision not to develop the Fairbreeze Mineral Sands mine had a negative effect on the carrying value of the KZN Sands operation at 31 December 2009. The two Sands businesses in KZN are viewed as a single economic unit as the operations are interdependent and neither can operate economically without the other. The recoverable amount of the assets has been determined by the calculation of its value in use for which a discount rate of 8,4% was used compared to 7,4% used for the similar calculation performed on 31 December 2008. The impairment amounts to R1 435 million.*

The carrying value of expenditure capitalised during the development phase on the Market Coke and Belfast projects was impaired in 2008 based on the uncertainty of the recoverable amount.

	GROUP		COMPANY	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
5. NET FINANCING COSTS				
Interest expense and loan costs	**460**	283	**388**	167
Finance leases – interest	**66**	63		
Interest income	**(145)**	(153)	**(51)**	(50)
Net interest expense	**381**	193	**337**	117
Interest adjustment on non-current provisions (refer note 22)	**34**	48	**2**	2
	415	241	**339**	119
Borrowing costs capitalised during the year amounted to R6 million (2008: Rnil)				
Included in interest expense are the following:				
Interest expense on financial liabilities measured at amortised cost	**450**	250	**386**	163
Interest expense on bank overdrafts	**9**	4	**2**	4
Interest expense on financial liabilities designated at fair value through profit or loss	**1**			
Included in interest income are the following:				
Interest income on unimpaired loans and receivables	**(38)**	(37)		(1)
Interest income on unimpaired available-for-sale financial assets	**(13)**			
Interest income on cash and cash equivalents	**(75)**	(69)	**(50)**	(49)
Interest income on financial assets designated at fair value through profit or loss	**(19)**	(47)	**(1)**	
Net fee costs on financial liabilities not at fair value through profit or loss	**5**	11	**5**	8

	GROUP 2009 Rm	GROUP 2008 Rm	COMPANY 2009 Rm	COMPANY 2008 Rm
6. INCOME FROM INVESTMENTS				
Subsidiaries				
Unlisted shares				
– dividends			**4 616**	144
– net interest received			**371**	138
			4 987	282
Associates				
– dividends			**1 744**	1 037
Other				
Listed shares				
– dividends	**2**	2		
Total	**2**	2	**6 731**	1 319
7. INCOME TAX EXPENSE				
Charge to income				
South African normal tax				
– Current – current year	**462**	757		
– prior year	**(51)**		**(24)**	
	411	757	**(24)**	
– Deferred – current year	**343**	(95)	**4**	(9)
– prior year	**1**		**22**	(1)
– rate adjustment		(12)		3
	344	(107)	**26**	(7)
Foreign normal tax				
– Current – current year	**36**	8		
– prior year	**14**			
	50	8		
– Deferred – current year	**(46)**	(97)		
– prior year	**7**	(68)		
	(39)	(165)		
Secondary Tax on Companies		1		
Non-residents withholding tax		16		
Total	**766**	510	**2**	(7)

	GROUP		COMPANY	
	2009 **%**	2008 %	**2009** **%**	2008 %
7. INCOME TAX EXPENSE (continued)				
Reconciliation of tax rates				
Tax as a percentage of profit before tax	**42,8**	13,1	**0,1**	(0,2)
Tax effect of				
– assessed losses not provided	**(1,5)**	(0,3)		
– capital (losses)/profits	**(1,3)**	0,2		17,2
– disallowable expenditure	**(1,3)**	(0,7)	**(0,2)**	(0,4)
– reclassification of previously disallowable expenditure		1,1		
– exempt income	**2,2**	1,0	**57,8**	11,4
– special tax allowances	**2,1**			
– share of associates and joint ventures	**29,6**	11,9		
– tax rate differences	**0,5**	0,4		
– rate change on deferred tax balance		0,3		
– Secondary Tax on Companies (STC)		(0,1)		
– withholding tax		(0,4)		
– Controlled Foreign Company profits (CFC)	**(0,8)**	(0,1)		
– foreign exchange differences		(0,1)		
– prior year adjustment	**1,7**	1,7		
– derecognition of deferred tax asset	**(46,0)**			
– write-down of subsidiaries' loans			**(29,7)**	
Standard tax rate	**28,0**	28,0	**28,0**	28,0
Effective tax rate for operations, excluding income from equity-accounted investments, impairment charge and share of tax thereon	**57,8**	22,7		

	GROUP		COMPANY	
	2009 Rm	2008 Rm	**2009 Rm**	2008 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)	**2 514**	3 630		
Weighted average number of ordinary shares in issue (million)	**345**	343		
Headline earnings per share (cents)	**729**	1 058		
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	**345**	343		
Adjusted for options and net purchased shares in terms of the Management Share Scheme (million)	**13**	18		
Weighted average number for diluted headline earnings per share (million)	**358**	361		
Diluted headline earnings per share (cents)	**702**	1 006		
Basic attributable earnings per share is calculated by dividing the net profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year.				
Profit for the year attributable to owners of the parent (R million)	**1 023**	3 405		
Weighted average number of ordinary shares in issue (million)	**345**	343		
Basic earnings per share (cents)	**297**	993		
For the diluted attributable earnings per share the weighted average number of ordinary shares is adjusted as above.				
Diluted earnings per share (cents)	**286**	943		
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.				
9. DIVIDEND				
Dividends paid during the year:				
Cash dividends	**1 050**	957	1 066	973
Paid to minorities		27		
	1 050	984	1 066	973
STC on these dividends amounts to nil (2008: nil) after taking into account STC credits.				

10. RECONCILIATION OF GROUP HEADLINE EARNINGS

	For the year ended 31 December 2009			
	Gross Rm	**Tax Rm**	**Non-controlling interest Rm**	**Net Rm**
Profit for the year attributable to owners of the parent				**1 023**
Adjusted for:				
– IAS 16 *Impairment of Property, Plant and Equipment*	**1 435**			**1 435**
– IAS 16 *Gains or Losses on Disposal of Property, Plant and Equipment*	**88**	**(24)**	**(2)**	**62**
– IAS 28 *Share of Associates'* IAS 16 – *Gains or losses on Disposal of Property, Plant and Equipment*	**(8)**	**2**		**(6)**
HEADLINE EARNINGS	**1 515**	**(22)**	**(2)**	**2 514**

	For the year ended 31 December 2008			
	Gross Rm	Tax Rm	Non-controlling interest Rm	Net Rm
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 Remeasurements from Equity to the Income Statement*, including a hedge of net investment in a foreign entity but excluding cash flow hedges	4			4
– IAS 36 *Impairment Reversal of Investment*	161			161
HEADLINE EARNINGS	246	(21)		3 630

GROUP HEADLINE EARNINGS PER SHARE FOR THE YEAR ENDED 31 DECEMBER

	2009 cents	2008 cents
HEADLINE EARNINGS PER SHARE (refer note 8)		
– basic	**729**	1 058
– diluted	**702**	1 006

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Rm	Mineral proper-ties Rm	Resi-dential 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								
2009								
Gross carrying amount								
At beginning of year	184	2 262	147	2 309	10 060	776	1 887	17 625
Additions	106		27	403	1 020	87	339	1 982
Changes in decommissioning assets			2	7	15	17	(2)	39
Increase in joint venture	349	87	7	81	704			1 228
Disposals of items of property, plant and equipment			(4)	(4)	(186)		(36)	(230)
Net reclassification to non-current assets classified as held for sale			1	(1)	(5)		2	(3)
Exchange differences on translation	1	9		7	51	11	7	86
Other movements	(78)	282		167	150	81	(606)	(4)
At end of year	562	2 640	180	2 969	11 809	972	1 591	20 723
Accumulated depreciation								
At beginning of year	1	575	42	727	3 787	355		5 487
Depreciation charges	1	180	6	125	776	35		1 123
Increase in joint venture	18	5		5	44			72
Accumulated depreciation on disposals of items of property, plant and equipment				(3)	(94)			(97)
Exchange differences on translation		5		5	30	5		45
Other movements				(3)	(1)			(4)
At end of year	20	765	48	856	4 542	395		6 626
Impairment of assets								
At beginning of year		6		227	495	63	38	829
Impairment charges (refer note 4)				445	911	79		1 435
Disposals of items of property, plant and equipment							(36)	(36)
At end of year		6		672	1 406	142	2	2 228
Net carrying amount at end of year	542	1 869	132	1 441	5 861	435	1 589	11 869

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings Rm	Mineral proper-ties Rm	Resi-dential 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 from 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 from 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

	2009 Rm	2008 Rm
The net carrying amount of machinery, plant and equipment includes:		
Assets held under finance leases (refer note 21)		
– cost	**197**	196
– accumulated depreciation	**69**	60
	128	136

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

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

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings Rm	Mineral proper-ties Rm	Resi-dential 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								
2009								
Gross carrying amount								
At beginning of year				11	114		104	229
Additions					22		66	88
Disposals of items of property, plant and equipment					(4)			(4)
Other movements				1	83		(83)	1
At end of year				12	215		87	314
Accumulated depreciation								
At beginning of year				5	48			53
Depreciation charges					25			25
Accumulated depreciation on disposals of items of property, plant and equipment					(4)			(4)
At end of year				5	69			74
Net carrying amount at end of year				7	146		87	240

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings Rm	Mineral proper-ties Rm	Resi-dential 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

	Plantation Rm	Livestock Rm	Game Rm	Total Rm
12. BIOLOGICAL ASSETS				
GROUP				
2009				
Carrying amount				
At beginning of year	**8**	**6**	**20**	**34**
(Losses)/gains attributable to physical and price changes	**(1)**	**3**	**9**	**11**
Net reclassification to inventory		**(2)**	**(2)**	**(4)**
At end of year	**7**	**7**	**27**	**41**
Fair value of biological assets can be split as follows:				
– mature	**4**	**7**	**27**	**38**
– immature	**3**			**3**
	7	**7**	**27**	**41**

The plantation was valued by Mr JM Potgieter, an independent appraiser, on 20 November 2009.

	Plantation Rm	Livestock Rm	Game Rm	Total Rm
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

Plantations consist of wattle and bluegum trees.
Livestock consists of cattle and horses.
Game consists of rhino, buffalo, warthog, giraffe, ostrich and a large variety of antelope.

	GROUP		COMPANY	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
13. INTANGIBLE ASSETS				
Patents, licences and franchises				
Gross carrying amount				
At beginning of year	**121**	108		
Additions	**19**		**19**	
Transfers from other assets		4		
Exchange differences	**3**	9		
At end of year	**143**	121	**19**	
Accumulated amortisation				
At beginning of year	**42**	32		
Amortisation charge	**13**	4	**9**	
Transfers from other assets		4		
Exchange differences	**1**	2		
At end of year	**56**	42	**9**	
Net carrying amount at end of year	**87**	79	**10**	

	GROUP		COMPANY	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
14. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES				
Associated unlisted companies	**1 965**	**1 848**		
Joint ventures (Unlisted)				
– incorporated	**1**	**1**		
	1	**1**		
Total	**1 966**	**1 849**		

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

	ASSOCIATE COMPANIES			JOINT VENTURES		
	Investments Rm	**Loans[1] Rm**	**Total Rm**	**Investments Rm**	**Loans Rm**	**Total Rm**
2009						
GROUP						
At beginning of year	**1 816**	**32**	**1 848**		**1**	**1**
Net share of results	**1 776**	**123**	**1 899**			
Per income statement	**1 776**	**122**	**1 898**			
Elimination of intergroup profits		**1**	**1**			
Dividends paid	**(1 752)**		**(1 752)**			
Exchange difference adjustments	**(38)**		**(38)**			
Share of reserve movements	**8**		**8**			
At end of year (refer annexure 2)	**1 810**	**155**	**1 965**		**1**	**1**

	ASSOCIATE COMPANIES			JOINT VENTURES		
	Investments Rm	Loans Rm	Total Rm	Investments 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

	2009 Rm	2008 Rm
Aggregate post-acquisition reserves:		
– associate companies	**1 466**	1 515
– joint ventures	**2 982**	2 525
Total	**4 448**	4 040

[1] *These loans are interest free and have no fixed repayment terms. These loans have been subordinated to other debt until such time that the associate's assets exceed its liabilities.*

	GROUP 2009 Rm	GROUP 2008 Rm	COMPANY 2009 Rm	COMPANY 2008 Rm
15. INVESTMENTS IN SUBSIDIARIES				
Shares at cost less impairment losses			**3 322**	3 290
Indebtedness				
– by subsidiaries			**10 358**	7 895
– to subsidiaries			**(105)**	(626)
Total (refer annexure 3)			**10 253**	7 269
Less: current portion included in trade and other receivables			**(7 012)**	(5 028)
Less: current portion included in trade and other payables			**105**	626
Non-current portion			**3 346**	2 867
			6 668	6 157
16. FINANCIAL ASSETS				
Environmental Rehabilitation Trust asset	**422**	342	**11**	10
Long-term receivables	**420**	488		
Derivatives		360		31
Investments (refer annexure 2)	**375**	387		
	1 217	1 577	**11**	41
For details refer to note 27 on financial instruments.				
17. INVENTORIES				
Finished products	**1 404**	1 022		
Work-in-progress	**659**	467		
Raw materials	**527**	465		
Plant spares and stores	**537**	522		
Merchandise	**6**	5		
	3 133	2 481		

Included above are inventories relating to Exxaro Sands (Pty) Limited, Rosh Pinah Zinc Corporation (Pty) Limited and Exxaro Base Metals (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.

Inventory sold in which delivery is delayed at the buyer's request, but the buyer takes title amounting to Rnil (2008: Rnil).

Included in inventories is Rnil (2008: R86 million) pledged as security for liabilities.

	GROUP		COMPANY	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
18. TRADE AND OTHER RECEIVABLES				
Trade receivables	**2 620**	2 183		
Other receivables	**673**	496	**45**	33
Indebtness by subsidiaries (refer note 15)			**7 012**	5 028
Indebtness by subsidiaries			**10 285**	5 028
Specific allowances for impairment			**(3 273)**	
Derivative instruments (refer note 27.1)	**51**	256	**34**	13
Specific allowances for impairment	**(221)**	(9)	**(1)**	(1)
Collective allowances for impairment	**(2)**	(2)		
	3 121	2 924	**7 090**	5 073
Trade receivables are stated after the following allowances for impairment:				
Specific allowances for impairment				
At beginning of year	**(9)**	(4)	**(1)**	(3)
Impairment loss recognised	**(220)**	(5)	**(3 273)**	
Impairment loss reversals	**3**	4		2
Other reconciling items	**5**	(4)		
At end of year	**(221)**	(9)	**(3 274)**	(1)
Of which relates to:				
Trade receivables	**(217)**	(8)		
Other receivables	**(4)**	(1)	**(1)**	(1)
Subsidiaries			**(3 273)**	
	(221)	(9)	**(3 274)**	(1)
Collective allowances for impairment				
At beginning of year	**(2)**	(3)		
Impairment loss recognised		(1)		
Other reconciling items		2		
At end of year	**(2)**	(2)		
Of which relates to:				
Trade receivables	**(2)**	(2)		
	(2)	(2)		

	GROUP		COMPANY	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
19. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE				
Assets				
Property, plant and equipment	**38**	36		
Financial assets	**17**	15		
Inventories	**8**	8		
Trade and other receivables	**18**	14	**18**	13
Tax receivable	**5**	5		
	86	78	**18**	13
Liabilities				
Non-current provisions	**(28)**	(27)		
Deferred tax liabilities	**(9)**	(7)		
Trade and other payables	**(12)**	(16)		
	(49)	(50)		
Total at end of year	**37**	28	**18**	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	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
20. SHARE CAPITAL				
Share capital at par value				
Authorised				
500 000 000 ordinary shares of R0,01 each	**5**	5	**5**	5
Issued				
356 940 200 (2008: 355 036 600) ordinary shares of R0,01 each	**4**	4	**4**	4
Share premium	**2 314**	2 272	**2 314**	2 272
Shares held by Kumba Resources Management Share Trust and the Exxaro Employee Empowerment Participation Scheme Trust (MPower)	**(177)**	(178)		
Total	**2 141**	2 098	**2 318**	2 276
The Kumba Resources Management Share Trust and the MPower have been consolidated.				
Refer to statement of changes in equity (pages 162 and 163) for details of movements.				
Reconciliation of authorised shares not issued (million)				
Number of authorised unissued ordinary shares at beginning of year	**145**	147	**145**	147
Number of shares repurchased during the year				
Number of shares issued during the year	**(2)**	(2)	**(2)**	(2)
Number of unissued authorised shares at end of year	**143**	145	**143**	145

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, five percent 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 ten percent 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, three percent of the number of shares in issue prior to the repurchases and for each three percent, on a cumulative basis, thereafter;*
   - *that the repurchase of shares shall not, in the aggregate, in any one financial year, exceed 20% of the company's issued share capital at the time this authority is given;*
   - *that at any one time, the company may only appoint one agent to effect any repurchase;*
   - *that the repurchase of shares will not take place during a prohibited period and will not affect compliance with the shareholders' spread requirements as laid down by the JSE; and*
   - *that shares issued by the company may not be acquired at a price greater than 10% above the weighted average traded price of the company's shares for the five business days immediately preceding the date of repurchase.*

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

	GROUP		COMPANY	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
21. INTEREST-BEARING BORROWINGS				
Non-current borrowings				
Summary of loans by financial year of redemption				
2009		500		205
2010	**407**	328	**362**	278
2011	**827**	419	**617**	369
2012	**723**	794	**617**	669
2013	**1 886**	1 611	**1 701**	1 392
2014	**304**	85	**200**	
2015 onwards	**607**	413	**200**	
Total non-current borrowings (refer annexure 1)	**4 754**	4 150	**3 697**	2 913
Current portion included in current liabilities	**(407)**	(500)	**(362)**	(205)
Total	**4 347**	3 650	**3 335**	2 708
Details of interest rates payable on borrowings are shown in annexure 1.				
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	**63**	59		
– more than one year and less than five years	**256**	255		
– more than five years	**3 302**	3 367		
Total	**3 621**	3 681		
Less: Future finance charges	**3 361**	3 428		
Present value of lease liabilities	**260**	253		
Representing lease liabilities:				
– current	**5**	5		
– non-current (more than one year and less than five years)	**13**	17		
– non-current (more than five years)	**242**	231		
Total	**260**	253		

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 contain 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.

At 31 December 2008 Rosh Pinah Corporation (Pty) Limited (Rosh Pinah), a subsidiary in which Exxaro holds 50,0264%, was, however, in breach of certain provisions of a facilities agreement entered into with a number of financial institutions. The breach was waived by the financial institutions conditional upon Rosh Pinah settling the funding obtained by no later than 31 March 2009. The funding was subsequently settled in March 2009. The liability was included in the current portion of non-current borrowings for 2008.

22. PROVISIONS

	Environ-mental rehabili-tation Rm	Decom-missioning Rm	Restruc-turing Rm	Post-retirement medical obligation Rm	Post-retirement defined benefit obligation Rm	Cash-settled share-based payment Rm	Total Rm
GROUP							
2009							
At beginning of year	**1 274**	**395**	**27**	**68**		**3**	**1 767**
Charge to operating expenses	**12**	**(3)**		**7**	**3**	**4**	**23**
Additional provision	**12**	**2**		**7**	**3**	**4**	**28**
Unused amounts reversed		**(5)**					**(5)**
Interest adjustment (refer note 5)	**16**	**8**	**8**	**2**			**34**
Provisions capitalised to property, plant and equipment		**39**					**39**
Increase in joint venture	**30**						**30**
Utilised during year	**(12)**		**(5)**			**(2)**	**(19)**
Exchange differences	**4**	**3**					**7**
Reclassification to non-current assets held for sale	**(1)**						**(1)**
At end of year	**1 323**	**442**	**30**	**77**	**3**	**5**	**1 880**
Current portion included in current liabilities	**(21)**		**(6)**				**(27)**
Total non-current provisions	**1 302**	**442**	**24**	**77**	**3**	**5**	**1 853**
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

22. PROVISIONS (continued)

	Environmental rehabilitation Rm	Decommissioning Rm	Restructuring Rm	Post-retirement medical obligation Rm	Post-retirement defined benefit obligation Rm	Cash-settled share-based payment Rm	Total Rm
COMPANY							
2009							
At beginning of year	**21**					**3**	**24**
Charge to operating expenses						**4**	**4**
Additional provisions						**4**	**4**
Interest adjustment (refer note 5)	**2**						**2**
Utilised during year						**(2)**	**(2)**
Total non-current provisions	**23**					**5**	**28**
2008							
At beginning of year	19					5	24
Charge to operating expenses						4	4
Additional provisions						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

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 R429 million (2008: R349 million) at year-end.

Of this amount R422 million (2008: R342 million) is included in financial assets and R7 million (2008: R7 million) in trade and other receivables of the group. Cash flows will take place when the mines are rehabilitated.

22. PROVISIONS (continued)

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 for Durnacol mine will be completed within the next seven years and for Hlobane mine in the next 16 years.

Post-retirement medical obligation

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

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.

The obligation represents a present value amount, which is actuarially valued on an annual basis. Any surplus or deficit arising from the valuation is recognised in the income statement. The provision is expected to be utilised over the expected lives of the participants of the scheme.

Post-retirement defined benefit obligation

Provision for severance benefits is made in accordance with the Namibian law for the Namibian operations. As the severance benefits are only payable on retirement or the involuntary termination of service from the side of the employer, this is accounted for as a post-retirement service. The plan is a defined benefit obligation. The cost of providing these benefits is determined based on the projected unit credit method and actuarial valuations are performed at every reporting date. The defined benefit obligation presented in the statement of financial position represents the sum of the present value of the obligation less the fair value of plan assets plus/minus any balance of unrecognised actuarial gains or losses, minus any balance of unrecognised past service costs.

The provision is expected to be utilised over the expected lives of the participants of the scheme.

Cash-settled share-based payment

Exxaro offered a cash-settled payment, based on the company's share price performance, to certain individuals who were under an embargo and not entitled to accept share scheme offers, due to their involvement in the empowerment transaction.

The payments will be made over the next five years depending on the share price performance of the company and the contracts of the individuals.

	GROUP		COMPANY	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
23. DEFERRED TAX				
The movement on the deferred tax account is as follows:				
At beginning of year	**174**	345	**(104)**	(97)
Currency revaluation of opening balance	**5**	(7)		
Increase in joint venture	**26**			
Items charged directly to other components of equity				
– current	**(142)**	115	**(9)**	
Transferred to non-current assets held for sale	**(2)**	(7)		
Income statement charge – current (refer note 7)	**297**	(192)	**4**	(9)
– prior	**8**	(68)	**22**	(1)
– rate change		(12)		3
At end of year	**366**	174	**(87)**	(104)

	GROUP		COMPANY	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
23. DEFERRED TAX (continued)				
Comprising:				
Deferred tax liabilities				
– property, plant and equipment	**1 113**	1 154		
– bad debt reassessment	**(46)**	(1)		
– foreign tax losses carried forward		(20)		
– inventories	**6**	(2)		
– leave pay accrual	**(31)**	(30)		
– financial instruments		201		
– provisions	**(6)**	(40)		
– Exxaro Environmental Rehabilitation asset	**86**	81		
– decommissioning provision	**(6)**	(5)		
– share-based payments	**(6)**	2		
– hedge premium	**2**	(1)		
– restoration provision	**(95)**	(77)		
– prepayments	**7**	5		
– unrealised profits	**(25)**	(7)		
– assessed losses	**(4)**	(3)		
	995	1 257		
Deferred tax assets				
– provisions	**(88)**	(1)	**(2)**	(1)
– property, plant and equipment	**137**	399		2
– Exxaro Environmental Rehabilitation asset	**22**	15	**4**	4
– decommissioning provision	**(9)**	(10)		
– income received in advance		(3)		
– financial instruments	**(126)**	(99)		
– share-based payments	**(17)**	4	**(13)**	3
– hedge premium	**(1)**	(4)	**(1)**	(3)
– unrealised foreign exchange profit/(loss)	**98**	(102)		
– restoration provision	**(109)**	(157)	**(6)**	(6)
– inventories	**(3)**			
– bad debt reassessment	**(1)**	(1)		
– lease liability	**(72)**	(70)		
– leave pay accrual	**(13)**	(28)	**(5)**	(8)
– prepayments	**14**	6		
– tax losses carried forward	**(1 017)**	(870)	**(64)**	(95)
– derecognition of deferred tax assets	**822**			
– foreign tax losses carried forward	**(266)**	(162)		
	(629)	(1 083)	**(87)**	(104)
	366	174	**(87)**	(104)
Calculated tax losses				
– Tax losses available for setting off against future South African taxable income	**3 646**	3 118	**229**	339
– Tax losses available for setting off against future foreign taxable income	**950**	650		

The total deferred tax assets raised with regard to assessed losses amount to R465 million (2008: R1 055 million), and are mainly attributable to the Exxaro sands businesses.

The total deferred tax assets not raised amount to R877 million (2008: R100 million).

	GROUP		COMPANY	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
24. TRADE AND OTHER PAYABLES				
Trade payables	**932**	935	**24**	17
Other payables	**1 307**	1 150	**176**	130
Leave pay accrual	**226**	218	**20**	31
Indebtness to subsidiaries (refer note 15)			**105**	626
Derivative instruments (refer note 27.1)	**45**	63	**34**	13
	2 510	2 366	**359**	817
25. NOTES TO THE CASH FLOW STATEMENT				
25.1 CASH GENERATED BY/(UTILISED IN) OPERATIONS				
Net operating profit/(loss)	**304**	2 467	**(3 311)**	1 673
Adjusted for non-cash movements				
– liquidation dividend		1		
– depreciation and amortisation	**1 136**	898	**34**	15
– impairment charges and reversals	**1 435**	20		(1)
– impairment charges and reversal of trade and other receivables	**217**		**3 273**	
– provisions	**23**	236	**3**	4
– exploration cost		40		
– foreign exchange revaluations and fair value adjustments	**2**	(10)	**7**	(6)
– reconditionable spares usage	**4**	1		
– net loss on disposal or scrapping of property, plant and equipment	**84**	65		5
– net profit on disposal of investments		(7)		(1 726)
– share-based payment expenses	**83**	81	**30**	37
	3 288	3 792	**36**	1
Working capital movements				
– increase in inventories	**(643)**	(513)		
– increase in trade and other receivables	**(612)**	(471)	**(365)**	(691)
– increase/(decrease) in trade and other payables	**103**	790	**(457)**	556
– utilisation of provisions (refer note 22)	**(19)**	(24)	**(2)**	(6)
Cash generated by/(utilised in) operations	**2 117**	3 574	**(788)**	(140)
25.2 NET FINANCING COSTS				
Net financing costs	**(415)**	(241)	**(339)**	(119)
Financing costs not involving cash flow (refer note 22)	**34**	48	**2**	2
	(381)	(193)	**(337)**	(117)

	Group 2009 Rm	Group 2008 Rm	Company 2009 Rm	Company 2008 Rm
25. NOTES TO THE CASH FLOW STATEMENT (continued)				
25.3 NORMAL TAXATION PAID				
Amounts (unpaid)/receivable at beginning of year	**(433)**	(137)	**(10)**	8
Amounts charged to the income statements	**(461)**	(782)	**24**	
Arising on translation of foreign entities	**2**	(1)		
Amounts unpaid/(receivable) at end of year		433	**(14)**	10
	(892)	(487)		18
25.4 DIVIDENDS PAID				
Amounts unpaid at beginning of year				
Dividends declared and paid	**(1 050)**	(957)	**(1 066)**	(973)
Dividends declared and paid by subsidiaries to minorities		(27)		
Amounts unpaid at end of year				
	(1 050)	(984)	**(1 066)**	(973)
25.5 INVESTMENTS TO MAINTAIN OPERATIONS				
Replacement of property, plant and equipment	**(960)**	(1 119)	**(88)**	(61)
Reconditional spares	**(32)**	(28)		
	(992)	(1 147)	**(88)**	(61)
25.6 INVESTMENTS TO EXPAND OPERATIONS				
Expansion and new technology	**(990)**	(470)		(2)
	(990)	(470)		(2)
25.7 INVESTMENT IN OTHER NON-CURRENT ASSETS				
Increase in associates, joint ventures and other investments	**(1 082)**			
Increase in investments in subsidiaries			**(795)**	(49)
(Increase)/decrease in non-current financial assets	**(8)**	(179)		(1)
	(1 090)	(179)	**(795)**	(50)
Increase in investment in joint venture				
During July 2009, the group invested R1 082 million in Mafube Coal Mining (Pty) Limited, its joint venture with Anglo South Africa Capital (Pty) Limited, which is included in the coal segment results.				
The increase consists of the following:				
Property, plant and equipment	**1 156**			
Non-current financial assets	**3**			
Inventories	**36**			
Trade and other debtors	**49**			
Deferred tax	**(26)**			
Provisions	**(30)**			
Trade and other payables	**(106)**			
	1 082			

	GROUP		COMPANY	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
25. NOTES TO THE CASH FLOW STATEMENT (continued)				
25.8 INCOME FROM EQUITY-ACCOUNTED INVESTMENTS				
Income from equity-accounted investments as per income statement	**1 898**	1 663		
Dividends received from equity-accounted investments	**1 752**	1 042		
Non-cash flow income from equity-accounted investments	**(1 898)**	(1 663)		
	1 752	1 042		
25.9 INCOME FROM INVESTMENTS				
Income from investments as per income statement	**2**	2	**6 731**	1 319
Non-cash flow dividends in specie received from subsidiary			**(4 600)**	
	2	2	**2 131**	1 319
25.10 FOREIGN CURRENCY TRANSLATION RESERVE				
At beginning of year	**964**	527	**(3)**	
Closing balance	**802**	964		(3)
Movement	**(162)**	437	**3**	(3)
Unrealised (losses)/profits in relation to foreign transactions	**(48)**	84	**(3)**	1
Revaluation of non-current loans	**(172)**	(199)	**4**	
Less: Arising on translation of foreign entities:	**(294)**	377	**3**	(3)
– inventories	**(20)**	51		
– trade and other receivables	**(30)**	71		
– financial assets		(5)		
– trade and other payables	**(8)**	(10)		
– utilisation of provision	**(5)**	(12)		
– taxation paid	**(1)**	10		1
– property, plant and equipment acquired	**43**	124		
– intangible assets	**2**	6		
– investments acquired	**(30)**	72		
– non-current loans	**(123)**	282	**3**	(4)
– minority loans	**1**			
– share capital	**(123)**	(212)		
	(88)	(55)	**1**	1
25.11 TRANSLATION OF FOREIGN CASH AND CASH EQUIVALENTS				
Translation differences on cash and cash equivalents	**67**	32		

26. OTHER COMPREHENSIVE INCOME

	2009 Before-tax amount Rm	2009 Tax Rm	2009 Net-of-tax amount Rm	2008 Before-tax amount Rm	2008 Tax Rm	2008 Net-of-tax amount Rm
GROUP						
Exchange differences on translating foreign operations	**(35)**	**(62)**	**(97)**	193	57	250
Currency translation differences	**(35)**	**(62)**	**(97)**	215	57	272
– *Less*: Reclassification adjustments for exchange differences realised on liquidation of subsidiaries				22		22
Share of other comprehensive income of associates	**8**		**8**	187		187
Share-based payments movements	**118**	**15**	**133**	92		92
Financial instruments fair value movements recognised in equity on cash flow hedges:	**(474)**	**189**	**(285)**	520	(172)	348
(Losses)/gains arising during the year	**(474)**	**189**	**(285)**	520	(172)	348
	(383)	**142**	**(241)**	992	(115)	877
COMPANY						
Currency translation differences	**3**		**3**	(3)		(3)
Share-based payments movement	**83**	**9**	**92**	66		66
	86	**9**	**95**	63		63

27. FINANCIAL INSTRUMENTS

27.1 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		
2009		
ASSETS		
Non-current assets		
Property, plant and equipment		
Biological assets		
Intangible assets		
Investments in associates and joint ventures		
Deferred tax		
Financial assets, consisting of:		**429**
– Exxaro Environmental Rehabilitation Trust asset		**422**
– Richards Bay Coal Terminal (RBCT)		
– Ndzalama game reserve		**7**
– Long-term receivables		
Total non-current assets		**429**
Current assets		
Inventories		
Trade and other receivables		
Tax receivable		
Derivative financial instruments	**51**	
Cash and cash equivalents		
Total current assets	**51**	
Non-current assets classified as held for sale		**17**
Total assets	**51**	**446**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital		
Non-distributable reserves		
Retained earnings/(loss)		
Equity attributable to equity holders of the parent		
Minority interest		
Total equity		
Non-current liabilities		
Interest-bearing borrowings		**153**
Non-current provisions		
Derivative financial instruments	**75**	
Deferred tax		
Total financial non-current liabilities	**75**	**153**
Current liabilities		
Trade and other payables		
Derivative financial instruments	**45**	
Interest-bearing borrowings		**28**
Tax		
Current provisions		
Total current liabilities	**45**	**28**
Non-current liabilities classified as held for sale		
Total liabilities	**120**	**181**

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	Maximum exposure of the carrying amount to credit risk Rm
				11 869	11 869		
				41	41		
				87	87		
				1 966	1 966		
				629	629		
	420	368			1 217	1 217	1 217
					422	422	422
		368			368	368	368
					7	7	7
	420				420	420	420
	420	368		14 592	15 809		
				3 133	3 133		
	2 649			421	3 070	2 649	2 649
				57	57	57	57
					51	51	51
	1 023				1 023	1 023	1 023
	3 673			3 611	7 334		
	23			47	86	40	40
	4 116	368		18 249	23 229		
				2 141	2 141		
				2 046	2 046		
				8 721	8 721		
				12 908	12 908		
				1	1		
				12 909	12 909		
			3 983	211	4 347	4 136	
				1 853	1 853		
					75	75	
				995	995		
			3 983	3 059	7 270		
			2 373	92	2 465	2 373	
					45	45	
			330	49	407	330	
				57	57	57	
				27	27		
			2 703	225	3 001		
			12	37	49	12	
			6 698	16 231	23 229		

27. FINANCIAL INSTRUMENTS (continued)

27.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS (continued)

	At fair value through profit or loss	
	Held for trading Rm	Designated Rm
GROUP		
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		
Tax receivable		
Derivative financial instruments	256	
Cash and cash equivalents		
Total current assets	256	
Non-current assets classified as held for sale		15
Total assets	616	363
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital		
Non-distributable reserves		
Retained earnings		
Equity attributable to equity holders 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
Tax		
Current provisions		
Total current liabilities	63	123
Non-current liabilities classified as held for sale		
Total liabilities	94	250

As disclosed in the table above, financial liabilities with a carrying amount and fair value of R181 million (2008: R250 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 2009 was the same as the contractual amount at maturity date for the year ended 31 December 2009 (2008: 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	Maximum exposure of the carrying amount to credit risk Rm
					11 309	11 309		
					34	34		
					79	79		
					1 849	1 849		
					1 083	1 083		
		488	381			1 577	1 577	1 577
						342	342	342
			351			351	351	351
			25			25	25	25
			5			5	5	5
						6	6	6
						360	360	360
		488				488	488	488
		488	381		14 354	15 931		
					2 481	2 481		
		2 668				2 668	2 688	2 688
		2				2	2	2
						256	256	256
		1 769				1 769	1 769	1 769
		4 439			2 481	7 176		
		19			44	78	34	34
		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		
					1 746	1 746		
						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	25	3 327		
					50	50		
				6 390	16 451	23 185		

27. FINANCIAL INSTRUMENTS (continued)

27.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS (continued)

	At fair value through profit or loss	
	Held for trading Rm	Designated Rm
COMPANY		
2009		
ASSETS		
Non-current assets		
Property, plant and equipment		
Intangible assets		
Investments in associates and joint ventures		
Investments in subsidiaries		
Deferred tax		
Financial assets, consisting of:		11
– Exxaro Environmental Rehabilitation Trust asset		11
– Derivatives		
Total non-current assets		11
Current assets		
Trade and other receivables		
Derivative financial instruments	34	
Tax receivable		
Cash and cash equivalents		
Total current assets	34	
Non-current assets classified as held for sale		
Total assets	34	11
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital		
Non-distributable reserves		
Retained earnings/(loss)		
Equity attributable to equity holders of the parent		
Total equity		
Non-current liabilities		
Interest-bearing borrowings		
Derivatives		
Non-current provisions		
Total financial non-current liabilities		
Current liabilities		
Trade and other payables		
Derivative financial instruments	34	
Interest-bearing borrowings		
Total current liabilities	34	
Total equity and liabilities	34	

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	Maximum exposure of the carrying amount to credit risk Rm
				240	240		
				10	10		
	3 346			3 322	6 668	3 346	3 346
				87	87		
					11	11	11
					11	11	11
	3 346			3 658	7 016	11	11
	7 056				7 056	7 056	7 056
					34	34	34
				14	14	14	14
	343				343	343	343
	7 399				7 447		
				18	18		
	10 745			3 676	14 481		
				2 318	2 318		
				1 041	1 041		
				7 038	7 038		
				10 396	10 397		
				10 396	10 397		
			3 335		3 335	3 335	
				28	28		
			3 335	28	3 363		
			301	24	325	325	
					34	34	
			362		362	362	
			663	24	721		
			3 998	10 448	14 481		

27. FINANCIAL INSTRUMENTS (continued)

27.1 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		
Intercompany loans debits		
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		
Tax receivable		
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		
Total equity		
Non-current liabilities		
Interest-bearing borrowings		
Derivative financial instruments	31	
Non-current provisions		
Total financial non-current liabilities	31	
Current liabilities		
Trade and other payables		
Interest-bearing borrowings		
Current tax payable		
Derivative instruments	13	
Total current liabilities	13	
Total liabilities	44	

As disclosed in the table above, there were no financial liabilities designated at fair value through profit or loss as at 31 December 2009 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	Maximum exposure of the carrying amount to credit risk Rm
				176	176		
	2 867			3 290	6 157	2 867	2 867
				104	104		
					41	41	41
					10	10	10
					31	31	31
	2 867			3 570	6 478		
	5 060				5 060	5 060	5 060
					13	13	13
	478				478	478	478
	5 538				5 551		
	13				13	13	13
	8 418			3 570	12 042		
				2 276	2 276		
				946	946		
				5 025	5 025		
				8 247	8 247		
			2 708		2 708	2 708	
					31	31	
				24	24		
			2 708	24	2 763		
			804		804	804	
			205		205	205	
			10		10	10	
					13		
			1 019		1 032		
			3 727	8 271	12 042		

27. FINANCIAL INSTRUMENTS (continued)

27.1 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 activities.

The EERF receives, holds and invests funds contributed by the Exxaro group of companies for the rehabilitation or management of negative environmental impacts associated with mining and exploration activities. The EERF receives, holds and invests funds contributed by the Exxaro mining operations, which contributions are aimed at providing for sufficient funds at date of estimated closure of mining activities to address the rehabilitation and environmental impacts.

The trustees of the fund are appointed by Exxaro and consist of sufficiently qualified Exxaro employees capable of fulfilling their fiduciary duties.

The funds are invested by Exxaro's in-house treasury department with reputable financial institutions in accordance with a strict mandate to ensure capital preservation and real growth.

Funds accumulated for a specific mine or exploration project can only be utilised for the rehabilitation and environmental impacts of that specific mine or project.

If a mine or exploration project withdraws from the fund for whatever valid reason, the funds accumulated for such mine or exploration project are transferred to a similar fund approved by the Commissioner of South African Revenue Services. The fund can not be closed down without the permission of the Commissioner of the South African Revenue Services. R67 million (2008: R143 million) of the investments designated at fair value through profit or loss and the EERF are equity investments listed on the JSE Limited.

Included in the long-term receivables is an amount of R420 million (2008: R481 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 Rnil (2008: R1,1 million) after tax; an equal change in the opposite direction would have decreased equity by Rnil (2008: R1,1 million). The impact on profit or loss would have been an increase or decrease of Rnil (2008: R1 million) after tax. The analysis has been performed on the same basis for 2008.

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

27. FINANCIAL INSTRUMENTS (continued)

27.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS (continued)

FAIR VALUES

Fair value hierarchy level

Financial assets and liabilities at fair value have been categorised in the following hierarchy structure:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 – Inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the asset/liability.

Level 3 – Inputs for the asset/liability that are not based on observable market data (unobservable inputs).

Description	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
GROUP				
2009				
Financial assets held for trading at fair value through profit or loss	51		51	
– Current derivatives	51		51	
Financial assets designated as at fair value through profit or loss	429	422		7
– Exxaro Environmental Rehabilitation Trust	422	422		
– Ndzalama game reserve	7			7
Available-for-sale financial assets	368			368
– Richards Bay Coal Terminal	368			368
Financial liabilities held for trading at fair value through profit or loss	120		120	
– Non-current derivatives	75		75	
– Current derivatives	45		45	
Financial liabilities designated as at fair value through profit or loss	181		181	
– Non-current interest-bearing borrowings	153		153	
– Current interest-bearing borrowings	28		28	
Total	1 148	422	351	375

Reconciliation of Level 3 hierarchy	Ndzalama game reserve Rm	Richards Bay Coal Terminal Rm	Igoda Rm	Mafube Rm
Opening balance	6	351	25	5
Movement during the year				
Total gains or losses for the period recognised in profit or loss	1			
Purchases		50		
Sales			(25)	
Transfers out of Level 3		(33)		(5)
Closing balance	7	368		

27. FINANCIAL INSTRUMENTS (continued)

27.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS (continued)

FAIR VALUES

Description	Fair value Rm	Level 1 Rm	Level 2 Rm	Level 3 Rm
COMPANY				
2009				
Financial assets held for trading at fair value through profit or loss	34		34	
– Current derivatives	34		34	
Financial assets designated as at fair value through profit or loss				
– Exxaro Environmental Rehabilitation Trust	11	11		

At 31 December 2009 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 2009 and 2008, 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 2009 or 2008.

For the financial year ended 31 December 2009, the investment in Richards Bay Coal Terminal (RBCT) had no active market available. RBCT is the largest single export coal terminal in the world and is situated in Richards Bay. It is a 24-hour shipment/export operation. Exxaro acquired 8 662 shares (1,20% stake) in RBCT through the merger of the former Eyesizwe (Pty) Limited and Kumba Resources Limited which was valued at R2 million on 1 November 2006. Additional 10 000 shares were acquired in RBCT on 30 June 2008 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 (SDCT) also holds an investment in RBCT, of which Exxaro Coal (a 100% subsidiary of Exxaro Resources Limited) holds 33% in SDCT, with the effective value of R186 million at 31 December 2009 (2008: R136 million). All this, coupled with minor wharfage expenses, results in the overall investment in RBCT with a carrying value of R401 million (2008: R351 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 can not 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 eg 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 R401 million (2008: R351 million).

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

27.2 RECLASSIFICATION OF FINANCIAL ASSETS

No reclassification of financial assets occurred during the period.

27. FINANCIAL INSTRUMENTS (continued)

27.3 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	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Effective portion of change in fair value of cash flow hedge	**(256)**	256		
Amount removed from equity and included in initial carrying amount or cost of non-financial asset				
	(256)	256		

The above amounts are all included in the hedging reserve.

27.4 RISK MANAGEMENT

27.4.1 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 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 board audit committee.

The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The group enters into financial instruments to manage and reduce the possible adverse impact on earnings 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 committee.

27.4.2 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 27.4.2.1 below), commodity prices (see 27.4.2.2 below) and interest rates (see 27.4.2.3 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
- Forward exchange contracts to hedge the commodity prices arising on the export of zinc and lead.

27.4.2.1 Foreign currency risk management

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

The currency in which transactions are entered into is mainly denominated in US dollars (USD), euros, and Australian dollars (AUD). Exchange rate exposures are managed within approved policy parameters utilising 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 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.

27. FINANCIAL INSTRUMENTS (continued)

27.4 RISK MANAGEMENT (continued)

27.4.2 Market risk management (continued)

27.4.2.1 Foreign currency risk management (continued)

Uncovered foreign debtors at 31 December 2009 amount to US$142 million (2008: US$65 million), whereas uncovered cash and cash equivalents amount to R40 million (2008: R53 million). All capital imports were fully hedged. There were no imports (other than capital imports) which were not fully hedged during both 2009 and 2008. Monetary items have been translated at the closing rate at the last day of the reporting period US$1: R7,40 (2008: US$1: R9,36).

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 gains amounting to Rnil (2008: R9 million), 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, were recognised in equity as hedge accounting was applied.

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

	Average spot rate	Average achieved rate	Closing spot rate
2009			
United States dollar	**8,39**	**7,48**	**7,40**
Euro	**11,63**	**10,90**	**10,64**
Australian dollar	**6,60**	**6,77**	**6,64**
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

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 2009 and 31 December 2008, are summarised as follows:

	Market-related value Rm	Foreign amount million	Contract value Rm	Recognised fair value profits/(losses) Rm
GROUP				
2009				
Exports				
United States dollar – FECs	**164**	**22**	**175**	**11**
2008				
Exports				
United States dollar – FECs	47	5	53	6

27. FINANCIAL INSTRUMENTS (continued)

27.4 RISK MANAGEMENT (continued)

27.4.2 **Market risk management** (continued)

27.4.2.1 **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 2009 and 31 December 2008 are as follows:

	Market-related value Rm	Foreign currency million	Contract value Rm	Recognised fair value in equity Rm
GROUP				
2009				
Imports				
United States dollar – FECs				
Less than three months	12	3	10	1
Six months	2		3	
Total	14	3	13	1
Euro – FECs				
Less than three months	11	1	10	1
Three months	2		2	
Total	13	1	12	1
Exports				
United States dollar – FECs				
Less than three months	133	18	135	(2)
United States dollar – Note holders loan				
One year	12	2	12	
> three years	432	58	432	
Total	577	78	579	(2)

Note: In respect of a US$60 million (2008: 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.

27. FINANCIAL INSTRUMENTS (continued)

27.4 RISK MANAGEMENT (continued)

27.4.2 Market risk management (continued)

27.4.2.1 Foreign currency risk management (continued)

Cash flow hedges – foreign currency risk (continued)

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

	2010 Rm	2011 Rm	>2011 Rm	Total Rm
Expected future cash flows				
– United States dollar – FECs	**135**			**135**
– Euro – FECs	**12**			**12**
– United States dollar – Note holders loan		**12**	**432**	**444**
Expected gain/(loss) in profit or loss (at maturity)				
– United States dollar – FECs	**(2)**			**(2)**
– Euro – FECs	**1**			**1**
– United States dollar – Note holders loan				

	Market-related value Rm	Foreign currency million	Contract value Rm	Recognised fair value in equity Rm
GROUP				
2008				
Imports				
United States dollar – FECs				
Less than three months	3		3	
Three months	1		1	
Total	4		4	
Euro – FECs				
Less than three months	18	1	19	(1)
Total	18	1	19	(1)
Exports				
United States dollar – Note holders loan				
Less than three months	75	8	57	(18)
Three months	56	6	44	(12)
Six months	37	4	41	4
United States dollar – Note holders loan				
> three years	561	60	552	(9)
Attributable to tax				3
Total	730	78	694	(32)

Note: In respect of a US$60 million (2008: 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.

27. FINANCIAL INSTRUMENTS (continued)

27.5 RISK MANAGEMENT (continued)

27.4.2 Market risk management (continued)

27.4.2.1 Foreign currency risk management (continued)

Cash flow hedges – foreign currency risk (continued)

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

	2009 Rm	2009 Rm	> 2009 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)
– Canadian dollar – FECs				
– United States dollar – Note holders loan			(9)	(9)

	Market-related value Rm	**Foreign currency million**	**Contract value Rm**	**Recognised fair value in equity Rm**
COMPANY				
2009				
Imports				
Euro – FECs				
Less than three months	**1**		**1**	
Total	**1**		**1**	

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

	2009 Rm	**2010 Rm**	**2011 Rm**	**Total Rm**
Expected future cash flows				
– United States dollar – FECs				
– Euro – FECs		**1**		**1**

27. FINANCIAL INSTRUMENTS (continued)

27.4 RISK MANAGEMENT (continued)

27.4.2 Market risk management (continued)

27.4.2.1 Foreign currency risk management (continued)

Cash flow hedges – foreign currency risk (continued)

	Market-related value Rm	Foreign currency million	Contract value Rm	Recog-nised fair value in equity Rm
COMPANY				
2008				
Imports				
United States dollar – FECs				
Less than three months	1	0,1	1	
Total	1	0,1	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 while 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$1) represents a weakening of the rand against the US$, which results in a loss incurred of R0,40.

The opposite applies for a decrease in the exchange rate.

	PROFIT OR LOSS		EQUITY	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
GROUP				
United States dollar	**167**	248	**(28)**	(4)
Euro				
COMPANY				
United States dollar	**17**	115		

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 R11,0:€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.

27. FINANCIAL INSTRUMENTS (continued)

27.4 RISK MANAGEMENT (continued)

27.4.2 Market risk management (continued)

27.4.2.2 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 2009 the net fair value of commodity derivatives reflected a R87 million loss (2008: R583 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 R13 million (2008: R21 million).

Prices for future purchases and sales of goods and services are generally established on normal commercial terms through agents or directly 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 2008.

There is no impact on the profit or loss for both 2009 and 2008.

	PROFIT OR LOSS		EQUITY	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Lead			**(2)**	(3)
Zinc			**(11)**	(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
2009					
Recognised transactions					
Lead					
Price	**10 675**	**138**	**20**	**186**	**(48)**
Currency		**158**	**20**	**186**	**28**
Zinc					
Price	**53 100**	**1 237**	**114**	**1 056**	**(181)**
Currency		**1 070**	**85**	**1 185**	**115**
Attributable to:					
– tax					**(18)**
– minority shareholders					**(9)**
		2 603	**239**	**2 613**	**(113)**

27. FINANCIAL INSTRUMENTS (continued)

27.4 RISK MANAGEMENT (continued)

27.4.2 Market risk management (continued)

27.4.2.2 Commodity risk management

Cash flow hedges – commodity risk (continued)

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

	2010 Rm	2011 Rm	Total Rm
Expected future cash outflows			
Lead	**162**	**210**	**372**
Zinc	**917**	**931**	**1 848**

	Tons	Market-related value Rm	Foreign currency million	Contract value Rm	Recognised 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	416
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 Rm	2010 Rm	2011 Rm	2012 Rm	Total Rm
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	**20**	**16**	**39**	**7**	**82**
Zinc	**181**	**174**	**138**	**9**	**501**

27. FINANCIAL INSTRUMENTS (continued)

27.4 RISK MANAGEMENT (continued)

27.4.2 Market risk management (continued)

27.4.2.3 Interest rate risk management

The group is exposed to interest rate risk as it borrows and deposits funds at both fixed and floating interest rates on the money market. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings taking into account future interest rate expectations. The risk is also managed by entering into interest rate swaps. The financial institutions chosen are subject to compliance with the relevant regulatory bodies. A proportion of term through borrowings 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 2009				
Term borrowings (under the IFRS 7 scope)	**3 790**		**704**	**4 494**
% of total borrowings	**100**			**100**
At 31 December 2008				
Term borrowings (under the IFRS 7 scope)	3 336		561	3 897
% of total borrowings	86		14	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 Rm	Floating interest payable %	Floating interest receivable %	Fixed interest payable %	Fixed interest receivable	Recog-nised fair value gain/(loss) Rm
At 31 December 2009						
Local						
Interest rate derivatives beyond one year: – Interest rate swaps	**675**		**3m Jibar**	**11,1**		**(13)**
At 31 December 2008						
Local						
Interest rate derivatives beyond one year: – Interest rate swaps	675		3m Jibar	11,1		2

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

	Increase of 50 basis points in interest rate		Decrease of 50 basis points in interest rate	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Profit/(loss)	**(18)**	(16)	**18**	16

27. FINANCIAL INSTRUMENTS (continued)

27.4 RISK MANAGEMENT (continued)

27.4.3 Liquidity risk management

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

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

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

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

Financial guarantees are included within other liabilities.

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

	GROUP	
	2009 Rm	2008 Rm
Amount approved	**16 136**	16 245
Total borrowings	**4 754**	4 150
Unutilised borrowing capacity	**11 382**	12 095

The group's capital base, the borrowing powers of the company and the group were set at 125% of shareholders' funds for both the 2009 and 2008 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.

27. FINANCIAL INSTRUMENTS (continued)

27.4 RISK MANAGEMENT (continued)

27.4.3 Liquidity risk management (continued)

Maturity profile of financial instruments

The following table details the group's contractual maturities of financial liabilities:

	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
GROUP						
2009						
Financial assets						
Exxaro Environmental Rehabilitation Trust asset	439	439		11	108	320
Richards Bay Coal Terminal (RBCT)	368	368		33	99	235
Ndzalama game reserve	7	7			7	
Derivatives	51	51	51			
Long-term receivables	420	420				420
Trade and other receivables	2 673	2 673	2 673			
Cash and cash equivalents	1 023	1 023	1 023			
	4 980	4 980	3 746	44	214	975
Percentage profile (%)	100	100	75	1	4	20
Financial liabilities						
Interest-bearing borrowings	4 494	4 494	407	742	3 345	
Trade and other payables	2 385	2 385	2 385			
Derivatives	120	120	45	75		
	6 999	6 999	2 832	817	3 350	
Percentage profile (%)	100	100	40	12	48	
Derivative financial liabilities (included in the above)						
Foreign exchange forward contracts used for hedging						
– Sell (rand inflow)	175					
Other forward exchange contracts						
– Buy (rand outflow)	24					

27. FINANCIAL INSTRUMENTS (continued)

27.4 RISK MANAGEMENT (continued)

27.4.3 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
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
Long-term receivables	488	488			1	487
Trade and other receivables	2 668	2 668	2 668			
Tax receivable	2	2	2			
Derivatives	616	616	220	363	33	
Cash and cash equivalents	1 769	1 769	1 769			
Non-current assets held for sale	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	53					
Other forward exchange contracts						
– Buy	23					

27. FINANCIAL INSTRUMENTS (continued)

27.4 RISK MANAGEMENT (continued)

27.4.3 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						
2009						
Financial assets						
Exxaro Environmental Rehabilitation Trust asset	11	11			11	
Trade and other receivables	10 402	10 402	10 402			
Derivative financial instruments	34	34	34			
Cash and cash equivalents	343	343	343			
	10 791	10 791	10 779		11	
Percentage profile (%)	100	100	99,9		0,1	
Financial liabilities						
Interest-bearing borrowings	3 697	3 697	362	619	2 716	
Trade and other payables	301	301	301			
Derivatives	32	32	32			
	4 030	4 030	695	619	2 716	
Percentage profile (%)	100	100	17	16	67	
Derivative financial liabilities (included in the above)						
Foreign exchange forward contracts used for hedging						
– Buy	1					

27. FINANCIAL INSTRUMENTS (continued)

27.4 RISK MANAGEMENT (continued)

27.4.3 Liquidity risk management (continued)

			Maturity			
	Carrying amount Rm	Con-tractual cash flows Rm	0 – 12 months	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	7 927	7 927	7 927			
Derivatives	44	44	13		31	
Cash and cash equivalents	478	478	478			
Non-current assets held for sale	13	13	13			
	8 472	8 472	8 431		41	
Percentage profile (%)	100	100	99		1	
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		
Taxation	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	1					

27.4.4 Credit risk management

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

The group limits its counterparty exposure arising from money market and derivative instruments by only dealing with well-established financial institutions of high credit standing. The group exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread among 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.

27. FINANCIAL INSTRUMENTS (continued)

27.4 RISK MANAGEMENT (continued)

27.4.4 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 is as follows:

	GROUP		COMPANY	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Cumulative		(2)		
Current financial year		(8)		

Exposure to credit risk

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

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

Detail of the trade receivables credit risk exposure:

	GROUP		COMPANY	
	2009 %	2008 %	**2009 %**	2008 %
By industry				
Manufacturing (including structural metal and steel)	**25**	53		
Public utilities	**32**	23		
Other	**43**	24		
	100	100		
By geographical area				
South Africa	**41**	47		
Asia	**9**	15		
Europe	**21**	22		
USA	**15**	14		
Other	**14**	2		
	100	100		

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

27. FINANCIAL INSTRUMENTS (continued)

27.4 RISK MANAGEMENT (continued)

27.4.4 Credit risk management (continued)

Exposure to credit risk (continued)

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

	GROUP		COMPANY	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Guarantee provided by banks to secure financing				
The carrying amount of the financial assets at reporting date was:				
Neither past due nor impaired	**4 978**	6 257	**10 791**	8 472
– trade and other receivables	**2 671**	2 619	**10 402**	32
– other financial assets	**1 217**	1 217	**12**	10
– intercompany loan debits				7 895
– derivative financial instruments	**51**	616	**34**	44
– tax receivable		2		
– non-current assets held for sale	**17**	34		13
– cash and cash equivalents	**1 023**	1 769	**343**	478
Past due	**1**	49		
– trade and other receivables	**1**	49		
Total financial assets	**4 980**	6 306	**10 791**	8 472
Impaired				
– trade and other receivables	**233**	16	**3 289**	16
Financial assets including impaired receivables	**5 213**	6 322	**14 080**	8 488

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 2009 or 2008 reporting periods.

	GROUP		COMPANY	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Trade and other receivables age analysis				
Past due but not impaired				
One – 30 days overdue	**1**	28		
31 – 60 days overdue		15		
61 – 90 days overdue	**1**	4		
>90 days overdue		7		
Total carrying amount of financial instruments past due but not impaired	**2**	54		
Past due and impaired				
>90 days overdue		(5)		
Total carrying amount of financial instruments past due and impaired	**233**	(5)	**3 289**	16
Total carrying amount of financial instruments past due or impaired	**235**	49	**3 289**	16

27. FINANCIAL INSTRUMENTS (continued)

27.4 RISK MANAGEMENT (continued)

27.4.4 Credit risk management (continued)

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

No collateral was held by the Exxaro group as security and other enhancement over the financial assets during the years ended 31 December 2009 or 2008.

Loans and receivables designated at fair value through profit or loss.

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

Collateral

The group may require collateral in respect of the credit risk on derivative transactions with a third party. The amount of credit risk is the positive fair value of the contract.

Collateral may be in the form of cash or in the form of a lien over a debtor's assets, entitling the group to make a claim for current and future liabilities.

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

The carrying value of financial assets that may be repledged or resold by counterparties is as follows:

	GROUP		COMPANY	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Non-current other financial assets		360		
Trade and other receivables	**41**	272		
Cash and cash equivalents	**45**	102		
	86	734		

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

No financial assets were repledged during the year under review for collateral purposes.

Guarantees

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

There were no guarantees provided by banks to secure financing during the financial years ended 31 December 2009 or 2008.

For all other guarantees, refer to note 31 on contingent liabilities.

27.4.5 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.

28. 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 while 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 2009 or 2008.

	2009		2008	
	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	**10**	**48**	3	65
– group purchases of goods and services	**311**	**164**	5	34
The outstanding balances at year-end are as follows:				
– included in trade and other receivables (refer note 18)	**38**	**1**	1	2
– included in trade and other payables (refer note 24)	**79**	**28**	22	9
– included in cash and cash equivalents (refer annexure 2)	**223**		217	
– included in financial assets (refer note 16 and annexure 2)	**162**		135	

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:

	2009 Rm	2008 Rm
Exxaro Coal (Pty) Limited	**189**	145
Exxaro Base Metals (Pty) Limited	**38**	46
Exxaro Sands (Pty) Limited	**36**	40
	263	231

Special purpose entities

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

Entity	**Nature of business**
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[1]
Exxaro Chairman's Fund	Local social economic development[1]
Exxaro People Development Initiative	Local social economic development – bridging classes[1]
Kumba Resources Management Share Trust	Management share incentive trust

[1] *Non-profit organisations.*

28. RELATED PARTY TRANSACTIONS (continued)

Directors

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

Senior employees

Details relating to option and share transactions are disclosed in note 30.

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 148 and 149 for details on directors' remuneration.

For the group, for 2009 and 2008, the executive committee has been identified as being key management personnel.

	2009 Rm	2008 Rm
Short-term employee benefits	34	47
Termination benefits		9
Share-based payments – related expense	7	7
Total compensation paid to key management personnel	41	63

Shareholders

The principal shareholders of the company at 31 December 2009 are detailed in the "Analysis of Shareholders" schedule on page 79 and 80 of the annual report.

Contingent liabilities

Details are disclosed in note 31.

29. OPERATING SEGMENTS

Information regarding the group's reportable segments is presented below.

Analysis of the group's profit or losses and assets and liabilities by reportable segment:

	Coal			
	Tied operations		Commercial operations	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Segment profit or loss				
Segment revenue				
Total revenue	**2 681**	2 492	**7 050**	6 548
Intersegmental				
External	**2 681**	2 492	**7 050**	6 548
Segment net operating profit/(loss)	**75**	83	**1 830**	2 571
Interest income (external)	**2**	1	**67**	30
Interest expense			**31**	35
Interest adjustment on non-current provisions (refer note 22)	**(60)**	(38)	**61**	54
Depreciation and amortisation of intangible assets	**42**	42	**467**	370
Impairment charge and reversals				21
Income tax expense/(income)	**(42)**	33	**478**	705
Net surplus on disposal of investment				
Other non-cash flow items not disclosed above	**22**	111	**185**	71
Cash inflow from operations	**139**	237	**2 482**	3 033
Cash generated by operations	**177**	199	**1 943**	2 780
Income/(loss) from equity-accounted investments				
Capital expenditure			**924**	740
Segment assets and liabilities				
Deferred tax assets			**22**	2
Assets (external excluding deferred tax)	**623**	1 491	**8 566**	5 836
Investments in associates (equity accounted)				
Total assets	**623**	1 491	**8 588**	5 838
Liabilities (external)	**816**	795	**1 606**	1 486
Deferred tax liabilities	**60**	133	**899**	763
Current tax payable	**5**	22	**20**	409
Total liabilities	**881**	950	**2 525**	2 658
Additions in non-current assets[1]			**2 006**	740

[1] *Excluding financial instruments, deferred tax, post-employment benefit assets, intercompany loans, investments in subsidiaries.*

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 revenue (15% and 31% (2008: 20% and 28%)). The total amount of revenue from these two customers was R2 249 million and R4 643 million respectively (2008: R2 626 million and R3 800 million respectively).

Mineral sands						Base metals						Other		Total	
KZN Sands		Namakwa Sands		Australia Sands		Rosh Pinah		Zincor		Other base metals					
2009 Rm	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm	**2009 Rm**	2008 Rm
705	974	**1 334**	491	**1 469**	1 311	**566**	436	**1 016**	1 393			**188**	198	**15 009**	13 843
						(397)	(340)	**397**	340						
705	974	**1 334**	491	**1 469**	1 311	**169**	96	**1 413**	1 733			**188**	198	**15 009**	13 843
(1 447)	31	**(110)**	155	**(2)**	(82)	**105**	(14)	**(47)**	(95)	**(66)**	(63)	**(34)**	(119)	**304**	2 467
3	5	**3**	21	**4**	18	**5**	13	**1**	2		7	**60**	56	**145**	153
50	62			**48**	66	**7**	16	**1**				**389**	167	**526**	346
(7)	1	**(3)**	5	**10**	10	**12**	(2)	**18**	15	**(1)**		**4**	3	**34**	48
171	170	**147**	32	**161**	168	**55**	42	**53**	42	**1**		**39**	32	**1 136**	898
1 435													(1)	**1 435**	20
358	29	**(71)**	21		(180)	**22**	(4)	**(9)**	(75)	**(7)**	5	**37**	(24)	**766**	510
											(7)				(7)
29	(113)	**66**	23	**23**	131	**43**	(2)	**5**	94		3	**40**	96	**413**	414
188	88	**103**	210	**182**	218	**203**	26	**11**	41	**(65)**	(67)	**45**	6	**3 288**	3 792
(311)	30	**(87)**	121	**260**	86	**188**	85	**(35)**	319	**(70)**	(84)	**52**	38	**2 117**	3 574
										136	(193)	**1 762**	1 856	**1 898**	1 663
87	259	**182**	126	**557**	187	**69**	93	**69**	133	**1**		**93**	79	**1 982**	1 617
179	502	**58**	(12)	**(82)**	211			**83**	63	**38**	20	**331**	297	**629**	1 083
1 943	3 252	**3 415**	3 571	**3 453**	2 924	**473**	1 097	**1 110**	1 002	**65**	67	**986**	1 013	**20 634**	20 253
										292	202	**1 674**	1 647	**1 966**	1 849
2 122	3 754	**3 473**	3 559	**3 371**	3 135	**473**	1 097	**1 193**	1 065	**395**	289	**2 991**	2 957	**23 229**	23 185
426	496	**299**	448	**1 229**	1 025	**183**	316	**563**	505	**41**	1	**4 105**	3 292	**9 268**	8 364
					109	**64**	284			**(39)**	(44)	**11**	12	**995**	1 257
							(4)	**16**		**4**	(21)	**12**	34	**57**	440
426	496	**299**	448	**1 229**	1 134	**247**	596	**579**	505	**6**	(64)	**4 128**	3 338	**10 320**	10 061
87	259	**182**	2 789	**557**	187	**69**	97	**69**	133	**1**	252	**119**	325	**3 090**	4 782

29. OPERATING SEGMENTS (continued)

	External revenue		Carrying amount of non-current assets[1]	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Information about geographical areas				
Sourced from country of domicile				
– South Africa	**9 279**	8 758	**12 580**	12 424
Sourced from foreign countries				
– Rest of Africa	**4**	19	**335**	206
– Europe	**3 445**	2 823		
– Asia	**886**	959	**55**	74
– Australia	**31**	33	**1 079**	645
– other	**1 364**	1 251		
Total segment	**15 009**	13 843	**14 049**	13 349

[1] *Excluding financial instruments, deferred tax, post-employment benefit assets, intercompany loans, investments in subsidiaries.*

No asymmetrical (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 is 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 were no differences in the way segment assets and liabilities are measured for reportable segments or group purposes.

There were no differences in the way segment profit or loss is measured in comparison to the previous annual period or between the reportable segments' profits or losses and the group's profit or loss.

30. 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 Umbrella Provident Fund
- Mine Workers Provident Fund
- Namakwa Sands Employees Provident Fund
- Sentinel Mining Industry Retirement Fund.

In compliance with the Pension Fund Act after the unbundling of Kumba Iron Ore Limited, Sishen Iron Ore Company employees were transferred to the newly created Kumba Iron Ore Selector Pension and Provident Fund 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).

30. EMPLOYEE BENEFITS (continued)

Retirement funds *(continued)*

Defined contribution funds

Membership of each fund at 31 December 2009 and 31 December 2008 and employer contributions to each fund were as follows:

	Working members[1] 2009 Number	Working members[1] 2008 Number	**Employer contributions 2009 Rm**	Employer contributions 2008 Rm
GROUP				
Exxaro Selector Funds	**2 516**	2 470	**66**	62
Iscor Employees Umbrella Provident Fund	**3 625**	3 587	**37**	34
Mine Workers Provident Fund	**893**	870	**12**	2
Namakwa Sands Employees Provident Fund	**1 906**	1 900	**15**	15
Sentinel Mining Industry Retirement Fund	**1 177**	830	**31**	22
Other funds	**421**	478	**8**	12
	10 538	10 135	**169**	147
COMPANY				
Exxaro Selector Funds	**702**	668	**25**	23
Iscor Employees Umbrella Provident Fund	**131**	144	**1**	1
Sentinel Mining Industry Retirement Fund	**38**	30	**2**	2
	871	842	**28**	26

[1] *Working members who are contributing members to an accredited retirement fund.*

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

Defined benefit funds

Exxaro previously disclosed its interest as a participating employer in the closed defined benefit funds namely the Mittal Steel South Africa Pension Funds and Iscor Retirement Fund. Such interest was disclosed while final confirmation was awaited on either the approval by the Registrar of Pension Funds of the scheme for the apportionment of an existing surplus, or the permission to not submit a surplus apportionment scheme in terms of section 15B of the Act. Both such final confirmations were received in 2007.

The group has a defined benefit obligation for the provision of severance benefits to employees of the Namibian operations in accordance with Namibian law. As the severance benefits are only payable on retirement or the involuntary termination of services from the side of the employer, this is accounted for as a post-retirement service. This plan is a defined benefit obligation. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of the present value of the defined benefit obligation were carried out at 31 December 2009 by Alexander Forbes. The present value of the defined obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2009 %	2010 %
Discount rate	**7,50**	9,50
Inflation rate	**4,00**	5,75
Salary increase rate	**5,50**	7,25

Amounts recognised in profit or loss in respect of the defined benefit plan were as follows:

	2009 Rm
Current service cost	**1**

The expense for the year is included in the employee benefits expense in the income statement.

30. EMPLOYEE BENEFITS (continued)

Retirement funds *(continued)*

Defined benefit funds *(continued)*

Reconciliation of the opening and closing balances of the present value of the defined obligation:

	2009 Rm
Balance sheet amounts at beginning of year	
Plus current service cost	**3**
Plus actuarial gains or less actuarial losses	**7**
	10

Refer note 22 for detail on liability.

Determination of estimated post-retirement expense for the next financial year:

	2010 Rm
Current service cost	1
Interest cost	1
Expense	2

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 R75 million (2008: R70 million). Exxaro has a post-retirement medical obligation to a limited number of in-service and retired employees belonging to two medical schemes for which an actuarially determined liability has been raised. Eyesizwe's contribution to the post-retirement medical aid obligation for the year ended 31 December 2009 amounted to R1,4 million (2008: R1,5 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) in December 2006. Kumba Resources was renamed Exxaro Resources Limited (Exxaro) on 27 November 2006.

As Sishen Iron Ore was a wholly owned subsidiary of Kumba Resources before the unbundling of Kumba Iron Ore, senior employees and directors of Sishen Iron Ore 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.

30. EMPLOYEE BENEFITS (continued)

Equity compensation benefits *(continued)*

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 fourth anniversary of offer date;
– additional 25% after fifth anniversary of offer date.

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

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

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

Their options relating to Kumba Iron Ore are released on the earlier of:
– the date that the original options would have vested or
– 24 months from the date of unbundling (20 November 2008).

The Kumba Iron Ore options held by Exxaro employees lapse 42 months after the date of unbundling (20 May 2010).

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, remuneration, human resources 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 difficult to firstly measure the performance post the unbundling and also to take into account that employees of both Exxaro and Kumba Iron Ore needed to be compensated for accrued/vested benefits up to the date of the unbundling.

The extent to which the conditions were satisfied up to the date of the unbundling, determined the number of shares deemed to vest for each participant.

The cash settlement amount payable to each participant was determined by multiplying the number of shares deemed to vest in each participant by the 30-day VWAP of Kumba Resources shares as at the last practicable date prior to the posting of the transaction documentation to Kumba 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.

30. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)

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 with 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;
- 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 43 150 shares are outstanding at 31 December 2009 (2008: 73 690).

Exxaro made the first annual grant in the Share Appreciation Rights 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 six percent in the three years. In 2011 and 2012 the minimum increase in HEPS to achieve is CPI plus eight percent and CPI plus 10 percent respectively.

The committee has the discretion to determine the settlement method, being shares or cash.

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

30. EMPLOYEE BENEFITS (continued)

Equity compensation benefits (continued)

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, DBP 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, remuneration, human resources 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 one percent of the shares then in issue in the share capital of Exxaro.

As at 31 December 2009, the maximum number of shares approved and allocated by shareholders for the purposes of the schemes, 30 million (2008: 30 million) represent 8,4% (2008: 8,5%) of the issued shares. Of the total of 30 million shares, 19,9 million (2008: 21,1 million) shares are available in the share scheme for future offers to participants, while 10,1 million (2008: 8,9 million) shares (2,8% of the issued shares) are allocated as options, LTIP, DBP, deferred purchase shares, or SARS to participants.

Details are as follows:

	2009 Million	2008 Million
Number of shares approved by shareholders	**30,0**	30,0
Options, LTIP, DBP, deferred purchase instruments and SARS held by Exxaro employees/participants	**(9,8)**	(7,6)
Options and Deferred purchase instruments held by Kumba Iron Ore employees/participants	**(0,3)**	(1,3)
	19,9	21,1

At 31 December 2009 the company's loan from the Kumba Resources Management Share Trust amounted to R39 539 138 (2008: R51 199 278). 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 R2 078 809 095 (2008: R1 358 122 343).

Details of the schemes and plans are:

	Options[1]			
	Exxaro employees		**Kumba Iron Ore employees**	
	December 2009 '000	December 2008 '000	**December 2009 '000**	December 2008 '000
Outstanding at beginning of year	**3 554**	5 070	**1 272**	1 869
Exercised	**(1 067)**	(1 464)	**(928)**	(560)
Lapsed/cancelled[2]	**(192)**	(52)		(37)
Outstanding at end of year	**2 295**	3 554	**344**	1 272

[1] *No further grants are made under these schemes and plans that are being phased out have been replaced by the new share incentive schemes.*
[2] *Exercise price range for lapsed/cancelled options: R12,16 – R47,73 (2008: R7,52 – R40,18).*

30. EMPLOYEE BENEFITS (continued)

	Deferred Purchase[1] Exxaro employees		Deferred Purchase[1] Kumba Iron Ore employees	
	December 2009 ’000	December 2008 ’000	**December 2009 ’000**	December 2008 ’000
Outstanding at beginning of year	**4 200**	5 200	**400**	400
Exercised	**(4 000)**			
Lapsed/cancelled		(1 000)		
Outstanding at end of year	**200**	4 200	**400**	400

	Deferred Bonus Plan		Long-Term Incentive Plan[2]	
	December 2009 ’000	December 2008 ’000	**December 2009 ’000**	December 2008 ’000
Outstanding at beginning of year	**18**	2	**906**	481
Issued	**55**	16	**772**	462
Exercised	**(1)**		**(21)**	(3)
Lapsed/cancelled	**(5)**		**(107)**	(34)
Outstanding at end of year	**67**	18	**1,550**	906

[1] *No further grants are made under these schemes and plans that are being phased out have been replaced by the new share incentive schemes.*
[2] *There is no amount payable by participants on vesting. They will be awarded rights to ordinary shares in the company.*

	Phantom scheme		SARS	
	December 2009 ’000	December 2008 ’000	**December 2009 ’000**	December 2008 ’000
Outstanding at beginning of year	**74**	98	**3 097**	1 422
Issued			**3 194**	1 820
Exercised	**(31)**	(24)	**(8)**	(5)
Lapsed/cancelled			**(432)**	(140)
Outstanding at end of year	**43**	74	**5 851**	3 097

	Long-Term Incentive Plan		Deferred Bonus Plan	
Details of issues during the period are as follows:	**December 2009**	December 2008	**December 2009**	December 2008
Expiry date	**2012/2013**	2011/2012	**2012/2013**	2011/2012
Exercise price (share price range) (R)	**69,06 – 85,00**	102,14 – 112,35	**65,58 – 91,08**	89,61 – 111,88
Total proceeds if options are exercised at reporting period/deferred purchase shares at reporting date paid (R million)	**53,4**	51,8	**4,0**	2,0

	SARS	
	December 2009	December 2008
Expiry date	2016	2014/2015
Exercise price per share (share price range) (R)	62,83 – 112,35	98,38 – 155,69
Total proceeds if rights are immediately exercised/ deferred purchase shares immediately paid (R million)	222	200

30. EMPLOYEE BENEFITS (continued)

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

	Options		Long-Term Incentive Plan	
	December 2009	December 2008	**December 2009**	December 2008
Exercise price per share (share price range) (R)				
– Exxaro employees in Exxaro (post-unbundling)	**91,40 – 104,50**	48,00 – 160,85	**76,50 – 77,30**	60,6
– Exxaro employees In Kumba Iron Ore (post unbundling)	**140,00 – 306,17**	107,00 – 376,00		
– Kumba Iron Ore employees in Exxaro (post unbundling)	**63,16 – 78,00**	3,86 – 47,73		
Total proceeds if shares are issued (R million)	**541,6**	424,8	**0,2**	0,2

	Deferred Bonus Plan		Deferred purchase	
	December 2009	December 2008	**December 2009**	December 2008
Exercise price per share (share price range) (R)	**77,32**	86,45	**65,75 – 66,50**	65,00
Total proceeds if shares are issued (R million)			**0,3**	0,1

	Phantom scheme[1]		SARS	
	December 2009	December 2008	**December 2009**	December 2008
Exercise price per share (share price range) (R)	**76,00 – 91,28**	136,00 – 136,09	**67,83 – 92,00**	60,60
Total proceeds if shares are issued (R million)			**0,2**	0,32

[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 2009 are as follows:

Share options held by Exxaro employees in Exxaro

		Options		Long-Term Incentive Plan	
	Expiry date	Exercise price R	Out-standing '000	Exercise price R	Out-standing '000
	2010	7,32 – 11,59	71	60,60 – 102,14	424
	2011	19,90 – 19,62	437	69,06 – 112,35	415
	2012	13,72 – 32,84	717	63,45 – 67,07	711
	2013	33,47– 47,73	1 070		
TOTAL			2 295		1 550
Total proceeds if shares are issued (R million)			64,8		94,8

		Deferred Bonus Plan		Deferred purchase	
	Expiry date	Exercise price R	Out-standing '000	Exercise price R	Out-standing
	2010	86,45	2	18,36	200
	2011	89,60 – 111,88	14		
	2012	65,58 – 91,08	51		
TOTAL			67		200
Total proceeds if shares are issued (R million)			5,2		

30. EMPLOYEE BENEFITS (continued)

Share options held by Exxaro employees in Exxaro (continued)

	SARS		Phantom scheme	
Expiry date	**Exercise price R**	**Out-standing '000**	**Exercise price R**	**Out-standing '000**
2010			19,62	10
2012			19,62	33
2014	59,42 – 104,99	1 179		
2015	62,83 – 155,69	1 723		
2016	63,45 – 92,51	2 949		
TOTAL		5 851		43
Total proceeds if shares are issued (R million)				

Share options held by Exxaro employees in Kumba Iron Ore:

	Options	
Expiry date	**Exercise price R**	**Out-standing '000**
2010	15,38 – 97,74	1 018
TOTAL		1 018
Total proceeds if shares are issued (R million)		49,9

Share options held by Kumba Iron Ore employees in Exxaro:

	Options		Deferred purchase	
Expiry date	**Exercise price R**	**Out-standing 000**	**Exercise price R**	**Out-standing 000**
2010	6,91 – 47,73	344	21,06	400
TOTAL		344		400
Total proceeds if shares are issued (R million)		9		

The exercise prices of the options held by Exxaro employees in Exxaro and Kumba Iron Ore respectively at 31 December 2008 and 31 December 2009, have been recalculated with reference to the VWAP split of 32,81% for Exxaro and 67,19% for Kumba Iron Ore.

The last date for exercising these options is 20 May 2010.

Terms of the options and deferred purchase shares outstanding at 31 December 2008 are as follows:

Share options held by Exxaro employees in Exxaro:

	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 shares are issued (R million)		90		78

30. EMPLOYEE BENEFITS (continued)

Share options held by Exxaro employees in Exxaro (continued)

		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	4 000
	2011	86,60 – 111,88	16	18,36	
TOTAL			18		4 000
Total proceeds if shares are issued (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 shares are issued (R million)			276,2		

Share options held by Exxaro employees in Kumba Iron Ore:

		Options	
	Expiry date	Exercise price R	Out-standing '000
	2009	22,04 – 41,66	217
	2010	14,98 – 97,74	2 819
TOTAL			3 036
Total proceeds if shares are issued (R million)			157,5

		Options		Deferred purchase	
	Expiry date	Exercise price R	Out-standing '000	Exercise price R	Out-standing '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 shares are issued (R million)			33,1		

30. EMPLOYEE BENEFITS (continued)

	Options December 2009	Options December 2008
Details of options vested but not sold during the year are as follows:		
Exxaro employees in Exxaro (post-unbundling)		
Number of shares	**1 346 500**	1 488 390
Exercise price (share price range) (R)	**7,34 – 47,73**	3,84 – 47,43
Exxaro employees in Kumba Iron Ore (post-unbundling)		
Number of shares	**1 018 210**	3 036 340
Exercise price (share price range) (R)	**15,38 – 97,74**	7,80 – 97,74
Kumba Iron Ore employees in Exxaro (post-unbundling)		
Number of shares	**343 890**	1 271 090
Exercise price (share price range) (R)	**6,91 – 47,73**	6,91 – 47,73

	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	4 826	906	18	4	3 097	8 851
– Exxaro employees in Exxaro	3 554	906	18	4	3 097	7 579
– Kumba Iron Ore employees in Exxaro	1 272					1 272
Net change during the year	(2 187)	644	49	(4)	2 754	1 256
Number of shares vesting at end of year	2 639	1 550	67		5 851	10 107
– Exxaro employees in Exxaro	2 295	1 550	67		5 851	9 763
– Kumba Iron Ore employees in Exxaro	344					344

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.

30. EMPLOYEE BENEFITS (continued)

Fair value of equity-settled share-based payment transactions with employees (continued)

	2009		2008	
	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**	13,12	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 (%)	**10,0**	**10,0**	9,26	9,26

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 2009 are as follows:	**SARs vesting in 3 years**	**SARs vesting in 4 years**	**SARs vesting in 5 years**
Share price (R)	**74,20**	**74,20**	**74,20**
Weighted average exercise price range	**67,70**	**67,70**	**67,70**
Annualised expected volatility (%)	**44,20**	**43,19**	**42,19**
Option life (years) (weighted average)	**5,00**	**5,50**	**6,00**
Dividend yield (%)	**8,52**	**8,68**	**8,96**
Risk-free interest rate (%) (weighted average)	**8,58**	**8,65**	**8,72**
Expected employee attrition (%)	**10,0**	**10,0**	**10,0**
The inputs to the model as at 31 December 2008 were as follows:			
Share price (R)	86,25	86,25	86,25
Weighted average exercise price range	85,00	85,00	85,00
Annualised expected volatility (%)	40,4	40,4	40,4
Option life (years) (weighted average)	5,0	5,50	6,00
Dividend yield (%)	9,20	9,59	9,48
Risk-free interest rate (%) (weighted average)	8,89	8,94	8,94
Expected employee attrition (%)	10,0	10,0	10,0

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.

The inputs to the LTIP model are as follows:

Date of grant	**04/01/2009**	**04/01/2008**	**28/2/2007**
Share price at grant date (R)	**74,20**	**110,35**	**61,24**
Risk-free rate (%)	**7,85**	**8,88**	**7,70**
Dividend yield (%)	**6,39**	**2,81**	**4,08**
Expected volatility (%)	**N/A**	**N/A**	**36,80**
Time to vesting	**Three years from date of grant**	**Three years from date of grant**	**Three years from date of grant**
Expected employee attrition (%)	**10,29**	**10,29**	**10,29**

30. EMPLOYEE BENEFITS (continued)

Fair value of equity-settled share-based payment transactions with employees (continued)

The inputs to the DBP model are as follows:

Date of grant	**04/01/2009**	**04/01/2008**	**28/2/2007**
Share price at grant date (R)	**77,06**	**111,88**	**61,24**
Risk-free rate (%)	**7,49**	**8,88**	**7,70**
Dividend yield (%)	**6,66**	**2,77**	**4,08**
Expected volatility (%)	**N/A**	**N/A**	**36,80**
Time to vesting	**Three years from date of grant**	**Three years from date of grant**	**Three years from date of grant**
Expected employee attrition (%)	**15,00**	**15,00**	**15,00**

The inputs to the MPower model are as follows:

Date of grant	**04/01/2009**	**04/01/2008**	**31/1/2007**
Share price at grant date (R)	**71,00**	**71,00**	**71,00**
Risk-free rate (%)	**8,20**	**8,20**	**8,20**
Dividend yield (%)	**3,00**	**3,00**	**3,00**
Expected volatility (%)	**37,00**	**37,00**	**37,00**
Vest date	**28/11/2011**	**28/11/2011**	**28/11/2011**
Vesting probability (%)	**100**	**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**	**22/4/2005 – 1/12/2005**
Share price at grant date (R)	**91,40**	**71,90**	**56,00 – 100,10**
Risk-free rate (%)	**6,54 – 6,75**	**8,47 – 8,58**	**8,54 – 8,70**
Dividend yield (%)	**4,91 – 5,36**	**11,32 – 12,96**	**4,12**
Expected volatility (%)	**50,08 – 55,98**	**48,50**	**34,25**
Time to vesting	**Mainly over five years in tranches**	**Mainly over five years in tranches**	**Mainly over five years in tranches**
Expected employee attrition (%)			

	GROUP		COMPANY	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
31. CONTINGENT ASSETS AND LIABILITIES				
Contingent assets				
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 first half of 2010.	**99**	135		
Surrender fee on prospect rights, exploration rights and mining rights.	**59**	57		
Contingent liabilities				
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	**562**	523		1
– other[1]	**155**	64	**48**	3

[1] *Includes the group's share of contingent liabilities of associates and joint ventures of R61 million (2008: R57 million).*

The increase in 2008 and 2009 is mainly attributable to guarantees to the Department of Minerals and Energy in respect of environmental liabilities on immediate closure of mining operations.

These contingent liabilities have no tax impact.

The timing and occurrence of any possible outflows are uncertain.

32. COMMITMENTS

	GROUP		COMPANY	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Capital commitments at balance sheet date				
Capital expenditure contracted for plant and equipment	3 550	889	**97**	78
Capital expenditure authorised for plant and equipment but not contracted	1 420	2 711	**78**	48
The above includes the group's share of capital commitments of associates and joint ventures	565	456		
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	18	70		

A trust known as New Africa Mining Fund (the Fund) was established during 2003 to make portfolio investments in junior mining projects within 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 expired on 28 February 2009. Thereafter up until 28 February 2013 no new investments in new funds may be undertaken by the fund, however, Exxaro may still be required to invest funds into established investments limited to the initial R20 million commitment.

	GROUP		COMPANY	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
Operating lease commitments				
The future minimum lease payments under non-cancellable operating leases are as follows:				
– less than one year	**44**	34	**8**	9
– more than one year and less than five years	**42**	35	**7**	7
– more than five years	**6**	8		
Total	**92**	77	**15**	16
Operating sublease receivable				
Non-cancellable operating lease rentals are receivable as follows:				
– less than one year	**1**			
– more than one year and less than five years	**3**			
Total	**4**			

ANNEXURE 1

NON-CURRENT INTEREST-BEARING BORROWINGS

	Final repayment date	Rate of interest per year (payable half-yearly) 2009 Fixed %	Rate of interest per year (payable half-yearly) 2009 Floating %	Rate of interest per year (payable half-yearly) 2008 Fixed %	Rate of interest per year (payable half-yearly) 2008 Floating %		GROUP 2009 Rm	GROUP 2008 Rm	COMPANY 2009 Rm	COMPANY 2008 Rm
LOCAL										
Unsecured loans										
	2009				1,780	[1]		109		
	2009				14,980			167		
	2009				12,570			300		300
	2011		**10,540**		14,140		**6**	5		
	2013		**8,510**		13,480		**150**	150	**150**	150
	2013		**8,510**		13,480		**415**	415	**415**	415
	2013		**8,510**		13,480		**540**	675	**540**	675
	2013		**8,610**		13,580		**675**	675	**675**	675
	2013		**8,510**		13,480		**100**	125	**100**	125
	2013		**8,610**		13,580		**125**	125	**125**	125
	2013		**8,510**		13,480		**180**	224	**180**	224
	2013		**8,610**		13,580		**224**	224	**224**	224
	2013		**8,510**				**48**		**48**	
	2013		**8,610**				**60**		**60**	
	2013		**8,510**				**180**		**180**	
	2015		**7,610**				**1,000**		**1,000**	
	2016		**9,120**		14,350		**181**	143		
							3,884	3,337	**3,697**	2,913
Secured loans										
	2011	**12,130**		12,130		[2]	**2**	2		
	2011	**17,490**		17,490		[3]	**1**	2		
	2012	**11,420**		11,420		[4]	**1**	1		
	2013	**13,540**		13,540		[5]	**8**	10		
	2025	**8,330**		8,330		[6]	**24**	24		
	2026	**10,710**		10,710		[7]	**12**	13		
	2031	**22,200**		22,200		[8]	**86**	84		
	2032	**32,930**		32,930		[9]	**126**	115		
							260	251		

	Final repayment date	Rate of interest per year (payable half-yearly) 2009 Fixed %	Floating %	Rate of interest per year (payable half-yearly) 2008 Fixed %	Floating %		GROUP 2009 Rm	2008 Rm	COMPANY 2009 Rm	2008 Rm
FOREIGN										
Unsecured loans (US$)										
	2016	**6,640**	**5,620**	6,640		10	**610**	561		
							610	561		
FOREIGN										
Secured loan (AUD)										
	2010	**7,850**		7,850		11		1		
Total non-current interest-bearing borrowings (refer note 21)							**4,754**	4,150	**3,697**	2,913

[1] *The interest is based on US PPI and settled in rands based on the US$/ZAR exchange rate. The PPI NACS on 31 December 2008 was 1,78%.*

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 R1 million (2008: R2 million).*

[3] *Finance lease agreement between FerroAlloys (Pty) Limited and African Qxygen Limited (Afrox) in respect of machinery and equipment with a book value of Rnil (2008: Rnil).*

[4] *Finance lease agreement between Exxaro Sands (Pty) Limited and Eskom in respect of buildings with a book value of R1 million (2008: 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 R4 million (2008: R6 million).*

[6] *Finance lease agreement between Exxaro TSA Sands (Pty) Limited and Mhlathuze Water in respect of a plant with a book value of R20 million (2008: R21 million).*

[7] *Finance lease agreement between Exxaro TSA Sands (Pty) Limited and Eskom in respect of buildings with a book value of R13 million (2008: 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 R43 million (2008: R45 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 R47 million (2008: R49 million).*

[10] *US$60 million senior notes (fixed interest rate) 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$45 million (variable interest rate), of which US$21 million was drawn on 31 December 2009 (US$nil 31 December 2008).*

[11] *Finance lease agreement in respect of computer equipment with a book value of Rnil (2008: R1 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 2009 %	Percentage holding 2008 %	Group carrying amount 2009 Rm	Group carrying amount 2008 Rm	Company carrying amount 2009 Rm	Company carrying amount 2008 Rm	Year-end other than 31 December
ASSOCIATED COMPANIES										
Unlisted										
Black Mountain Mining (Pty) Limited	A	RSA	260	**26,00**	26,00	**155**	32			
Chifeng Kumba Hongye Zinc Corporation Limited	A & M	CH	58 520 000	**38,00**	38,00	**102**	132			
Chifeng NFC Kumba Hongye Zinc Corporation Limited	A & M	CH	42 500 000	**25,00**	25,00	**35**	37			
Sishen Iron Ore Company (Pty) Limited	A	RSA	240 000 000	**20,00**	20,00	**1 673**	1 647			
Total associated companies (refer note 14)						**1 965**	1 848			
JOINT VENTURES										
Incorporated										
Unlisted										
Mafube Coal Mining (Pty) Limited	A	RSA	50	**50,00**						
RoshSkor Township (Pty) Limited	C	NAM	50	**50,00**	50,00					30 June
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**	1			
Rosh Pinah Health Care (Pty) Limited	C	NAM	31,00	**31,00**	31,00					
						1	1			
Unincorporated										
Moranbah Coal Project	A			**50,00**	50,00					
Tiwest	A			**50,00**	50,00					
INVESTMENT COMPANIES										
Unlisted										
Richards Bay Coal Terminal[3]						**368**	351			
Other						**7**	36			
Total other investments (refer note 16)						**375**	387			
TOTAL INVESTMENTS						**2 341**	2 236			
The investments are valued at balance sheet date. Listed shares are valued at market value and unlisted shares at directors' value.										
Unlisted investments in associates – directors' valuation						**14 165**	13 162			
Unlisted other investments – directors' valuation						**408**	387			

Where the above entities' financial year-ends are not coterminous with that of the company, financial information has been obtained from published information or management accounts as appropriate.

[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.*

[3] *Included in the directors' valuation of 2009 is an amount of R33 million in respect of RBCT, which is classified as part of other debtors.*

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	
	2009 Rm	2008 Rm	**2009 Rm**	2008 Rm
INCOME STATEMENTS				
Revenue	**5 419**	4 803	**1 484**	1 319
Operating expenses	**(2 686)**	(2 290)	**(1 500)**	(1 392)
NET OPERATING PROFIT	**2 733**	2 513	**(16)**	(73)
Net financing (costs)/income	**(49)**	(64)	**(5)**	(21)
PROFIT BEFORE TAXATION	**2 684**	2 449	**(21)**	(94)
Taxation	**(785)**	(806)		
PROFIT FOR THE YEAR	**1 899**	1 643	**(21)**	(94)
Profit for the year attributable to ordinary shareholders	**1 899**	1 643	**(21)**	(94)
BALANCE SHEETS				
Non-current assets	**2 714**	1 967	**3 591**	1 981
Current assets	**1 302**	1 847	**1 506**	1 156
TOTAL ASSETS	**4 016**	3 814	**5 097**	3 137
Equity and liabilities				
EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT	**1 759**	1 614	**2 913**	2 533
Non-current liabilities				
Interest-bearing borrowings	**990**	555	**165**	128
Non-current provisions	**126**	143	**249**	207
Deferred taxation and other	**521**	412	**64**	16
Current liabilities				
Interest-bearing borrowings	**112**	670	**28**	15
Other	**508**	420	**1 678**	238
TOTAL EQUITY AND LIABILITIES	**4 016**	3 814	**5 097**	3 137
CASH FLOW STATEMENTS				
Net cash flows from operating activities	**159**	836	**216**	81
Net cash flows from investing activities	**(835)**	(359)	**(567)**	(248)
Net cash flows from financing activities	**(2)**	96	**275**	7
Foreign currency translations	**29**	4		38
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(649)**	577	**(76)**	(122)

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 2009	Investment in shares 2008	Indebtedness 2009	Indebtedness 2008
			R	R	R	Rm	Rm
DIRECT INVESTMENTS							
AlloyStream (Pty) Limited	RSA	M	1	**1**	1		
AlloyStream Holdings (Pty) Limited	RSA	H	1	**746 163**	746 163	**16**	11
Clipeus Investment Holdings (Pty) Limited	RSA	H	1	**1**	1		
Colonna Properties (Pty) Limited	RSA	B	200	**2 518 966**	2 518 966	**2**	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	**375**	413
Exxaro Chairman's Fund	RSA	T					
Exxaro Coal (Pty) Limited	RSA	A	1	**1 000**	1 000	**4 787**	760
Exxaro Coal Botswana Holding (Pty) Limited[4]	Bot	H	200	**32 742 723**			
Exxaro Employee Empowerment Participation Scheme Trust	RSA	T					
Exxaro Environmental Rehabilitation Fund	RSA	T					
Exxaro FerroAlloys (Pty) Limited	RSA	M	1	**1**	1	**(22)**	(10)
Exxaro Foundation	RSA	T					
Exxaro Holdings (Pty) Limited	RSA	H	566 827	**459 517 297**	459 517 297	**28**	11
Exxaro Holdings Sands (Pty) Limited	RSA	H	40 000	**1 869 951 859**	1 869 951 859		
Exxaro Insurance Company Limited	RSA	I	50	**5 000 000**	5 000 000		
Exxaro On-Site (Pty) Limited	RSA	C	1	**1**			
Exxaro People Development Initiative	RSA	E					
Exxaro Properties (Groenkloof) (Pty) Limited	RSA	B	1	**1**	1		
Exxaro TSA Sands (Pty) Limited	RSA	M	510	**510**	510	**3 651**	5 693
Exxaro Sands (Pty) Limited	RSA	A	200	**6 003 355**	6 003 355	**250**	818
Ferroland Grondtrust (Pty) Limited	RSA	D	2	**2**	2	**10**	4
Glen Douglas Dolomite (Pty) Limited[5]	RSA	A	10 000				
Kumba Base Metals Namibia (Pty) Limited[6]	NAM	C			1		(2)
Kumba Resources Management Share Trust	RSA	T				**(40)**	(51)
Merrill Lynch Insurance PCC Limited	ILE	I					
Rocsi Holdings (Pty) Limited	RSA	H	647 044 943	**653 722 945**	653 722 945	**308**	90
Skyprops 112 (Pty) Limited	RSA	H	100	**44 389 208**	44 389 208	**20**	20
INDIRECT INVESTMENTS							
Coastal Coal (Pty) Limited	RSA	A	5 000			**(42)**	(51)
Exxaro Australia Pty Limited	AUS	A	11			**(1)**	(1)
Exxaro Australia Sands Pty Limited	AUS	C	2 038 299 354			**3**	3
Exxaro Base Metals (Namibia) (Pty) Limited	NAM	H	100			**262**	69
Exxaro Base Metals China Limited	HK	H	1 354				
Exxaro Base Metals International BV	NE	P	119 209				
Exxaro Coal Botswana (Pty) Limited (75%)	Bot	P	200				
Exxaro Coal Mpumalanga (Pty) Limited	RSA	A	100 000			**616**	(490)
Exxaro Coke (Pty) Limited	RSA	M	1				

	Country of incorporation[2]	Nature of business[3]	Issued capital unlisted ordinary shares	Interest of company: Investment in shares		Indebtedness	
				2009	2008	**2009**	2008
			R	**R**	R	**Rm**	Rm
INDIRECT INVESTMENTS							
Exxaro Finance Ireland	IRL	F	893 656 391				
Exxaro Holdings (Australia) Pty Limited	AUS	H	5				
Exxaro International BV	NE	H	662 037			**1**	1
Exxaro International Coal Trading BV	NE	C	172 866				
Exxaro International Trading BV	NE	C	172 866				
Exxaro Investments (Australia) Pty Limited	AUS	H	5				
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	P	134 973				
Exxaro Reductants (Pty) Limited	RSA	M	1			**4**	
Exxaro Sands Holdings BV	NE	H	169 999				
Ferrowest (Pty) Limited (95%)	RSA	B	136 500 000				
Inyanda Coal (Pty) Limited	RSA	A	1 000				
Magnetic Minerals Pty Limited[6]	AUS	A	31 740 964				
Omacor Sac	PERU	G	10				
Oreco Leasing Limited	MAU	F	1				
Pigment Holdings Pty Limited	AUS	C	10				
Rosh Pinah Mine Holdings (Pty) Limited	NAM	H	1 000				
Rosh Pinah Zinc Corporation (Pty) Limited (50,0264%)	NAM	A	2 280			**25**	(21)
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[6]	AUS	H	10				
Ticor Chemical Company Pty Limited	AUS	G	10				
Ticor Energy Pty Limited[6]	AUS	F	10				
Ticor Finance (ACT) Pty Limited	AUS	F	10				
Ticor Resources Pty Limited	AUS	H	8 111 062				
Ticor Titanium Australia Pty Limited[6]	AUS	H	10				
Tific Pty Limited	AUS	H	10				
TiO2 Corporation NL	AUS	H	85 101 240				
Yalgoo Minerals Pty Limited	AUS	A	48 216 010				
TOTAL INVESTMENT IN SUBSIDIARIES (refer note 15)				**3 322 307 534**	3 289 564 811	**10 253**	7 269

[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 – Ilse 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, G – Dormant, H – Holdings, I – Insurance, M – Manufacturing, P – Exploration, T – Trust.*

[4] *A wholly owned subsidiary of Exxaro Coal (Pty) Limited in 2008 – transferred to Exxaro Resources Limited in 2009.*

[5] *Reclassified during 2008 as non-current asset classified as held for sale.*

[6] *Deregistered during 2009.*

ANNEXURE 3 CONTINUED

INVESTMENTS IN SUBSIDIARIES

TERMS AND CONDITIONS OF INDEBTNESS TO AND FROM SUBSIDIARIES

	Final repay-ment date	Rate of interest per year (payable half-yearly) 2009 Fixed %	Rate of interest per year (payable half-yearly) 2009 Floating %	Rate of interest per year (payable half-yearly) 2008 Fixed %	Rate of interest per year (payable half-yearly) 2008 Floating %	2009 Rm	2008 Rm
LOCAL							
Unsecured loans							
	2009				12,570		300
	2013		**8,510**		13,480	**150**	150
	2013		**8,510**		13,480	**342**	415
	2013		**8,510**		13,480	**405**	540
	2013		**8,610**		13,580	**675**	675
	2013		**8,510**		13,480	**100**	100
	2013		**8,610**		13,580	**100**	125
	2013		**8,510**		13,480	**134**	181
	2013		**8,610**		13,580	**224**	224
	2013		**8,510**			**36**	
	2013		**8,610**			**60**	
	2013		**8,610**			**120**	157
	2015		**7,610**			**1 000**	
	2016		**9,120**		14,350		
Total unsecured non-current loans						**3 346**	2 867
Interest bearing current loans payable/(receivable)[1]						**509**	(3 100)
Current portion of non-current loans						**330**	247
Non interest bearing current loans						**6 068**	7 256
Current loans						**6 907**	4 402
Total						**10 253**	7 269

[1] *Interest charged at average overnight money market rates.*

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the ninth annual general meeting of members of Exxaro will be held at the Exxaro Corporate Centre, Roger Dyason Road, Pretoria West, Gauteng, South Africa, at 10:30 on Friday, 21 May 2010.

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 2009, 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 to appoint BW Smith as the designated audit 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 2009.

4. ORDINARY RESOLUTION NUMBER 4

   Re-election of directors

   In terms of article 15.2 of the articles of association of the company, Mr CI Griffith, appointed to the board with effect from 16 July 2009 and Ms N Langeni, appointed to the board with effect from 23 February 2010, will retire and, being eligible, offer themselves for re-election.

   Abbreviated curricula vitae in respect of Mr CI Griffith and Ms N Langeni are set out on page 263 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 article 16.1 of the articles of association of the company, and who are eligible for re-election:

   5.1 JJ Geldenhuys
   5.2 U Khumalo
   5.3 RP Mohring

   An abbreviated curriculum vitae in respect of each director offering himself for re-election is set out on page 263 of this report.

6. ORDINARY RESOLUTION NUMBER 6

   Remuneration of non-executive directors

   To approve the proposed remuneration for the period 1 January 2010 to 31 December 2010:

	Current	**Proposed**
Chairman	R399 600	R433 600
Director	R184 440	R200 120
Audit committee chairman	R170 400	R184 880
Audit committee member	R90 000	R97 650
Board committee chairman	R132 000	R143 220
Board committee member	R63 000	R68 340

7. ORDINARY RESOLUTION NUMBER 7

Renewal of the authority that 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, and the Listings Requirements of the 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 be required, subject to article 3.2 of the articles of association of the company, to be allotted and issued by the company pursuant to the company's approved employee share incentive 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 provisions of the Companies Act, 61 of 1973, as amended, and the Listings Requirements of the JSE, the directors are hereby authorised, by way of a general authority, to allot and issue ordinary shares for cash on the following basis, after setting aside so many shares as may be required, subject to article 3.2 of the articles of association of the company, 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 15 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; 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 30 days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the securities. 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."

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. ORDINARY RESOLUTION NUMBER 9

"Resolved that, in accordance with the amendments to Schedule 14 of the JSE Listings Requirements, the amendments be made to:

- the Deferred Bonus Plan 2006
- the Long-term Incentive Plan 2006
- Share Appreciation Right Scheme 2006

established and approved by shareholders of the company in 2006 ("the 2006 Incentive Plans") in order to give effect to the amendments summarised in the Appendices attached to the Notice of Annual General Meeting be and are hereby approved."

In terms of the JSE Listings Requirements:

- the approval of a 75% majority of votes of all shareholders, present or represented by proxy, is required to approve the ordinary resolution to approve the amended 2006 Incentive Plans; and
- equity securities held by a share trust or scheme will not have their votes at a general meeting or an annual general meeting taken into account for the purposes of resolutions proposed in terms of the JSE Listings Requirements.

The amended 2006 Incentive Plans will be available for inspection at the offices of the company at Roger Dyason Road, Pretoria West, during normal office hours on business day from Tuesday, 20 April 2010 until Thursday, 20 May 2010.

10. ORDINARY RESOLUTION NUMBER 10

"Resolved that subject to the adoption of ordinary resolution number 9 and in terms of sections 221 and 222 of the Companies Act No. 61 of 1973 (as amended), the allotment and issue of shares by the board, as a specific authority, pursuant to the provisions of the 2006 Incentive Plans, of such allowable maximum number of ordinary shares as provided thereunder and subject to the terms and conditions of the 2006 Incentive Plans, be and is hereby approved."

11. SPECIAL RESOLUTION NUMBER 1

Authority to repurchase shares

"Resolved that by way of a general authority, the company or any subsidiary of the company may, subject to the Companies Act, 61 of 1973, as amended, ("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:

11.1 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;

11.2 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;

11.3 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;

11.4 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;

11.5 that at any one time, the company may only appoint one agent to effect any repurchase;

11.6 that the repurchase of shares will not take place during a prohibited period (unless it forms part of a pre-announced 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;

11.7 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."

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.

A general repurchase of the company's shares shall not be effected before the JSE has received written confirmation from the company's sponsor to the effect that the directors have considered the solvency and liquidity of the company as required in terms of Section 85(4) of the Act.

12. To transact such other business as may be transacted at an annual general meeting.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

DISCLOSURES REQUIRED IN TERMS OF THE LISTINGS REQUIREMENTS OF THE JSE

The following information is provided in accordance with paragraph 11.26 of the Listings Requirements of the JSE and relates to special resolution number 1.

WORKING CAPITAL STATEMENT

The directors of the company agree that they will not undertake any repurchase unless:

- the company and the group will be able, in the ordinary course of business, to pay its debts;
- the assets of the company and the group have been consolidated, fairly valued in accordance with International Financial Reporting Standards, in excess of its consolidated liabilities;
- the share capital and reserves of the company and the group will be adequate for ordinary business purposes; and
- the working capital resources of the company and the group will be adequate for ordinary business purposes.

LITIGATION STATEMENT

Other than disclosed or accounted for in these annual financial statements, the directors of the company, whose names are given on page 68 and 69 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 68 and 69 of these financial statements, collectively and individually accept full 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

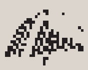
Other than the facts and developments reported on in these annual financial statements, there have been no material changes in the affairs, financial or trading position of the group since the signature date of this annual report and the posting date thereof.

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 66 to 69 of this report;
- Major shareholders of the company – refer to page 80 of this report;
- Directors' interest in the company's shares – refer page 80 of this report;
- Share capital of the company – refer page 79 of this report.

In terms of Schedule 14 of the Listings Requirements of the JSE, equity securities held by a share trust or a scheme will not have their votes at a general meeting or annual general meeting taken into account for the purposes of resolutions proposed in terms of the Listings Requirements.

By order of the board



MS Viljoen
Company Secretary
Pretoria
16 March 2010

SHORT BIOGRAPHIES OF EXXARO DIRECTORS SEEKING RE-ELECTION

Name: JJ Geldenhuys – Jurie (67)

Designation: Non-executive director and chairman of the safety and sustainable development committee

Academic qualifications: BSc (eng)(elec), BSc (eng)(min); MBA (Stanford), professional engineer

Experience: From 1965 to 1980, Jurie held production and managerial posts on the gold, platinum and copper zinc mines of the then Anglovaal Group. From 1981 till retirement he served in technical and executive capacities involving gold, base metals, coal, ferrous metals and industrial minerals. He retired as managing director of Avgold Limited in 2000 and continued serving the group in a consulting capacity till 2002. Previously served on the boards of Anglovaal Limited, Avmin Limited, Freegold Consolidated Mines Limited, Hartebeestfontein Gold Mining Company Limited, Lorraine Gold Mines Limited, Eastern Transvaal Gold Mines Limited, Iscor Limited and Sallies Limited. Served as the Chamber of Mines president (1993 – 1994) and on the Chamber's executive council, gold producers' committee and various other chamber-related board committees. Has also served on the Atomic Energy Council and the National Water Advisory Council. Currently non-executive director and chairman of Astral Food Limited (chairman of the human resources and remuneration committee).

Name: CI Griffith – Chris (45)

Academic qualifications: BEng (mining)(hons), professional engineer

Experience: Chris is chief executive officer of Kumba Iron Ore, chairman of Sishen Iron Ore Company and a member of the Anglo American plc executive committee. Prior to his appointment at Kumba in 2008, he headed joint ventures for Anglo Platinum. Chris is a member of the South African Institute for Mining and Metallurgy and the Association of Mine Managers.

Name: U Khumalo – Ufikile (44)

Designation: Non-executive director

Academic qualifications: BSc (eng) (UCT), MAP (Wits), Senior executive development programme (Harvard), Advanced management programme (Insead)

Experience: Ufikile served with Sasol and Eskom as a senior engineer and Bevcan as a manufacturing manager prior to joining the IDC. He held several positions during 1999 – 2005, including head, international finance; executive vice-president industrial sectors and executive vice-president; projects. He provided strategic direction in the industrial sectors on large projects. He was also involved in evaluating investment proposals thus contributing to successfully implementing the IDC's development mandate.

Name: N Langeni – Noluthando (66)

Designation: Non-executive director

Academic qualifications: BA (Cur), Diploma in Nursing Education

Experience: Noluthando is the group chief executive officer of Bambizandla Holdings. She was also appointed as director to the boards of the National African Women's Alliance (NAWA), Basadi ba Kopane Investments (Pty) Ltd, the South African Women in Mining Investment Holdings (SAWIMIH) and Protea Hotel Group. She was previously the CEO of NAWA and a lecturer at the College of Nursing in Natal.

Name: RP Mohring – Rick (62)

Designation: Non-executive director and chairman of TREMCO

Academic qualifications: BSc (eng)(mining), MDP, PMD (Harvard); professional engineer

Experience: From 1972 to 1998, Rick held production, managerial and executive posts in the gold and coal divisions of the Rand Mines and Billiton groups. From 1998 to 2000, he was chief executive officer of NewCoal, a black empowerment initiative set up by Anglo Coal and Ingwe Coal Corporation to identify a suitable BEE group to purchase certain assets belonging to the vendors and establish a new BEE coal company. Eyesizwe Coal, the largest BEE coal company in South Africa, was formed in November 2000 through this process. From 2000 until 2003, Rick was deputy chief executive officer of Eyesizwe Coal, responsible for the operational control of mines producing 25Mtpa of coal, new business development, technical services and health and safety. After 37 years in the mining industry, Rick retired from Eyesizwe Coal in December 2003, and set up a private consulting company, Mohring Mining Consulting.

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 2009. These are contained in 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 to appoint BW Smith as the designated audit partner. Deloitte & Touche were 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 263.

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 non-executive 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 business opportunities, which might arise in the future.

Resolution 9

The current 2006 Incentive Plans are not fully compliant with the JSE Listings Requirements. The reason for and effect of resolution 9 is to address the non-compliance further to the amendments to Schedule 14 of the JSE Listings Requirements and to be in line with current corporate governance best practice.

Resolution 10

The reason for and effect of this ordinary resolution is that it will allow the board to issue new shares to meet the obligations under the 2006 Incentive Plans, up to the allowable maximum provided for in ordinary resolution number 9. Approval is necessary to implement the 2006 Incentive Plans effectively.

SPECIAL BUSINESS

Special Resolution 1: General authority to permit the repurchase of shares

The **reason** for the special resolution is to grant the directors of the company a general authority for the acquisition of the company's shares by the company, or a subsidiary of the company.

The **effect** of the special resolution, once registered, will be to permit the company or any of its subsidiaries to repurchase such securities subject to the limitations applicable. This authority will only be used if circumstances are appropriate.

APPENDIX 1

AMENDMENTS TO THE RULES OF THE EXXARO LONG TERM INCENTIVE PLAN 2006

The rules of the Long Term Incentive Plan 2006 ("LTIP") be and are hereby amended as follows:

1. **Name of Plan**
   Change the name of the Plan from "Newco Company Long Term Incentive Plan 2006" to "Exxaro Resources Limited Long Term Incentive Plan 2006".

2. **Clause 2.1.1**
   Amend the definition of "the Act" by adding the words "or as replaced in its entirety;".

3. **Clause 2.1.8**
   Amend the definition of "the Company" by replacing the existing wording with "Exxaro Resources Limited (Registration number 2000/011076/06);"

4. **Clause 2.1.13**
   Amend the definition of "Employee" by deleting the words "including a Director (executive and non-executive) of the Group;"

5. **Clause 2.1.21**
   Amend the definition of "Participant" by deleting the words "but excludes non-executives who are members of the Committee"

6. **Clause 2.1.25**
   Amend the definition of "Plan" by replacing the words "Newco Company" with "Exxaro Resources Limited"

7. **Clause 2.6**
   Add a new clause 2.6 which reads as follows:
   "2.6 Where required, the meaning of any expression not specifically included in the definition clause shall be interpreted based on the meaning of such expression as applied in the human resources policies and procedures of the Company."

8. **Clause 3**
   Replace clause 3 in its entirety by the following new clause 3:
   "3. THE PLAN
   The Exxaro Resources Limited Long Term Incentive Plan 2006 is hereby constituted. The Plan shall be administered for the purpose and in the manner as set out herein."

9. **Clause 5.1**
   Replace clause 5.1 in its entirety by the following new clause 5.1:
   "5.1 Shares available for the Plan
   Subject to the provisions of clause 9, the aggregate number of Shares which may be allocated under the Plan when added to the total number of unexercised SARs allocated previously under this Plan and any Shares allocated to employees under any other managerial share scheme operated by the Company, shall not exceed 30 000 000 (thirty million) and this number may not be exceeded without shareholders' approval as envisaged in clause 16.2. Notwithstanding the afore going, Shares which are not subsequently issued to a Participant for whatever reason, will revert back to the Plan."

10. **Clause 5.2**
    Delete clause 5.2 in its entirety.

11. Clause 5.3

Amend the numbering of clause 5.3 to read 5.2 and replace clause 5.3.1 in its entirety by the following new clause 5.2.1:

"5.2 Individual limit

5.2.1 The maximum number of Shares allocated to all unvested awards granted to any Participant, in respect of this Plan and any other managerial scheme operated by the Company, shall not exceed the limit determined from time to time by the directors, which number of shares shall not exceed 600 000 (six hundred thousand).

Amend the numbering of clause 5.3.2 to read 5.2.2.

Amend the numbering of clause 5.3.2 to read 5.2.3

12. New Clause 5.3

Add a new clause 5.3:

"5.3 Adjustments to number of shares and limits

5.3.1 The Committee must adjust the maximum number of Shares which may be allocated under the Plan as per clause 5.1 above on a proportionate basis to take account of a sub-division or consolidation of shares; and

5.3.2 the Committee may, without the prior approval of shareholders in a general meeting, adjust the maximum number of Shares allocated to all unvested awards granted to any Participant as per clause 5.2.1 above on a proportionate basis to take account of any capitalisation issue, special dividend, rights issue or reduction of capital;

provided that the Auditors shall confirm in writing to the JSE, at the time that such adjustment is finalised, that any adjustment has been properly calculated on a reasonable and equitable basis. Such adjustment should give a Participant the same proportion of the Company's share capital as that to which he would have been entitled prior to the adjustment.

5.3.3 The issue of shares as consideration for an acquisition, the issue of shares for cash and the issue of shares or a vendor consideration placing will not be regarded as a circumstance requiring adjustment in terms of clauses 5.3.1 and 5.3.2 above.

5.3.4 Any adjustment made in accordance with 5.3.1 and/or 5.3.2 above will be reported in the Company's annual financial statements for the period during which the adjustment is made.

13. Clause 6.1

- Change the heading of clause 6.1 to read as follows:
  "Time when SARs may be granted and basis of Grant"
- Include a clause number 6.1.1 in respect of the existing paragraph under clause 6.1.
- Add the following wording to the end of clause 6.1.1:
  "The Grant made as contemplated herein will be dated as at the date of the decision of the Committee to make the Grant and no back-dating of Grants will be allowed under any circumstances."
- Amend the wording of clause 6.1 by adding the following paragraph at the end of the existing clause as clause 6.1.2:
  "6.1.2 A Grant as contemplated above will be made annually on the basis of:
  6.1.2.1 the Participant's grade and annual income;
  6.1.2.2 the Performance Condition as approved by the Committee having been satisfied; and
  6.1.2.3 market related benchmarks."

14. Clause 9

Replace clause 9 in its entirety by the following new clause 9:

"The main intention of the Plan is to settle the benefits by delivering Shares to the Participant. The Company may, on the instruction of the Committee and the Directors, settle the SARs by issuing new shares, subject to the provisions of clause 5. Alternatively the Participating Company will, on instruction of the Committee and the Directors, procure the funds for the purchase of the Shares in the market and will instruct any third party to acquire and deliver the Shares to Employees employed by such Participating Company. Any Shares so acquired through the market will not be taken into account when calculating the number of shares utilised by the Plan as envisaged in clause 5.1 above.

Notwithstanding the foregoing, the Participating Company may, on instruction of the Directors and the Committee, and as a fallback provision only, pay any Participant an equivalent amount in cash in lieu of any Shares."

15. **Clause 10.1**

Amend the wording of clause 10.1 by:

- Deleting the heading "General" and replace with "Resignation and dismissal"
- Deleting wording of clause 10.1 in order for clause 10.1 to read as follows:

  "If a Participant's employment with any Participating Company terminates for any lawful reason other than as set out in clause 10.2 before the Vesting Date, he will cease to be entitled to any rights associated with the Grant."

16. **Clause 10.2**

Amend the heading of clause 10.2 by deleting the words "or any other circumstances which the Committee may consider appropriate" and include the word "or" before "death . . .".

Amend the wording of clause 10.2 by deleting the words "or any other circumstances which the Committee may consider appropriate" and include the word "or" before "death . . .".

17. **Clause 11**

Add a new clause 11.4:

"11.4 If the Company is placed in liquidation for purposes other than reorganisation, the Grant shall ipso facto lapse from date of liquidation."

18. **Clause 14**

Amend the wording of clause 14.1 by adding the following wording:

"14.1 It is specifically recorded that the provisions of paragraphs 3.63 to 3.74 of the JSE Listings Requirements will apply *mutatis mutandis* to any dealings by the Company or the Plan involving Shares relating to the Plan."

Add a new clause 14.11:

"14.11 Shares will only be issued or purchased as contemplated in clause 9 above once a Participant has been formally identified."

19. **Clause 16.2**

Replace clause 16.2 in its entirety by the following new clause 16.2:

"16.2 Subject to the provisions of clause 16.3 below, the provisions relating to:

16.2.1 the category of persons to whom or for the benefit of whom securities may be purchased or issued under the Plan (the Participants);

16.2.2 the maximum number of shares as contemplated in clause 5.1 above;

16.2.3 the maximum number of shares as contemplated in clause 5.2 above;

16.2.4 the amount, if any payable on application or acceptance of the Grant;

16.2.5 the basis for determining the price, if any and regardless of the form it takes, payable by Participants and the period after or during which such payment must be made;

16.2.6 the voting, dividend, transfer and other rights, including those arising on a liquidation of the Company, attaching to the Shares;

16.2.7 the basis upon which the Grants are made;

16.2.8 the treatment of Grants (Vested and Unvested) in instances of mergers, takeovers or corporate actions;

16.2.9 the rights of Participants who leave the employment of the Company or Participating Company whether by termination, resignation, retirement or death insofar as their early departure from the Plan is concerned; and

16.2.10 the provisions of this clause 16.2,

may not be amended without approval by ordinary resolution of shareholders of the Company, holding not less than 75% of all the voting rights cast at the general meeting where the approval is sought by shareholders present or represented by proxy at the general meeting."

20. **Clause 16.5**

Amend the wording of clause 16.5 by adding the words "Subject to clause 16.2, the Committee…" at the beginning of the clause.

APPENDIX 2

AMENDMENTS TO THE RULES OF THE EXXARO SHARE APPRECIATION RIGHT SCHEME 2006

The rules of the Share Appreciation Right Scheme 2006 ("SARS") be and are hereby amended as follows:

1. **Name of Scheme**

   Change the name of the Plan from "Newco Company Share Appreciation Right Scheme 2006" to "Exxaro Resources Limited Share Appreciation Right Scheme 2006".

2. **Clause 2.1.1**

   Amend the definition of "the Act" by adding the words "or as replaced in its entirety;".

3. **Clause 2.1.8**

   Amend the definition of "the Company" by replacing the existing wording with "Exxaro Resources Limited (Registration number 2000/011076/06);"

4. **Clause 2.1.12**

   Amend the definition of "Employee" by deleting the words "including a Director (executive and non-executive) of the Group;"

5. **Clause 2.1.23**

   Amend the definition of "Participant" by deleting the words "but excludes non-executives who are members of the Committee"

6. **Clause 2.1.32**

   Amend the definition of "the Scheme" by replacing the existing wording with "the Exxaro Resources Limited Share Appreciation Right Scheme 2006 constituted by this document, as amended from time to time;"

7. **Clause 2.6**

   Add a new clause 2.6 which reads as follows:

   "2.6 Where required, the meaning of any expression not specifically included in the definition clause shall be interpreted based on the meaning of such expression as applied in the human resources policies and procedures of the Company."

8. **Clause 3**

   Replace clause 3 in its entirety by the following new clause 3:

   "3. THE SCHEME

   The Exxaro Resources Limited Share Appreciation Right Scheme 2006 is hereby constituted. The Scheme shall be administered for the purpose and in the manner as set out herein."

9. **Clause 5.1**

   Replace clause 5.1 in its entirety by the following new clause 5.1:

   "5.1 Shares available for the Scheme

   Subject to the provisions of clause 9, the aggregate number of Shares which may be allocated under the Scheme when added to the total number of unexercised SARs allocated previously under this Scheme and any Shares allocated to employees under any other managerial share scheme operated by the Company, shall not exceed 30 000 000 (thirty million) and this number may not be exceeded without shareholders' approval as envisaged in clause 16.2. Notwithstanding the afore going, Shares which are not subsequently issued to a Participant for whatever reason, will revert back to the Scheme."

10. **Clause 5.2**

    Delete clause 5.2 in its entirety.

11. Clause 5.3

Amend the numbering of clause 5.3 to read 5.2 and replace clause 5.3.1 in its entirety by the following new clause 5.2.1:

"5.2 Individual limit

5.2.1 The maximum number of Shares allocated to all unvested awards granted to any Participant, in respect of this Scheme and any other managerial scheme operated by the Company, shall not exceed the limit determined from time to time by the directors, which number of shares shall not exceed 600 000 (six hundred thousand).

Amend the numbering of clause 5.3.2 to read 5.2.2.

Amend the numbering of clause 5.3.3 to read 5.2.3

12. New Clause 5.3

Add a new clause 5.3:

"5.3 Adjustments to number of shares and limits

5.3.1 The Committee must adjust the maximum number of Shares which may be allocated under the Scheme as per clause 5.1 above on a proportionate basis to take account of a sub-division or consolidation of shares; and

5.3.2 the Committee may, without the prior approval of shareholders in a general meeting, adjust the maximum number of Shares allocated to all unvested awards granted to any Participant as per clause 5.2.1 above on a proportionate basis to take account of any capitalisation issue, special dividend, rights issue or reduction of capital;

provided that the Auditors shall confirm in writing to the JSE, at the time that such adjustment is finalised, that any adjustment has been properly calculated on a reasonable and equitable basis. Such adjustment should give a Participant the same proportion of the Company's share capital as that to which he would have been entitled prior to the adjustment.

5.3.3 The issue of shares as consideration for an acquisition, the issue of shares for cash and the issue of shares or a vendor consideration placing will not be regarded as a circumstance requiring adjustment in terms of clauses 5.3.1 and 5.3.2 above.

5.3.4 Any adjustment made in accordance with 5.3.1 and/or 5.3.2 above will be reported in the Company's annual financial statements for the period during which the adjustment is made."

13. Clause 6.1

- Change the heading of clause 6.1 to read as follows:
  "Time when SARs may be granted and basis of Grant"
- Include a clause number 6.1.1 in respect of the existing paragraph under clause 6.1.
- Add the following wording to the end of clause 6.1.1:
  "The Grant made as contemplated herein will be dated as at the date of the decision of the Committee to make the Grant and no back-dating of Grants will be allowed under any circumstances."
- Amend the wording of clause 6.1 by adding the following paragraph at the end of the existing clause as clause 6.1.2:
  "6.1.2 A Grant as contemplated above will be made annually on the basis of:
  6.1.2.1 the Participant's grade and annual income;
  6.1.2.2 the Performance Condition as approved by the Committee having been satisfied; and
  6.1.2.3 market related benchmarks."

14. Clause 7

Amend clause 7 by deleting clauses 7.4 to 7.9.

15. Clause 9

Replace clause 9 in its entirety by the following new clause 9:

"The main intention of the Scheme is to settle the benefits by delivering Shares to the Participant. The Company may, on the instruction of the Committee and the Directors, settle the SARs by issuing new shares, subject to the provisions of clause 5. Alternatively the Participating Company will, on instruction of the Committee and the Directors, procure the funds for the purchase of the Shares in the market and will instruct any third party to acquire and deliver the Shares to Employees employed by such Participating Company. Any Shares so acquired through the market will not be taken into account when calculating the number of shares utilised by the Scheme as envisaged in clause 5.1 above.

Notwithstanding the foregoing, the Participating Company may, on instruction of the Directors and the Committee, and as a fallback provision only, pay any Participant an equivalent amount in cash in lieu of any Shares."

16. Clause 10.1

Amend the wording of clause 10.1 by:

- Deleting the heading "General" and replace with "Resignation and dismissal"
- Deleting wording of clause 10.1 in order for clause 10.1 to read as follows:
  "If a Participant's employment with any Participating Company terminates for any lawful reason other than as set out in clause 10.2, all unexercised (Vested and Unvested) SARs will lapse on such cessation."

17. Clause 10.2

Amend the heading of clause 10.2 by deleting the words "or any other circumstances which the Committee may consider appropriate" and include the word "or" before "death . . .".

Amend the wording of clause 10.2 by deleting the words "or any other circumstances which the Committee may consider appropriate" and include the word "or" before "death . . .".

18. Clause 11

Add a new clause 11.4:

"11.4 If the Company is placed in liquidation for purposes other than reorganisation, the Grant shall ipso facto lapse from date of liquidation."

19. Clause 14

Amend clause 14.1 by adding the following wording:

"It is specifically recorded that the provisions of paragraphs 3.63 to 3.74 of the JSE Listings Requirements will apply *mutatis mutandis* to any dealings by the Company or the Scheme involving Shares relating to the Scheme."

Add a new clause 14.11:

"14.11 Shares will only be issued or purchased as contemplated in clause 9 above once a Participant has been formally identified."

20. Clause 16.2

Replace clause 16.2 in its entirety by the following new clause 16.2:

"16.2 Subject to the provisions of clause 16.3 below, the provisions relating to:

16.2.1 the category of persons to whom or for the benefit of whom securities may be purchased or issued under the Scheme (the Participants);

16.2.2 the maximum number of shares as contemplated in clause 5.1 above;

16.2.3 the maximum number of shares as contemplated in clause 5.2 above;

16.2.4 the amount, if any payable on application or acceptance of the SAR;

16.2.5 the basis for determining the price, if any and regardless of the form it takes, payable by Participants and the period after or during which such payment must be made;

16.2.6 the voting, dividend, transfer and other rights, including those arising on a liquidation of the Company, attaching to the Shares;

16.2.7 the basis upon which the Grants are made;

16.2.8 the treatment of Grants (Vested and Unvested) in instances of mergers, takeovers or corporate actions;

16.2.9 the rights of Participants who leave the employment of the Company or Participating Company whether by termination, resignation, retirement or death insofar as their early departure from the Scheme is concerned; and

16.2.10 the provisions of this clause 16.2,

may not be amended without approval by ordinary resolution of shareholders of the Company, holding not less than 75% of all the voting rights cast at the general meeting where the approval is sought by shareholders present or represented by proxy at the general meeting."

21. Clause 16.5

Amend the wording of clause 16.5 by adding the words "Subject to the provisions of clause 16.2, the Committee…" at the beginning of the clause.

22. Clause 16.6

Correct the number of this clause to read "16.6".

APPENDIX 3

AMENDMENTS TO THE RULES OF THE EXXARO RESOURCES DEFERRED BONUS PLAN

The rules of the Exxaro Resources Deferred Bonus Plan ("the DBP") be and are hereby amended as follows:

1. **Name of Plan**

   Change the name of the Plan from "Newco Company Deferred Bonus Plan 2006" to "Exxaro Resources Limited Deferred Bonus Plan 2006".

2. **Clause 2.1.1**

   Amend the definition of "the Act" by adding the words "or as replaced in its entirety;".

3. **Clause 2.1.8**

   Amend the definition of "the Company" by replacing the existing wording with "Exxaro Resources Limited (Registration number 2000/011076/06);"

4. **Clause 2.1.12**

   Amend the definition of "Employee" by deleting the words "including a Director (executive and non-executive) of the Group;"

5. **Clause 2.1.21 (new)**

   Insert a new clause 2.1.21 to read as follows:

   "2.1.21 "Matching Shares" the Shares forming part of the Matching Award;"

6 **Clause 2.1.22**

   Amend the definition of "Participant" by deleting the words "but excludes non-executives who are members of the Committee"

7. **Clause 2.1.24**

   Amend the definition of "Plan" by replacing the existing wording with "the Exxaro Resources Limited Deferred Bonus Plan 2006 constituted by this document, as amended from time to time;"

8. **Clause 2.1.25**

   Amend the definition of "Pledge Period" by deleting the words "Letter of Grant" and replacing these with the words "Offer to Participate"

9. **Clause 2.6**

   Add a new clause 2.6 which reads as follows:

   "2.6 Where required, the meaning of any expression not specifically included in the definition clause shall be interpreted based on the meaning of such expression as applied in the human resources policies and procedures of the Company."

10. **Clause 3**

    Replace clause 3 in its entirety by the following new clause 3:

    "3. THE PLAN

    The Exxaro Resources Limited Deferred Bonus Plan 2006 is hereby constituted. The Plan shall be administered for the purpose and in the manner as set out herein."

11. **Clause 4.3**

    Insert the following at the end of clause 4.3: "Such selection will be made based on the Employee's seniority and performance."

12. **Clause 5.1**

    Replace clause 5.1 in its entirety by the following new clause 5.1:

    "5.1 Shares available for the Plan

    Subject to the provisions of clause 10, the maximum number of Matching Shares which may be allocated under the Plan when added to the total number of unvested Matching Awards allocated previously under this Plan and any Shares allocated to employees under any other managerial share scheme operated by the Company, shall not exceed 30 000 000 (thirty million) and this number may not be exceeded without shareholders' approval as envisaged in clause 17.2. Notwithstanding the afore going, Matching Shares which are not subsequently issued to a Participant for whatever reason, will revert back to the Scheme."

13. **Clause 5.2**

    Delete clause 5.2 in its entirety.

14. Clause 5.3.

– Amend the numbering of clause 5.3 to read 5.2 and replace clause 5.3.1 in its entirety by the following new clause 5.2.1:

"5.2 Individual limit

5.2.1 The maximum number of shares allocated to all Unvested awards granted to any Participant, in respect of this Plan and any other managerial scheme operated by the Company, shall not exceed the limit determined from time to time by the directors, which number of shares shall not exceed 600 000 (six hundred thousand).

– Amend the numbering of clause 5.3.2 to read 5.2.2

– Amend the wording of clause 5.2.2 by deleting the word "Grant" at the end of the paragraph and replacing this with the word "Offer".

– Amend the numbering of clause 5.3.3 to read 5.2.3

15. New Clause 5.3

Add a new clause 5.3:

"5.3 Adjustments to number of shares and limits

5.3.1 The Committee must adjust the maximum number of Matching Shares which may be allocated under the Plan as per clause 5.1 above on a proportionate basis to take account of a sub-division or consolidation of shares; and

5.3.2 the Committee may, without the prior approval of shareholders in a general meeting, adjust the maximum number of shares allocated to all Unvested awards granted to any Participant as per clause 5.2.1 above on a proportionate basis to take account of any capitalisation issue, special dividend, rights issue or reduction of capital;

provided that the Auditors shall confirm in writing to the JSE, at the time that such adjustment is finalised, that any adjustment has been properly calculated on a reasonable and equitable basis. Such adjustment should give a Participant the same proportion of the Company's share capital as that to which he would have been entitled prior to the adjustment.

5.3.3 The issue of shares as consideration for an acquisition, the issue of shares for cash and the issue of shares or a vendor consideration placing will not be regarded as a circumstance requiring adjustment in terms of clauses 5.3.1 and 5.3.2 above.

5.3.4 Any adjustment made in accordance with 5.3.1 and/or 5.3.2 above will be reported in the Company's annual financial statements for the period during which the adjustment is made.

16. Clause 6.1.1

Amend the wording of clause 6.1.1 by adding the following sentence at the end of the clause:

"The Offer made as contemplated herein will be dated as at the date of the decision of the Committee to make the Offer and no back-dating of Offers will be allowed under any circumstances."

17. Clause 6.2.1.1

Amend the wording of clause 6.2.1.1 by adding the following at the end of the existing clause:

". . . Pledged Shares, which amount shall be calculated based on the Participant's grade."

18. Clause 6.2.4

Delete the wording of clause 6.2.4 in its entirety and replace with the following new clause 6.2.4:

"6.2.4 An Offer to Participate accepted by an Employee will take effect from the Date of Offer. An Offer to Participate which is not accepted by an Employee within the period referred to in clause 6.2.2.2, will lapse and will be deemed never to have been offered. No consideration is payable on the lapse of the Offer."

19. Clause 7.5

Amend the wording of clause 7.5 by adding the words "Subject to clause 7.6 below." at the beginning of the clause.

20. Clause 7.6 (new)

Insert a new clause 7.6 to read as follows:

" 7.6 Notwithstanding the above the Participant shall have no voting rights in respect of the Pledged Shares until such time as the Pledged Shares are either released or withdrawn, whatever the case may be, from the escrow."

21. Clause 9.7

Delete clause 9.7 with the heading "Special Circumstances" in its entirety.

22. Clause 10

Replace clause 10 in its entirety by the following new clause 10:

"The Company may, on the instruction of the Committee and the Directors, settle the Matching Award by issuing new shares, subject to the provisions of clause 5. Alternatively the Participating Company will, on instruction of the Committee and the Directors, procure the funds for the purchase of the Shares in the market and will instruct any third party to acquire and deliver the Shares to Employees employed by such Participating Company. Any Shares so acquired through the market will not be taken into account when calculating the number of shares utilised by the Plan as envisaged in clause 5.1 above."

23. Clause 11.1

Amend the wording of clause 11.1 by:

- Deleting the heading "General" and replace with "Resignation and dismissal"
- Deleting the reference to "10.2" and replace with "11.2"
- Deleting the words "unless the Committee decides otherwise."
- Adding the following to the end of clause 11.1:
  – "Pledged Shares shall be released to the Participant as soon as reasonably possible."

24. Clause 11.2

Amend the heading of clause 11.2 by deleting the words "or any other circumstances which the Committee may deem appropriate" and by adding the word "or" before the word "death";

Amend the wording of clause 11.2 by:

- deleting the words "or any other circumstances which the Committee may deem appropriate" and by adding the word "or" before the word "death"; and
- inserting the words "the Committee may"

25. Clause 12

Add a new clause 12.4:

"12.4 If the Company is placed in liquidation for purposes other than reorganisation, the Matching Award shall ipso facto lapse from date of liquidation."

26. Clause 15

Amend the wording of clause 15.1 by adding the following wording:

"15.1 It is specifically recorded that the provisions of paragraphs 3.63 to 3.74 of the JSE Listings Requirements will apply *mutatis mutandis* to any dealings by the Company or the Plan involving Shares relating to the Plan."

Add a new clause 15.11:

"15.11 Shares will only be issued or purchased as contemplated in clause 10 above once a Participant has been formally identified."

27. Clause 17.2

Replace clause 17.2 in its entirety by the following new clause 17.2:

"17.2 Subject to the provisions of clause 17.3 below, the provisions relating to:

17.2.1 the category of persons to whom or for the benefit of whom securities may be purchased or issued under the Plan (the Participants);

17.2.2 the maximum number of shares as contemplated in clause 5.1 above;

17.2.3 the maximum number of shares as contemplated in clause 5.2 above;

17.2.4 the voting, dividend, transfer and other rights, including those arising on a liquidation of the Company, attaching to the shares and to any Matching Awards;

17.2.5 the basis upon which the Matching Awards are made;

17.2.6 the treatment of Matching Awards (vested and unvested) in instances of mergers, takeovers or corporate actions;

17.2.7 the rights Participants who leave the employment of the Company or Participating Company whether by termination, resignation, retirement or death insofar as their early departure from the Plan is concerned; and

17.2.8 the provisions of this clause 17.2,

may not be amended without approval by ordinary resolution of shareholders of the Company, holding not less than 75% of all the voting rights cast at the general meeting where the approval is sought by shareholders present or represented by proxy at the general meeting."

28. Clause 17.5

Amend the wording of clause 17.5 by adding the words "Subject to clause 17.2, the Committee . . ." at the beginning of the clause.

FORM OF PROXY

EXXARO
POWERING POSSIBILITY

EXXARO RESOURCES LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 2000/011076/06)
JSE share code: EXX
ISIN code: ZAE000084992
ADR Code: EXXAY
("Exxaro" or "the company")

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 10:30 on Friday, 21 May 2010, at the Exxaro Corporate Centre, Roger Dyason Road, Pretoria West, Gauteng, 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 10:30 on Friday, 21 May 2010 at the Exxaro Corporate Centre, Roger Dyason Road, Pretoria West, Gauteng, South Africa 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 2009 audited group financial statements			
2. Resolution to re-appoint Deloitte & Touche as auditors and to appoint BW Smith as the designated audit partner			
3. Resolution to authorise the directors to determine auditors' remuneration			
4. Resolution to re-elect director required to retire in terms of article 15.2 of the articles of association			
4.1 CI Griffith			
4.2 N Langeni			
5. Resolution to re-elect directors required to retire by rotation in terms of article 16.1 of the articles of association			
5.1 JJ Geldenhuys			
5.2 U Khumalo			
5.3 RP Mohring			
6. Resolution to approve non-executive directors' remuneration for the period 1 January 2010 to 31 December 2010			
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 in terms of a general authority			
9. Resolution to approve amendments to the 2006 Incentive Plans			
10. Resolution to authorise directors to issue and allot shares in terms of the 2006 Incentive Plans			
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 ______________ 2010

Signature ______________________________

Assisted by me, where applicable (name ("Exxaro" or "the company") ______________________________

and signature) ______________________________

Please read the notes on the reverse side hereof.

NOTES TO THE FORM OF PROXY

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 meeting either in person or by proxy, the person whose name first appears in the register shall be entitled to vote.

ADMINISTRATION

Secretary and registered office
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Roger Dyason Road
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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	
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/April
Interim dividend declaration	August
Payment	September

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BASTION GRAPHICS

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.